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Good morning and welcome to our nine months' sales conference. Thank you all, the people present in the room and also the people following us on the phone and web cast, for your interest in our company. I am sharing the podium with Wang Ling, our CFO and the members of our executive board are here in the front row. Some with new responsibilities and we will go back to that later.

We have for the first time also here Heiko Schipper, who has assumed as Deputy Executive Vice President for Nestle Nutrition and as member of the Executive Board. We have also for the first time Greg Behar, who has assumed as CEO Nestlé Health Science, and Humberto Antunes, who has been linked with the company for quite a while, 50% or 100% responsible Nestlé’s Skin Health. So welcome to you too. You will all join us later for the question and answer session.

You have seen the results, our sales results for the nine months year-to-date September, and Wan Ling is going to get more in details with you on this, but I would say these are good and solid broad-based figures, organic growth of 4.5%. That in an environment that if I would be asked to say there is no tailwinds, a lot of volatility. We hear, read, so I do not have to get in details there.

I want to centre this press conference in the sense of how do we as a company deliver today? Every day delivering results in short-term, yet at the same time not being pressured by the pressures of the outside, of the externalities, of the environment, of the volatility and keeping also the line on strategic direction. Keep the long-term view in spite of the short-term pressures.

Before that I want to give the floor to you now Wan Ling to walk us through the nine-month sales results.

Thank you Paul. Good morning to everyone with us here in Vevey and good morning and good afternoon to those of you tuning into the web cast

I’ll take the safe harbour statement as read.

As Paul has already mentioned, the 9 months sales were 66.2 billion CHF. Currency continues to be a factor and the strong Swiss franc had a very meaningful impact on our sales. FX year to date was minus 7.5%, albeit slightly lower than the minus 8.8% we saw at the half year.

As I said at the half year we are operating in a tough and volatile environment. An environment in which we have delivered a well-balanced organic growth of 4.5%, with 2.3% real internal growth.
Where necessary we have taken pricing. As you all know the currency moves we have seen this year have been extreme. We have also seen some input cost inflation. The necessary pricing actions have therefore had an impact on real internal growth.

Then you have the continued deflationary pressures and weak consumer sentiment in developed markets. We have also seen a continued slowdown in some emerging markets. Take all this together and you have a very challenging environment. As Paul said, an environment that is lacking in tailwinds.

Having said all that, the actions we have taken and the fact that we continue to do the right things will sustain our long-term growth path. Despite the tough environment, and in view of our year-to-date results, we are still aiming for organic growth of around 5% for 2014 with improvements in margins, underlying earnings per share in constant currencies and capital efficiency.

First let’s take a look at what contributed to our growth from a regional perspective.

--- Slide 6 – Broad based regional Growth ---

Organic growth in the Americas was 5.1%. In Europe we had 1.4% the same as the half year. In Asia, Oceania and Africa we had a slightly slower growth of 6.5%.

Real internal growth was 1.9% in the Americas, 2% in Europe and 3.1% in AOA.

Each region has its own opportunities and challenges that we will look at in more detail when I discuss our Zones and globally managed businesses.

--- Slide 7 – Developed and Emerging markets growth ---

Before I start with the Zones, here we have our usual split by emerging and developed markets. We have seen a continuation of the emerging markets growth at 9.5% AND our developed markets still positive at half a percent.

At the risk of repeating myself, especially since we discussed this just a couple of months ago at the half-year presentation, you know that the consumer sentiment around the world is weak, and in many cases deteriorating.

In the developed markets the trading environment is difficult. Many countries continue to be affected by deflationary pressures. So when you look at our growth of half a percent in developed markets it really is a good result given the context.

However, it is our intention to continue to improve and make sure that our business evolves to accommodate the consumer’s needs of tomorrow. You only need to look at the great growth rates of our innovations to see that we have the formula to grow even in the most challenging of circumstances.

Looking at the emerging markets. The 9.5% organic growth at the 9 months shows a similar performance to the half year where we delivered 9.7%. Many emerging markets continue to perform well particularly in South Asia, South East Asia and Central West Africa.

We have seen a subdued consumption in some of our larger markets. As we said at the half year, China remained soft in some categories. I know Paul is going to talk in more detail about how our company is evolving to meet the challenges of tomorrow.
Well, we are also adjusting quickly to make sure we can deliver today. It is this balance that we strive for in every market – delivering today while at the same time maintaining the long-term perspective. The fact that we are still growing in emerging AND developed markets is testament to the successful execution of our strategy.

On that note, let’s now look at our business in more detail. Starting with the Zones and Zone Europe.

**Slide 8 – Zone Europe**

Zone Europe had an organic growth of 1% with real internal growth of 2%. Showing an improvement in pricing as we have gone through the year.

Western Europe was a mixed picture in terms of growth. The consistent factors each market shared were great growth from Nescafé Dolce Gusto and Frozen Pizza compensating for a generally tough season for Ice Cream. France and Iberia have performed well year-to-date, especially in chilled for France and ambient Culinary for Iberia. Benelux and Austria are another two areas where we have seen good growth.

In Germany we had slow sales in Ice Cream, Chilled Culinary and to a lesser extent our largest category, Ambient Culinary with Maggi. This was partially offset by growth in Frozen Pizza.

The Great Britain region continued to see declines in the Confectionery category and Italy had a very poor Ice Cream season.

The growth in Eastern Europe was again driven by Russia. We had a strong performance in most categories there, most notably in Confectionery and Coffee where Nescafé Gold and Nescafé Dolce Gusto are both performing well.

Hungary also had a good performance in Coffee and Ambient Culinary, in particular the soups and seasonings. The Ukraine maintained a resilient performance despite the geopolitical situation.

Other parts of Eastern Europe including Poland, and the Czech-Slovak region are seeing some signs of improvement, but overall the growth is still slow.

I’ve already mentioned Nescafé Dolce Gusto more than once, but PetCare is another category worth calling out as a highlight across the Zone. The innovations we have rolled out, especially with Felix, ONE, Gourmet, and Snacks continued to drive the growth in this very dynamic category.

**Slide 9 – Zone Americas**

Now looking at Zone Americas. The Zone had organic growth of 4.8% versus 4.9% at the half year, and had 1.1% real internal growth.

The different growth dynamics of North and Latin America remain. Overall, the positive growth came mainly from performances in PetCare, Ambient Dairy and Creamers.

Pricing, mainly in Latin America, reflected the general economic environment and had an impact on real internal growth, as expected.
The North American business benefitted from innovations across several categories. To give you a sense of our range of innovations, they included: Crispy Thin Crust Frozen Pizzas, super premium Gelato Ice Cream, Outshine bars at 35 to 40 calories; my personal favourite, Butterfinger cups in Confectionery, the continued roll-out of new flavours for Coffee-Mate and the launch of Beyond in the natural segment for PetCare.

I also have to add that unfortunately the trends we’ve seen in the Frozen Food segment remained unchanged and continue to overshadow good performances elsewhere in North America.

In Latin America the overall trading environment was subdued. Brazil had good growth in the largest category, Ambient Dairy, particularly in growing up milks, and we had double digit growth with Kit Kat in a highly competitive confectionery category.

Nescau had solid growth and Coffee, in particular Nescafé Dolce Gusto, also performed well.

As we said at the half year, Mexico was affected by the changes in fiscal legislation. In addition, Ice Cream suffered due to the poor weather there this summer.

On the positive side, across the region PetCare continued to perform exceptionally well, and Dog Chow and Pro Plan lead the growth.

**Slide 10 – Zone AOA**

Moving on to Zone Asia, Oceania and Africa. We had 3.5% organic growth and 0.7% real internal growth. Obviously a slowdown from where we were at the half year.

If you look at where we have our main challenges, they are in China and Oceania. It is important to emphasize though that while the softening we have seen in China in several categories is not showing signs of real improvement yet, we remain very confident on the long-term prospects for the businesses there.

In fact, if you look at the Food and Beverage sector as a whole in China, it has been slowing, and we obviously do not operate in isolation. Oceania’s challenges are very different and they’re in the form of a very difficult trading environment.

Overall though, with the exception of China and Oceania, we can see that growth across all other markets was in the mid to high single digits. This was even despite the political unrest in several countries that obviously had an impact.

Real internal growth was also affected by increased pricing taken to compensate for the currency movements we have seen, as well as input costs of some commodities.

For emerging markets, the Philippines, Turkey, Pakistan and many markets in Central and West Africa we saw strong performances.

Ambient Culinary grew well in the majority of markets, the Maggi brand being the category champion in many places around the world. It’s something that continues to do very well.

In Cocoa and Malt Beverages, I’m happy to report that Milo has had another good period of growth, it was one of my favourite brands growing up.

Another large category for the Zone, Coffee, also delivered solid growth. For Confectionery, the Middle East and Africa grew well, helping to compensate for the slower businesses in China and Oceania.
Looking at the Zone’s developed markets, Japan continued to deliver positive growth, thanks to really innovative new business models, such as our ambassador programme for the Nescafé Barista machine. We now have over 100,000 ambassadors! I’m also happy to report that Kit Kat in Japan continued its growth momentum despite very tough comps to last year.

For Oceania, I have already mentioned the tough trading conditions. I’d like to add though that we continue to bring value added innovations to the market. In fact, for the zone as a whole, the premium businesses and innovations were again the highlights. Nescafé Dolce Gusto continues to be rolled out across the Zone and delivered double-digit growth. Other new launches like Yinlu Walnut Milk in China, new portioned packs of Milo and low fat Carnation Cooking Cream in Australia, and Felix cat food, all performed well.

Slide 11 – Nestlé Water

Moving on to Nestlé Waters. With 5.1% organic growth and 5.8% real internal growth Nestlé Waters’ developed and emerging markets again delivered a solid performance.

The good growth in U.S. retail came from our regional spring waters such as Ozarka and Deer Park, and of course our international sparkling brands Perrier and S. Pellegrino, even though the U.S. remains very competitive and price sensitive.

Here in Europe I think we have all felt the impact of the cooler summer weather, so it is remarkable that our Waters business in Europe continued to show resilient growth year to date. The UK, France, and Belgium were the highlights.

Pricing is also a challenge in Europe as it is in the U.S., but our portfolio of strong local brands, premium international brands and Nestlé Pure Life is delivering solid real internal growth.

Our emerging markets delivered double-digit growth with strong performances in Egypt and Turkey, and Nestlé Pure Life.

Slide 12 – Nestlé Nutrition

Nestlé Nutrition had an organic growth of 7.8%, 3.4% of which was RIG. Infant Formula and Infant Cereals both delivered double-digit growth.

Emerging markets sustained their double digit performance even though there were impacts on our supply chain in the Middle East from the political unrest in the region.

The developed markets saw some softness in the Meals and Drinks category. For those of you who missed our last two calls, one of the contributing factors to a slower RIG in our U.S. business is that we have refocused the attention to value generation. This is reflected in tough comparisons for our real internal growth.

From a brand perspective, the Gerber pouches for meals and drinks continued to do well and Cerelac in many markets drove the growth for Infant Cereals, especially in South Asia and Africa.

For infant formula the innovations behind NAN, along with our premium and super premium brands S26 and Illuma continue to differentiate us from competition.

Slide 13 – Other
Moving on now to our other businesses they delivered 6.6% organic growth, with 4.9% real internal growth.

Nestlé Professional’s Emerging markets continued to compensate for the low growth environments in Western Europe and North America. The Beverage Solution business delivered good performances with Nescafé Alegria and the Dessert Solutions drove growth for the Food business.

Nespresso continued to grow in the markets where it is well established, in addition to the growth from geographic expansion with new boutiques opening around the world. I am happy to report that both the Inissia machine and the VertuoLine launches are on track and so far have been very well received by consumers. We have also continued to enhance the range of Grand Cru coffees with new limited editions such as Cubania.

Nestlé Health Science grew in all regions. This global growth came despite the pressure on public sector health care budgets around the world. From a product and brand perspective the key drivers included Peptamen, Impact and Boost.

Just a quick comment on Nestlé Skin Health: the numbers are now included as of 1st July. Galderma had a good performance, very much in line with our expectations.

**Slide 14 – Summary**

In summary, 4.5% organic growth in today’s environment is solid growth. 9.5% in growth in Emerging markets is solid growth. Even being able to achieve 0.5% in Developed markets despite all the headwinds is a credit to our people. We have achieved this growth by doing the right things for the long-term: taking pricing where we need to take pricing; continuing to invest behind our brands; and staying the course of our strategy to increase our category focus. At the same time, we were reshaping ourselves to ensure that we have the right dynamics and internal organisation in place to continue to deliver over the long-term.

With all that in mind, with the figures we have presented today we aim to end 2014 with organic growth around 5%, improvements in margins underlying earnings per share in constant currencies and capital efficiency.

With that I will hand it back over to Paul.

**Paul Bulcke, Nestlé SA, Chief Executive Officer**

**Slide 15 – Title**

Thank you Wan Ling. I do not have to repeat it: it is no [inaudible] out there. Growth is not picking up in Developed markets and some of the engines are actually starting to splutter there a little bit too.

In the Emerging markets we see some softening. We have political turmoil, unrest, conflicts. We have Ebola too, and so many reasons. Actually in these situations the biggest challenge a company has is how do we cope with that short-term and keep the eyes on the long-term perspective, the strategic direction of a company? That is something that I want to dedicate some time with you.
Slide 16 – Nestlé Enhancing people’s quality of life

Our strategic direction as a company is well known. We have been able to share that with you on several occasions. Nestlé is all about we want to be the pre-eminent Nutrition and Wellness company. That translates in looking for enhancing people’s quality of life, to do that through that agenda of Nutrition; Health and Wellness and drive that with science-based innovation. That is what we want to be. That is actually what we do with our Food and Beverage business. That is what we are. That is what we have been doing for almost 150 years now. It is driving or enhancing lives by offering tastier and healthier food and beverage choices for all stages of life, for every moment of the day, and allowing the consumer to care for himself and the family. That is what Good Food, Good Life stands for.

Slide 17 – Good Food, Good Life

A few phrases only, a lot of work. We have many portfolios. We have many products and actually that is where our whole agenda of 60/40+ is being driven through, this bringing taste and pleasure through food and beverages and do that in a responsible way, bringing in a nutritional benefit in these products.

It is a lot of R&D, a lot of investment going into that. The last five years we have for example reformulated over 30,000, almost 35,000 products in the direction of more nutritional arguments and better taste. Micro-fortification is linked to that. Our communication and transparency in labels, GDAs, are linked to that. Our policies of reduction of salts and saturated fat and sugar is linked to that. Many, many actions are linked with driving that agenda. That is what we are known for. That is Good Food, Good Life.

Slide 18 – Expanding the boundaries of NHW – Nestlé Health Science

Now, four years ago we announced and created Nestlé Health Science, and at the same time also Nestlé Institute for Health Science. That was actually playing into two dimensions. First in society we saw, and there are trends and needs in society that are shaping and framing it in such a way, that it creates an opportunity for us. Just think about health and how health is treated and how healthcare systems are costing to society increasingly more. Also aging populations and other demographic trends are playing into that.

Another trend was that science and scientific platforms are converging in such a way that they allow answers to many of the challenges society is facing that we can play into. That is the opportunity we want to play into with science-based nutritional solutions that will transform health and the healthcare continuum and the way consumers, also patients and professionals, are using nutrition in managing health. That is what Nestlé Health Science stands for.

Slide 19 – Expanding the boundaries of NHW

In the last four years we have made good progress. In a few years’ time we have first of all built upon the existing medical nutrition that we had. We have set up Nestlé Health Science, brought in the people, the talent. We have been defining our strategic direction in the different platforms that we want to focus on to develop: gastrointestinal, aging, metabolic,
and others. We have built the Nestlé Institute for Health Science, where we want to bring in the R&D, the knowledge, the links with the knowledge in the world, the nutritional science that will be the basis of development later on.

Actually at the same time we have been driving the business we had with quite a lot of innovation. In other words, we have been building our capabilities, and that is what Luis Cantarell has been helping to set up there.

**Slide 20 – Expanding the boundaries of NHW – Nestlé Skin Health**

Now, this year we have another announcement and another important building stone for the future for us. This year, by bringing Galderma that we had in a joint venture with L’Oréal 100% into Nestlé, we had the base of creation of Nestlé Skin Health, further extending actually the boundaries of our agenda of Nutrition, Health and Wellness.

**Slide 21 – Growing skin health needs**

Skin is the biggest and the most obvious barometer of the health, the perceived and the real health of people. With Nestlé Skin Health we are going from merely treating the skin to truly caring for the health of the skin with scientifically proven products and solutions over the course of people’s lives.

That is pretty much also what our strategy of Nestlé is. We can build upon a fantastic portfolio of products and brands, prescription, self-medication in dermatology with Galderma.

Galderma then is a business that is leading this field, which has six manufacturing facilities in the world. That is five R&D centres that are driving the innovation pipeline and also their differentiation from the competition. There are 5,000 employees, passionate employees, in 80 countries and 34 affiliates.

It is something that has presence, has leadership in their category and their field. Again, it is a profitable growth platform; if you just see today the market is approximately $135 billion, out of a global market of skincare of $250-260 billion.

It is a promising market. It is growing also. The fundamentals of growth are there; population growth but also ageing is linked to that.

**Slide 22 – Meeting patients’ dermatological needs throughout life**

The skin is indeed the largest organ that has to be cared for of the human body. It presents for Nestlé this interesting intersection between food, genetics and the environment. That is why we have this keen interest. With Nestlé Skin Health we have a concrete, factual leading position with a complete range of innovative products to maintain, nourish and treat, enhance and restore health of skin.

We have been very active. In the few months we have had it already we have launches like Mirvaso, the expansion of Daylong. We have acquired also the full rights in the meantime of Restylane, Perlene and Emervel and Dysport in USA and Canada. We have been building also additional partnerships with third parties and others for R&D.

**Slide 23 – Keeping long term directions, while delivering short term - Roadmap**
Indeed, when we put together our Food and Beverage business which is what we are known for and what we do there and bring in nutritional elements. By setting up Nestlé Health Science, by now having Nestlé Skin Health that is really our strategic direction we are building up, building the capabilities, building also the possibilities to be effective in winning there. That is what is at the centre of our roadmap, the famous roadmap that I shared with you over the last years. That is actually shaping what we want to be as a company. It is also defining what we are going to leverage to competitive advantages, where we want to grow when.

You see it. Nutritional Health and Wellness was third growth pillar that actually has a tremendous value promise for the future and growth from us. Also saying, how we are going to do that effectively and efficiently? That is what keeps ourselves sharp on the long-term yet at the same time allows us to deliver on the short-term. That gives us our priorities. That gives us our alignment internally.

**Slide 24 – Keeping long term directions, while delivering short term - Priorities**

At the same time, we have said with the pressures of the last so many years, six years, actually six years of crises also. We have to have our priorities right. The new reality, as we have called it at the time, linked with all the trends, all the tensions, all the possibilities and opportunities that are facing us. I am not going to walk through them, but last year I was sitting here in front of you and saying, ‘Considering what we want to be and our strategic direction, considering the six priorities that are answering a reality that is different than yesterday.’

**Slide 25 – Focus Areas**

We have and I have personally three focus areas on my desk. That was strengthening our portfolio, allocating our resources well, and then also mastering the complexity, the complexity that we have by what we are, a player in different categories. Also geographically playing in every region and seeing the externalities. There is complexity. How do we manage that? How do we master that, not only managing that?

In the last 12 months we have come quite a long way already on these focus areas, and I want to share with you a few of them just to show what is strengthening this company also short term and long term.

**Slide 26 – Strengthening portfolio – Cells and SKU's**

The first one was strengthening our portfolio, and we had been working on portfolio many years but we have sharpened the portfolio management tool that was going after these three dimensions.

Approach the strategic fit first. You know that we are covering up more than 2,200 cells, cells being a business in a geography in a country. First of all, is there a firm strategic fit long-term again? Is it fitting in our Nutrition, Health and Wellness agenda? Does it allow to project profitable growth? What is the intensity of resources that it needs to get there? These are the three main criteria that we have for judging our cells in our portfolio management tool.
The first thing that we have to answer is our SKU management that we have been driving for many years now. In the last three years for example, we have reduced 30% of SKUs and that in spite of innovation and new launches. Then on the cells where we use these three criteria, there are three possible outcomes. I shared them with you last year.

### Slide 27 – Strengthening portfolio – Divest and Invest

We have to divest something that does not work and does not project of working or fix it or invest. We have done quite a few things already in that. You see the divestment, that these are the visible ones. We have divested Jenny Craig, Alete, Milasan, a few days ago we announced that; also PowerBar, Nestlé Water Home and Office, Europe Direct etc.

We have reshuffled also some joint ventures like DPA (Dairy Partners Americas), so really going for that correcting in our portfolio. At the same time, and the most important part of it is to identify the businesses, the brands, the sales where we want to accelerate, because they have and they entail a lot of promise and they do really deliver on our strategic direction. You will see it, basically coming back to our strategic billionaire brands, the big brands where we have created and put in acceleration plans to actually drive or increase even better their growth performance.

### Slide 28 – Focusing resources on our growth drivers

So we have defined where we want to put the resources, and allocating resources was another one. There again, thanks to the cell methodology that we have, we are able to really allocate where it matters, where it delivers profitable growth. Just a few dimensions of resources – there is many more – but CapEx, the capital expenditures, our marketing support that we put behind brands and R&D. You see there how we are plotting to move our R&D spends, our CapEx, towards I would say it the northeast, from lower growth and lower return to higher growth and higher return.

For example in CapEx, where we have capped last year the CapEx, the capital expenditures, to 4.5% on sales we have had a discipline there actually coming in slightly lower. We maintained that capping because it has created a drive discipline and also discerning evaluations of where we put our money. While we have moved for example from the red box to the green box over the last year, more than 10% of our capital expenditures have been allocated in a better way.

It is the same with R&D, where we move to the northeast putting the right R&D efforts into the dimensions that matter. You see also the marketing support. The more you go into Nutrition, Health and Wellness, the more you have rational arguments and science into your portfolio, the more you have to communicate. So our direct consumer-facing marketing support has increased over the last years, 25% in CHF. These are quite sizeable support increases in the right places. They have been more and narrower and more discerning.

### Slide 29 – Nestlé Infant Nutrition: First 1000 days

Another decision that has been taken or that we are in the process of taking is we have reconfirmed the importance and the commitment of this company to where we actually started, which is with children, the first 1,000 days of life, and see that as a cornerstone of
our agenda of Nutrition, Health and Wellness. It is what we say, ‘Start healthy; stay healthy.’ A good start in life is the cornerstone, is the premise of a healthy life.

We have again the best example for that is the acquisition of Wyeth, where we really reconfirmed by acquiring a geography complimentary to what we already were and also the scientific and consumer benefit platforms with also development arguments that Wyeth was really embracing very well.

**Slide 30 – Nestlé Infant Nutrition: First 1000 days**

We want to strengthen our category focus on that start in life, and we want to bring in our growing up milk, best known with the brand NIDO which is one of our top billionaire brands, that is covering 1–5 years, and bringing that under the management of Nestlé Nutrition.

Nestle Nutrition did not manage that brand, and we felt it would be in really engaging in that good start in life to bring it in there to create a brand continuum with our consumers and also the logical continuum of R&D capabilities that are focused on these first years and ensure category focus and execution in the market of a complete portfolio.

That is going to move to Nutrition. We are in the process of seeing the consequences working in that, and the reporting on that redefined Nestlé Nutrition is going to be at the beginning of next year.

**Slide 31 – Redefining Zones**

In the same vein, a few weeks ago we communicated a redefinition of the zones. That is actually a redefinition of zones after many decades. That is to respond to the new reality and these last years socio-economic developments have changed basically dramatically the face of the world. Countries and regions have developed in different intensity. They had and they do have different growth perspectives that we need to redefine and re-align the dedicated resources to develop the different geographies of the world.

**Slide 32 – Redefining Zones – Europe, Middle East & North Africa**

We also allow in each geographic zone that we have defined the same different dynamics of consumers, Emerging and Developing market dynamics etc. That is why we have taken the decision to put Europe region, the Middle East, Turkey also, Israel and the North East African region, under the leadership of Luis Cantarell so that we have these dynamics all in one zone also.

At the same time it will allow also in the zone AOA, under Nandu (Nandkishore) to really focus on the enormous potential that we have and the enormous complexity that we have and what is AOA. That is key, I must say, that we go and have the right resources, the right management time etc., to develop the huge potential. Just think about the number, the huge potential or the percentage of the world population that is living in that region, which is 75% of the world population. They are working for a better tomorrow. The reporting of this new structure of this new alignment is going to be also 1st January 2015.

**Slide 33 – Nestlé Business Excellence**
Also communicated as a last point is the creation of Nestlé Business Excellence, to put that on Executive Board level under the leadership of Chris Johnson. We are going to bring in Globe, Nestlé Continuous Excellence initiative and Nestlé Business Services under one Executive Board member level. That is basically two dimensions, first leverage our skill better and more effectively but yet at the same time allowing the markets, the front line, to execute and to go for growth in their business and to compete effectively in the market.

**Slide 34 – A decentralised structure close to the consumer**

You know that Nestlé privilege and we will always privilege a decentralised structure, to have the decision-making as close as possible to where consumers are. That is the right structure to reduce complexity. It is the right structure to have decision-making plus an understanding of the market, competing as close as possible to where the markets and where the action is.

**Slide 35 – GLOBE**

We have structures in 150 countries. We are almost sold in every country. We have 450 factories. That has a certain complexity. Actually 14 years ago that was the whole meaning of GLOBE. 14 years ago we established GLOBE with the famous three key objectives. They were to harmonise the business processes. It is to standardise the data management and align our IS or IT systems. It was a key enabler for transparency. It was a key enabler for rolling out best practice, cross-fertilisation. It has become part of our DNA to run this worldwide Nestlé effectively and efficiently. It is actually allowing what we called at the time also this plasma, the networked organisation in a very effective way.

GLOBE continues to evolve, continues to adapt to the new technologies, the new ways of working, the new needs of the business, just think also digital etc. GLOBE as well has as a side-line allowed us also to do that very cost-effectively, as you can imagine with all of our complexity how big that would have been. GLOBE is also – and this is important – the key enabler of many, many things in this organisation. It has been, I would say, the precondition and enabler of, for example, our Nestlé Continuous Excellence.

**Slide 36 – NCE as permanent efficiency driver**

It is a huge initiative, Nestlé Continuous Excellence. We started seven years ago in factories. We extended it four or five years ago beyond operations. It is now covering all functions. I would say 80% of the 340,000 people that Nestlé has are directly involved in projects. We have over 30,000 NCE Nestlé Continuous Excellence improvement projects running. It is a new way of working. It drives the waste out and it has been the base of our permanent each-year-delivering of savings of over 1.5 billion. It is bringing Nestlé to a lean enterprise with focus on the consumer in the middle.

**Slide 37 – Nestlé Business Services**

At the same time we have also – and that is now as from I think seven or eight years ago – established Nestlé Business Services to level up basically what we had in a decentralised
structure, organised locally in each market, to start levelling that up in five regional shared services and one global corporate shared service here in Switzerland.

The services they cover we see there are employee services, financial, workplace solutions, services for procurement, also digital, ecommerce and media, many areas that they are covering more or less to a certain depth. However, we still see significant opportunities to increase the scope, the breadth and depth of the covering of lots of activities by the shared services. That is why we created Nestlé Business Excellence.

Slide 38 – Nestlé Business Excellence

Bringing these three building blocks that do have their place, that are a part of our company, but bringing that under one leadership of Chris Johnson: GLOBE, Nestlé Continuous Excellence, Nestlé Business Services

Slide 39 – Nestlé Business Excellence

Definitely there the equation is going to be not only one plus one plus one equals three. It is going to be five, because that is what we are looking for: to really leverage our scale in a much deeper way. We have taken strides in it. There is still a lot of upside Also leverage our skills and drive faster the best practice through the organisation, serving our markets in a very efficient and effective, cost-efficient way.

For me one of the most important objectives is to really have then the markets back free so that they can really drive their growth, drive their markets best foot forwards, compete even more effectively and efficiently.

Slide 40 – Long term and short term

I hope with that that I could share with you a little bit of insight on this, how does it all work. We have our roadmap and we are building our Nutrition; Health and Wellness agenda. We are building our new platforms that are promising for profitable growth for the future. We are at the same time doing the right things on the longer-term. We are never going to do something now that is at the cost of the long-term strategic direction. We keep the discipline and alignment short-term while delivering long-term.

Now, these steps are really defining how we are structured, how we work together, and that is a continuous way of doing it. That is people who are doing that. Results and success of a company is people. So underlying is always just caring about right talent, the right mind-set, the right attitude, the right values and principles. We always have used this term Nestlé is an AND company. We have said that Nestlé is a company that is growing in the Developed AND the Emerging markets. We are a company that is going for premiumisation AND also PPP, the Public Position Products. We said modern trade AND traditional trade AND additional e-commerce. We say local AND global. Also we are a company that is long-term AND short-term; long-term projection and direction yet also with short-term intensity.

With that, I have come to the end of my presentation. Thank you for your attention. Now I think we open up for question and answers.

Q & A Session
<table>
<thead>
<tr>
<th>Questions on:</th>
<th>Expected savings from Business Excellence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Monthly retail sales figures in China and Nestlé results in China</td>
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**Jon Cox, Kepler Capital Markets:**

Good morning guys. Thanks for taking the call. I just have really one question on the Business Excellence and what you plan to do there. I wonder if you could give us some more meat on the bone, because obviously the Continuous Excellence, you have been delivering 1.5 billion in savings annually. You talk about one plus one plus one is going to actually equal five. Should we be looking at a couple of billion more in savings annually?

Maybe just a second question for Wan Ling: on China generally, you talk about struggling somewhat there. Whenever I look at the monthly retail sales coming out of China and look at that Food and Drink segment it tends to be double-digit growth. I am just wondering what is the disconnect there between that data and what you are saying there? Thank you.

**Paul Bulcke:**

On Business Excellence, you say what is this going to bring more than Nestlé Continuous Excellence brings? Well, you have to say also Nestlé Continuous Excellence is bringing for several years over 1.5 billion and it is exactly by bringing in these three dimensions we go further and continue to bring in 1.5 billion. Now I must say the whole Nestlé Business Excellence is not about cost-saving, per se. It is about bringing more effectively and efficiently services to the markets. You see we have financial services and employee services already, to a certain extent, working through shared services. Yet at the same time you see the differences between countries. Some are using it more in-depth than others, for whatever reason. If you see the scaling up that is still possible to do, even between the shared services etc., it is clear that there is a tremendous upside for effectiveness of driving best practice etc., but also of cost efficiency over time.

So there is a promise of effectiveness and efficiency there that will be driven dramatically by Nestlé Continuous Excellence. Nestlé Continuous Excellence is a way of going about effectiveness and efficiency and allowing the people to own it. It is more a mind-set, than actually something as specific as a department. Now, I don't know if you, Chris, who was going to look into that can already talk, but I think there is definitely this bringing together on the right level, giving the authority in the organisation of the markets to buy into it. There are still too many possibilities of taking our shadow organisation in the organisation, but Chris?

**Chris Johnson, Nestlé S.A., Head Nestlé Business Excellence:**

Sure, thank you for the question. It is good to be back. It was 14 years ago as Paul had mentioned that I was given this challenge to kick off the GLOBE project, and back at that time the main objective was to leverage our size as a strength. As Paul mentioned, with GLOBE we are able to harmonise practices, standardise data and standardise systems to allow us at the end of the day to focus on what really matters, to maintain our decentralised approach but not to do everything decentralised.

So moving ahead to where we are today – and this is now 14 years since I started GLOBE – it is a different world. Nestlé has changed, the external world has changed, but some things remain the same. Decentralisation and focus on the business remains to be very clear, but we have great opportunities across the organisation to be more efficient. We have shared
service and we have a great network that is set up. We have a great chance now to take this to another level. Also now with Nestlé Continuous Excellence we have the tools and processes to drive this even further.

At the end of the day if we are successful, the best measure of success will be enhanced growth. This will enable us to grow, enable us to make the efficiencies, make the savings to reinvest the business to growth. So that ultimately will be the decision.

**Paul Bulcke:**

Thank you Chris. Actually, you are not going back because you have much more now. It is a little bit bigger. Wan Ling, maybe on China?

**Wan Ling Martello:**

In terms of China, you have to remember China as a market for us is actually growing. We are growing in Nutrition, we are growing in Waters, and we are growing in Professional. Where we have challenges, like I said in my presentation, is in specific categories, and we saw that even before this year when China had austerity measures in place; we saw gifting coming down, so some categories were affected as the economy slowed down. We also saw a pulling back in terms of the trade inventory.

But the good news is even in those categories where we’re challenged from a growth perspective, market share is actually growing. So that is really good to see. So again, it is a mixed bag in China. You cannot paint it with a broad brush saying that China is a challenge as a market in general, but just in certain categories.

**Paul Bulcke:**

It is an important question, because China is big. In China actually I feel personally that the fundamentals are there, our investment and platforms are there. We are somewhere like stepping one step back to jump better. We are correcting certain things that are homemade. Nandu, maybe you want to say a few things?

**Nandu Nandkishore, Nestlé S.A., Head Zone Asia, Oceania, Africa:**

Thank you Paul. To begin with, as Wan Ling correctly identified and earlier on in her presentation, there has been a lot of data available on China from various sources. We have seen published information from our peer group companies, from local companies, and in general we see performances have been mixed.

In this context, the good news is our market shares are growing across all categories in China. In this context, it is good that we have many categories which are in fact growing in China still. We do have some categories where growth has been challenged where the recovery has been slower than we expected. We understand that because of market share growth and when we do research our brands are continuing to be strong. So we are leveraging some of the learnings from the businesses that are working into the businesses where we need some improvement. We are looking at the basics, fixing the basics, and leveraging the strong fundamentals to make sure that we are in a good position to grow the business to return to good growth as soon as we have some recovery in the economy.

<table>
<thead>
<tr>
<th>Questions on:</th>
<th>European pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frozen category in North America and potential for upside</td>
</tr>
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Alain Oberhuber, MainFirst Schweiz AG:

Good morning everybody. I have two questions. The first question is about the European pricing. You mention that pricing is now more or less flat at Q3. It was negative 1.5 in Q1, 1.3 in Q2. Could you tell us what you expect for the environment in Q4, and if you could even see a positive pricing next year? What are the main drivers for the improvement in pricing in Europe?

Secondly, about North America; when you go into the different categories, in particular in Frozen categories, which out of these four categories – Pizza, Stouffer’s, Lean Cuisine and Hot Pockets – where do you see is the biggest potential for upside? Also what was the appointment in Q3 in one of these top sectors?

Paul Bulcke:

On European pricing, we saw some flattening – from negative to flat – in pricing. Europe is not the place where you have easy-going pricing and the push back from retail is tremendous. I would ask Laurent, who is moving to the Americas but who has managed this zone until a few days ago and has been very close to this. This is one of the major challenges, the deflationary environment of Europe.

Laurent Freixe, Nestlé S.A., Head Zone Americas:

We see clearly an improvement in Central and Eastern Europe, and that is driven by both input cost pressure on the one hand and FX. We have been capable to price up, and that reflects in the better pricing. In Western Europe we start to see an improvement, but there the deflationary pressure – which is triggered by the ongoing price war among the retailers – continues to prevail. We should continue to see an improvement, but it will be slow and will certainly take a little bit of time.

What are the drivers? Indeed, input costs – and especially coffee and cocoa, which are extremely relevant to Europe – will continue to have their impact. Secondly, our drive behind innovation and renovation helps us as well to take some pricing. So we should continue to see some improvement going forward.

Paul Bulcke:

On North America, I would ask also Chris maybe to talk about the potential of the trouble area.

Chris Johnson, Nestlé S.A., Head Nestlé Business Excellence:

Just to give some context, all of you know the United States – let us talk specifically about the United States – is clearly very important for Nestlé, about a quarter of the sales. If we look at the business performance we have a mixed picture, but I would say primarily some very positive notes. If we look at PetCare, as Wan Ling had mentioned, we are seeing growth across all seven segments where we compete. That is the largest category.

The second largest category is Frozen and, as was mentioned, here we are facing some challenges. We have four segments, and each segment has its own issues and its own challenges and its own opportunities. If we start with the largest of the four that we compete in, which is Pizza, on a positive note we are seeing some positive growth in the first nine months of the year. We are seeing growth in our premium areas in Pizza, we are seeing growth with our value brands in Pizza. There are opportunities still to grow in DiGiorno, and
we are seeing where we have innovations like our thin and crispy crust – and we are launching new items in this area – we have optimism that this will come back.

If you look at Stouffer's, which would be the second largest area and competes in what we call the regular meal segment, here Stouffer's is also, if you dig a bit deeper, a bit mixed. We have the multi-serve meals doing quite well; we have innovations like the Meat Lovers Lasagne doing well, we have innovations like the Macaroni & Cheese Cups doing well. We are struggling a bit on the single-serve side.

Hot Pockets, the next in line, is competing in the hand-held snacks area. This one we are struggling. We had a recall at the beginning of the year on some of our items. We have also been hit with some issues related to the reductions in federal assistance, which is a big part of the consumption of this particular product. What is encouraging however is we are seeing increases in velocities, regains in distribution, and we are seeing this one is starting to come back.

Lean Cuisine would be next, and Lean Cuisine is a challenge. We are seeing a declining segment; we are also declining in this segment. We are seeing where we have innovations and where we have launched areas for example in breakfast, in snacks, that these are doing well, but we are across the board really facing some challenges in Frozen food. However, we do believe in this category. Frozen we believe is a very, very worthwhile category for us. We have leadership on all four of these segments, we have very strong brands and it is our challenge to make sure that we are innovative and that we try to address consumer needs better and better as we move ahead. In particular you mentioned the third quarter performance; we intentionally backed off on trade promotion in some areas, and this of course had an impact in the quarter. If we look ahead, based on the strong innovation pipeline that we have in these areas I am confident that we will be able to see increases.

<table>
<thead>
<tr>
<th>Questions on:</th>
<th>Full year guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US growth trends in H1 and Q3</td>
</tr>
</tbody>
</table>

**Alex Molloy, Credit Suisse:**

Good morning. Two questions, please. You are maintaining the full year guidance of around 5%. You are running at around 4.5% at the nine-month stage, and in Q3 there was a slowdown versus H1. So how do you rationalise moving up from 4.5% towards 5% for the full year? Then I have a follow-up after that please.

**Paul Bulcke:**

We are aiming at around 5%. So we are 4.5% year to date. You say that is a challenge for the last quarter. It is, but we are aiming at around 5% and we see possibilities and we are going to put in the right efforts to get there. It is always the same thing. Is it 5, 4.8, 5.1? Actually, I do not care too much because it is like Usain Bolt when he runs 100 metres. He doesn't always run it in the same time either. It depends a little bit on what is coming in, the wind and all that. The fact is we aim.

The most dangerous thing, when there is pressure, is to start to adjust your targets, or to start to adjust and accommodate yourself instead of maintaining the pressure and building the right resources. Here we call it staying and waking up half an hour earlier. It is tough out there. It is not easy. There is a lot of competition, but also a lot of headwinds. It is all...
true. That induces you to the question, and that is my motivation to say we aim for, that is what 340,000 people are working for, and I am confident.

**Alex Molloy, Credit Suisse:**

Thank you very much. My second question is specifically on the US. Is it possible to give us some trends in terms of how US growth looked H1 and Q3? Chris hinted that some of the weakness in the US was due to backing off some promotions in Frozen. Will that continue as well? Thank you.

**Paul Bulcke:**

Well, we don't give quarter results, so I can answer that easily. We have been backing off, and that is a decision. We have been backing off of quite a few cells if you want in the US where the category, because of a soft-trading environment, because of a low consumer etc., we were really going into the wrong corner of being almost everything 100% on deal. We backed off on that. These are huge categories so we see it all in one basket, but for example on premium retail-based Ice Cream we backed off. We said, 'it is not our business to be competing only on price and driving a lot of efforts for nothing, for no substance, for no even strategic dimension that can be learned.' That is the same thing in Frozen. Pizza is not pizza. We have different soup categories and all.

We have been backing out or going out of certain dimensions where we did not feel we had a future to play. That affects your growth, it is a decision. That affects your market shares, it is a decision. We take it, because it is the right thing to do. We are not going to be pushed in the wrong corners. We are not going to let competitive intensity manage our businesses. Now it hurts, and it has to be compensated. That takes some time sometimes in very strong, very broad categories like Frozen. That is what we do, that is where we are up to, and we start to see very positive signs of certain turnarounds that are very promising. So that is where we are. I am confident, too, in the Frozen business in the United States.

**Question on: Pricing and RIG in AOA**

**Jeremy Fialko, Redburn:**

I have just got one question about pricing in AOA and the weak RIG that you had there. Could you just talk a little bit about what sort of effect you saw from the price rises there in terms of volume? Do you think that was a little bit of a temporary effect as you got a bit of a price gap relative to your competitors, and therefore would you expect that RIG to improve over the remainder of the year?

**Paul Bulcke:**

First of all, it is clear that AOA is an extremely complex region with extremely different dynamics. So there is no price increase in AOA. It is country by country. That is why I want to give it to Nandu to give a more precise answer there.

**Nandu Nandkishore, Nestlé S.A., Head Zone Asia, Oceania, Africa:**

Thanks for your question. I fully understand your question and I think it is a very legitimate and good question to ask. Let me answer your question in four parts. Firstly, I will tell you about the environment; secondly, I will tell you what is going well; thirdly, I will tell you what the problems are; and fourthly, I will tell you what we are doing about it.
First, the environment, and Paul alluded to it earlier: we are facing economic headwinds. We see it in the results of our competitors and peer group companies. On top of that, you have a warzone in the Middle East, you have Ebola. There is all kinds of stuff happening. The good news: despite all these problems, we are gaining market share. Across the zone, across categories, we are gaining market share. With the exception of two countries, which Wan Ling mentioned as China and Oceania, across the zone we are actually growing mid-to-high single digit, and roughly half of it is RIG, and half of it is pricing. So we have gotten pricing, because of commodities and currencies and so on. We have taken pricing, pricing has been accepted, we are growing RIG and in fact this is reasonably healthy and in line with our two-decade average.

We also have a lot of good consumer-facing activity. We have digital activity, we have break-through innovations across markets – Philippines back to growth, South Asia back to growth, ASEAN back to growth, Africa growing, Middle East growing despite all the crises, and North Africa. So, good stuff happening.

Issues in China and Oceania; what are the issues in Oceania and what are we doing about it? In Oceania the issues have to do fundamentally with the trade structure which, as you know, is dominated by two players. As a result, there is a certain amount of pressure on the manufacturers. We have stayed true to our principles which means we have paid a price. So we are responding to the situation with more innovation, with focus on alternative trade channels, and we are going to work through the situation over the next few months to make sure our business gets back to growth. The fundamentals of our business in Oceania are sound. We have good people, we have strong brands and we have good focus in place.

China I mentioned earlier and I will repeat my answer. Fundamentally in China we have market share growth across categories. We have some categories which are doing better than other categories and even in the categories that are not doing well we have brands which are doing better. So our brands are strong, our competitive position is strong; we are taking the learnings and making sure the basics are strong so we are well-placed for a recovery.

So to come back to your original question, we actually have good RIG except for a couple of pockets, and those are areas which we are addressing.

<table>
<thead>
<tr>
<th>Questions on</th>
<th>Competitive environment in Coffee</th>
<th>Detail on specific categories in China</th>
</tr>
</thead>
</table>

**Warren Ackerman, Société Générale:**

Can you talk a little bit about the competitive environment in Coffee, both in Soluble Coffee and Nespresso? We are seeing some really low prices out there for Nespresso-compatible capsules from some of the European discounters. And Paul, I would appreciate your thoughts on the French Competition Authority’s ruling with regards to Nespresso and what it means for your intellectual property and your R&D that you put into Nespresso, and generally about the coffee environment. That’s the first question.

Secondly, just back on China – and I appreciate your comments Nandu on China – but can you be a bit more precise as to specifically which categories within China have been impacted. You talk about Gifting; does that mean Hsu Fu Chi for example has been impacted? What’s happening in Baby Food? What trends are you seeing in Baby Food with
Wyeth in China? If you could maybe just talk around some of the categories and when you think China might pick up, that would be great. Thank you.

**Paul Bulcke:**

Warren, thank you for your questions. I hope you ask these questions with a Nespresso in front of you! Competitive environment, we have always said there’s a lot of noise, a lot of writing in the press about things linked with Nespresso, but at the end of the day the battle is the best cup of coffee and that is what we are really focussing on with quite a lot of initiatives. Maybe you, Patrice – who is leading that business – your comments on this and also the French Competition Authority and the relativity of these things; although they make a lot of noise, so much more of your attention is driving the business.

**Patrice Bula, Nestlé S.A., Head SBU’s, Marketing and Sales**

Thank you for your question. Just to frame what is happening: Coffee has become an extraordinary category over the last ten years. Premiumisation growth moved it from being a commoditised category to one of the more premiumised, interesting categories in the food industry and this has been led, to a very large extent, by Nestlé through our Nescafé brand and over the last ten to 15 years through Nespresso. So, not surprisingly a lot of companies are looking at how to get a share of this high growth and important margin in it. We have led that and we will want continue to lead it and you have seen our results there.

So let me talk about the two parts, maybe first Nescafé where we are by far a very big leader on Soluble Coffee worldwide. Where we are doing continuous efforts, launching new product, achieving growth and about 18 months ago launched a big initiative called the REDvolution where we are restaging our product, re-modernising all we do and launching a worldwide campaign under the slogan, ‘It all starts with Nescafé.’ We have implemented this in about 70% of our markets today with a lot of success, and we believe that we are leading and will continue to show the trend and to convince the consumer worldwide and very importantly also in emerging markets that we do an extremely great cup of coffee. This is what we do in Soluble Coffee with a significant R&D effort behind and really also insoluble coffee, which is less talked about, very, very nice growth world-wide.

Then we have the big battle that has come on what we call, single-capsule coffee, where Nespresso has been leading but also Nescafé Dolce Gusto. You have seen results in Europe there but it is also worldwide where we have on the one hand with Nespresso achieving what we call the affordable luxury cup of coffee, and with Nescafé Dolce Gusto with a different distribution system addressing a more everyday premium coffee very, very successfully. You have seen results at the heart of Europe; with very difficult economic conditions we are achieving massive, massive double-digit growth. So we think we are in a very good position.

Now, as I said, this has attracted a lot of competition. Today Nespresso has 185 competitors, and of course this is stimulating us to do new things; new machines, new Grand Cru coffee and a new system which we launched in the US to tackle the huge opportunity with longer-cup. We think we are well-placed and will continue to work at it, and the results show that there is a possibility for us, in spite of competition, to continue to grow.

More specifically on the French antitrust, I would like to remind you that this is a decision that we made to find remedial action to get out of a situation where we had a bit of a limbo of having very few – and I repeat this because sometime the feeling is that it is part of a
strategy to have some legal action – but very few out of these 185 competitors, we have a handful of competitors which we have felt they are clearly infringing our intellectual property. So we have taken action there and we have lost on some, and this has triggered for us a new situation.

On the antitrust situation, some of our competitors – two competitors – felt that we were having action that was not for an open market. We have decided proactively to enter into negotiation with the antitrust authorities to allow us – which was very important – to go back to innovate, because as long as were in this situation it was very difficult for us to move on. We have found a common ground and we are satisfied with what we have done. I believe our competitors are satisfied. So we are moving on now and we are able again to innovate, to do the changes that we do all the time to improve our machines, to improve our coffee and go on and continue to win consumers day after day with new cups of coffee.

Paul Bulcke:

Thank you Patrice. It is clear that we are investing heavily in innovation and in new ways of doing things, also in Nespresso. It is logical that whenever we feel our intellectual property is somewhere challenged, we have to react. Now, the battle, as I said, is for the best cup of coffee and the best relationship with consumers, and definitely one of the reasons why we disengaged from keeping a battle going is exactly that: to keep our attention in the right place and not being dragged into something we do not want to be in.

On China, and some more precision on China, it has been said that there is a convergence of factors: China per se, the environment of growth and some of the gifting I mentioned was very important, not only in Hsu Fu Chi; we had also in Beverages. It was part of the landscape that we also being local are very much entrenched in, that has softened dramatically. We have been talking about China quite a while already, but I can tell you Infant Formulas, Milk products all that is really going very, very well. And I would keep it there.

I think there is a combination of factors, but as Nandu has said in many categories we are gaining market share, that is important; outperforming the market. We have a good pipeline of innovation. We are correcting certain things that we feel we could do better. We are de-stocking. China is a market with different layers, and the stock distributors ABC getting to the third, fourth tier cities has that dimension. I feel we are doing the right things and all the conditions are there to really see a return on our investment, investment in money but also in management time and brands. So that is what we can say in China. Are we happy? No. Are we satisfied? With what we are doing, yes, but results have to come. So, thank you.

Questions on:

| Handling underperformers in Portfolio |
| Slowdown rate in AOA |

Céline Pannuti, JP Morgan:

Good Morning. My first question is Mr Bulcke, you talked about your portfolio and you showed us a scatter graph with green dots and red dots. Can you give us the magnitude of what the red dots represent for your portfolio? You mentioned that there were three ways
you could address those. Are you satisfied with the progress you have made so far on those red dots and should we expect that we will see an acceleration on the disposal front? That’s my first question.

The second question – there has been a lot already on China and I am not going to add to that – but if I step back a bit, what we see is that growth rate in AOA and overall in Emerging markets is slowing down. Yes some of those economies have slowed down, but it seems the slowdown that the categories are facing is much higher. So could you first of all talk about for the overall Asian region what is the market growth? Second, if you could, why is it that you see such a slowdown, because presumably it cannot be only because of some GDP slowdown which has not been as abrupt as the category slowdown you seem to face? Thank you.

**Paul Bulcke:**

On portfolio, the red and green dots are biggest but we don’t give all these details per se, as you can imagine. But for example, we are measuring 2,200 cells, and there is 200-something cells that we say, ‘We have to do something here. We fix it or divest it.’ Now, we are not speaking about 2000 businesses that we sell. A cell is a category in a market that may be repeated, so sometimes we have one brand that we sell that is equivalent to several cells.

That is a small part of our business. Actually, last year alone we have divested over 1 billion equivalent sales. They add up very fast. We are privileged to have and lucky to have very healthy cells and normally cells that are promising but not there yet, so we have to fix them, and that are aligned with our strategy. It is when they are not aligned with strategy, not promising a profitable future, that we really go to see if we can fix it. If not, we divest it. As I said, we have been moving a bit more intensely on this.

You asked if I am happy. Well, I am never happy. You want it on paper, things going fast etc., but you have to do it well. There are responsibilities linked with that, there are dimensions that are not just on paper and figures. That is how we are, that is how we operate and that is how we do the things. So, as I always say, you have to give time to time without losing time, though. You have to have the agenda, you have to have black and white and you have to have the internal discipline and then see. You have to make a decision and then see how you do it. The how is very important in many things.

Now, I do believe that the major outcome of portfolio management is resource allocation. It is really identifying what matters, what is promising and resource it well. I think that is a little bit of a shift where we had and still we have upside there. We had a little bit of this; everybody had a bit of things. That comes with decentralised strategy, it comes with empowering people etc., yet at the same time we have to find this balance between allowing localness, allowing capital decision-making yet at the same time bringing the holistic view on things, strategic direction, priorities etc.

I think that is exactly what portfolio management does. It allows the whole market, everywhere, to use the same criteria to judge, and it builds a tool in that is omnipresent; everybody knows and everybody works with portfolio management. This is linked with our strategic business planning process. That is the strength of this whole tool; it creates discipline, it shows you things that you do not want to see sometimes that you have to swallow. That is the strength of this tool.
Now again, on AOA in general and growth, again I always say we are not selling GDPs. So whoever comes with GDP is down, although that is the environment you swim in. But we should not be floating on the river, we should be swimming. So there is no such thing meaningful to us as GDP of AOA, but anyhow I leave it to you to answer.

Nandu Nandkishore, Nestlé S.A., Head Zone Asia, Oceania, Africa:

Thank you, Paul. So Celine, good question; I think Paul summarised it very well. In general, the underlying dynamics across zone AOA – that includes Africa, Asia – are there is increasing urbanisation, there is a growing middle class and there is still a large young population increase and demographic dividend. So there are many drivers for improved consumption and those drivers have not changed.

What has changed is the speed at which some of this stuff is happening, and that is what a slowing economic growth rate means. So we have always had two drivers to growth: one growth is to take advantage of the rising tide, which I just mentioned, which may be rising less slowly now, but the other tide we have is innovation and communication, particularly using new media. So we are using all these levers to get growth, so when we see growth in some of the economies that I mentioned earlier, we have actually outperformed the economic growth.

Now, that is pretty much what our intention is, and the best example we have is in fact from the developed economy of Japan where we have excellent growth, both RIG and organic growth coming fundamentally through innovation, new business models and new methods of communication. That remains our focus: to try to get growth in spite of economic conditions, which remain hard.

Questions on: Current level of Pricing
Expectations for 2015

Patrick Schwendimann, Zurich Kantonal Bank:

I have two questions, firstly regarding the pricing. Pricing in quarter three was around 2.9%. How comfortable are you with your current pricing? Do think it is enough to hedge the margin against higher input costs and lower currencies? That's my first question, and secondly: what do you expect from the environment for 2015 compared with the current year? Thank you.

Paul Bulcke:

Are you satisfied with pricing? No, I rather would not have it. It is very difficult. No. We are always aiming. We are an AND company again; that is top line and bottom line. We do not do pricing here in headquarters. Pricing is done in the markets. They have also that top line and bottom line. It is tough, and if you cannot do pricing you have to do other things to deliver on that promise of growth and bottom line, of margin. It takes some time.

Again, you have to see category by category, but in general we did not see these extremely high raw material price pressures that we had a few years earlier, although you have Milk that have had extremely high pressures. But I think we have been able to answer, and again we have this natural hedge of having different categories and being able to find enough. You see also we are not doing it on the back of lowering our marketing spends, because that would be fatal. Again, pricing is hard, it is not easy, but it is necessary and we have to do
what is necessary. You have to build the right arguments, to do that, and at the same time we combine with trying to absorb part of that need through our efforts to reduce cost on the other sides because at the end of the day we have to be able to compete. So, am I happy? Well, we are aiming to deliver top line and bottom line and the bottom line would be proof of being able to do what we have to do.

The environment of 2015: I would ask you. There is one thing that is characterising our world today is that there is lots of volatility and it is hard to predict and nobody dares, and you saw the latest estimates of the International Monetary Fund, World Bank, etc. There are certain convergences again – lower though – of 3%, 3.5% of growth GDP. As I said, we do not sell GDPs and luckily so. We have to outperform depending on the markets, and I do not see many tailwinds coming in – although being an optimist I should – but we have been coping with that for so many years, not only the last years. We had these periods even in the past, and I think one of the characteristics of Nestlé has been having a company that is able to adjust, to see, without losing time, without losing focus again on the long-term perspective and strategy it has, because that is very important. In spite of all, how can you keep your line going? Because that is where the value creation is, that is where you invest in longer-term. You do not invest in R&D for 2015; you invest for longer-term, and to keep that going is extremely important to me. How we can continue in spite of lower growth, 3%, 3.5% and keep the strategic direction and do the right things longer-term, also which is important to me. So, we are putting the right stones in the right place to be able to be successful and deliver on our promises also in 2015.

**Question on; Focus on Health**

Rachel Richterich, SDA Swiss News Agency:

I have questions about health. You told us about defining your territory; what exactly are the limits? You are not converting a big Pharma? What is the next step after Galderma and Skin Health, and why are you focusing on health? Is it a trend? Where exactly are you focusing on this business?

Paul Bulcke:

Thank you for your question. It is a good question, in the sense that it really is something that is out there and saying, look, Nestlé Food and Beverage bringing these nutritional benefits towards a broad range of products. That is what we are known for. I always say it is 90 billion of the 92; that is what we are. That is, ‘Good Food, Good Life.’ That is what we are working for.

Yet at the same time – and it is not that it was out there, and all of a sudden you see it – but at the same time, Nestlé Health Science is answering, as I said, the convergence of dimensions that are really getting to the surface. That may have a hint or a flavour of - is that pharma? Nestlé Health Science, is going after the specific medical conditions that nutrition can be linked with.

You see what is happening in society. You see the aging, the needs, the non-communicable diseases. You start also to see that the healthcare systems that we have, as they are defined now, are extremely expensive and increasingly expensive and increasingly hard to deliver. You see 80% of the world population building middle classes, which is the developing world. Although they are softening slightly in growth, definitely that is where these middle classes are going to build their social structures, and healthcare is part of that.
How are they going to do that? Do they have the money to build the same system as we have here?

There are many other ways of going about health. Nutrition has always been there, but now we have also the science to understand and to investigate better how nutrients interact with the human body, short-term, long-term; how they can be really and are an inducive dimension, bring health if you do it the right way, if you have lifestyles, if you have diagnosis of certain conditions that you are going through and all that. So, fantastic; it is a huge opportunity and it is linked with what we are: enhancing quality of life of people, being linked to quality of life of people. Nutrition, Health and Wellness, the pillars we build upon there. We are passionate about driving increasingly our innovation through science and knowledge, understanding, which is adding the value.

Well, Nutrition at Nestlé Health Science is all about that. It is out there. It is a market that is in the making. That is why the question comes, ‘What is this? Is this pharma?’ It is not pharma; we speak about consumers here. There are pharma arguments there because you go more deep in science you are going to have some clinical trial dimensions into it. That is a passion that we have for it; it is added value.

Now, then you go for Skin. Actually, Skin, by bringing in Galderma, that was an ideal point where we also have redefined our relationship with our partner L’Oréal. L’Oréal is all – and they say it – ‘We are all about beauty.’ Well, Galderma, it addresses skin health. We are saying, Nutrition, Health and Wellness, skin being – and I shout it – the biggest organ you have. It is your more obvious permanent barometer of how you feel, what your health is.

There are many dimensions of science that are applicable in different combinations, between nutrition and the skin or nutrition and the stomach. Many similarities there, so we feel there is promise. It is a promising market, per se. It is already a company that is successful, that is leading in their specific field of therapeutic skin health. It is leading there; it has invested, lately, in more capabilities to be leading there. I mentioned it 5,000 people passionate about what they do, competing in over 18 markets, directly and indirectly through affiliates. It has eight factories; it has five R&D centres. So it is there and it is having their fortune and their definition of strategic direction very clear. So we want to be part of that, and there are commonalities that – we did not do it for that, but there is scaling of science definitely in the future to be landed there.

It is enhancing the quality of people’s lives through Nutrition, Health and Wellness and science-based innovation. It ticks off the three dimensions, and it is going to help to really have Nestlé building up on its strategic direction of Nutrition, Health and Wellness with promising growth, profitable growth platforms. So that ticks off all the boxes.

**Questions on:**

| Subdued economic environment in Europe |
| Reaching the 5% Guidance this year |

**John Revill, Wall Street Journal:**

I have got a couple of questions for you both. You have spoken about subdued economic environment in Europe, and this seems to now be spreading to northern Europe as well,
which previously had done quite well amidst all the horribleness out there. I was wondering why you are concerned about this subdued economic environment on the consumer spending? Do you think this is going to continue for a while and how long it is going to continue for, and just your general thoughts on that affecting the food industry? That is my first point.

My second one is you failed to reach 5% last year, and consensus is actually below 5%; I know you said you are going to strive for that this year. If you do not make it this year, that is going to be two years in a row. Does that mean the model is broken?

**Paul Bulcke:**

Let me answer the second question first. The model is broken? The model is not broken. Our goal, growing outperforming the market and all that. That is what we aim for. We have delivered 6.1%, 6.2% in the last ten years; then the model was broken too, because we over-delivered. I really want to take distance from this agony. This is agony; 6.1%, 4.9%, the model is broken and all that. If I had to – first of all, this is by aggregation of many dynamics, you can imagine. So you add it all up. If we were managing with the aesthetics of the figures and all that, we would be really tweaking and forcing; that is not our reality. So please come back to reality.

It is all performing. It is going about your agenda. It is delivering and building upon your strategic direction. It is delivering on fuelling for growth and etc., and for me, that is what is worth it. Around 5% is a very, very presentable dimension in the days we have today. Actually, the Nestlé model per se was something that was given by the outside world, because we were so explicit in our internal aims and targets that actually it is hounding us to a certain extent.

There is one thing: I keep the 5–6% as the band that this company should be able to deliver. Why? Let us go back to why is the 5–6%: even if – and the question came – growth next year globally is projected to be 2.8%, 3%, 3.5%, we are going to get rid of the definition because we can now start saying, ‘It is going to be 2.8, 2.9.’ You can imagine, if you would manage a company as big as this company on the premise of 2.8, it does not matter too much. It is lower. There are softeners in the market, and it has many reasons.

Coming back to your first question, Europe, there are structural dimensions in it. That is why. The emerging markets are linked to that. Certain markets are very overgrowing, heating up their engines, they have softening, linked also with the developed markets. They did not pick up as fast; many emerging markets are linked to the dynamics, too, let’s face it. Growth is going to be 3%, 3.5%.

Now, we as a company, we say we want to go after added value growth. Added value means science. We are building new platforms that do have growth promises that are higher, should be, because there are new markets, there are new arguments to be built in. Just think about Nestlé Health Science. Skin Health should have higher growth margins. These are the dimensions that come in. We are building also true portfolio managers to focus on what will grow. Then we should outperform. I am the first to say we do not sell GDPs, but if you want to have a comparison: if the world is growing 3%, 3.5%, I want to and we should grow faster, hence that 5%. That is what we are looking for.
So did we fail? Are we going to fail, etc.? No. We are going about our agenda, driving our growth figures the way we are, in a wise way, not compromising the future and outperforming the market. That is what we are looking for.

However, internally – and they all know me for that and we are extremely hard – there are 10,000 reasons to soften our guidance. There are 10,000 reasons to be, apparently, realistic. I know one thing: in an organisation like Nestlé, if you soften up you may get what you want. That is what is driving us. That is why we may actually look arrogant saying whatever happens out there, we continue. Well, there is a certain I would say arrogance as a result of conviction, belief, motivation, and that is something that I want to put through because I feel this is not really adding to my scheming here.

Now, on Europe, you mentioned it is going to take long. We always said; a few years ago, when the crisis came, we say, ‘Bah, that is going to be long,’ because the crisis was deep. I always say that there was not only a financial crisis; it was actually a value crisis to a certain extent. It was something like living beyond your means. Now, if you do a loan and you cannot pay it back, well, there you go; that is living really concretely beyond your means, but we were speaking about society living beyond their means. That is where you start to talk about structural dimensions. Some countries are doing many efforts to go after them and trying to give correction to them, and that is hard on the population, but you see some growth coming back there. Just think about the southern part of Europe, and you see quite the promising trends.

Some of the markets do have for whatever reason – I am not going to give a judgment to that – a harder time to do what they need to do. They are big and they are impacting Europe. So you spoke about the northern part as linked to that reality, and you see some sputtering there, I mentioned it before.

Now, how long is that going to take? Again, we are not selling GDPs; through the whole crisis in Europe, we have been delivering growth, real growth, real internal growth. Why is that? Because again, we said we are an AND company. It is emerging markets; when the developed markets were really sputtering hard, we did not say we would back off there, go for growth where it is. We went there, but we stayed there also, where it was harder to get, through innovation, through adjusting of the sails of our ship and to really take initiatives that were reverting, were defying gravity. That is what we are doing, and that is what we should do in Europe.

Look, at the end of the day, if the economic situation is bad and all that, eating well is one of these affordable luxuries, and it is for us to make it so compelling that people go back even more to food. Remember, Food in a person's budget is in Europe between 11% and 17%, give and take; 10%, some countries even lower. So if we can just take, through arguments and all, some of the 85% that is somewhere else – traveling, big car, I am speaking against other industries – but if we can motivate them to go back to something that can deliver happiness every day, which is eating well, having a good moment, a good cup of Nespresso or etc., and I can only bring 1% of them, that is growing 10% in Europe or 7–8%, that is actually what we should do.

**John Revill, Wall Street Journal:**

How long do you think this subdued environment will remain?

**Paul Bulcke:**
Seven years and a half. I do not know! John, you know that we do not know. I think it is structural. It is going to take some time, but I fundamentally believe Europe is going to get over it. There is a fundamental thing in Europe that inner strength, diversity, good schools, we have it all there. That is a drama; we have it all. We just have to embrace working a little bit more maybe, and find it a nice thing in life to work hard and be competitive again and exporting what we can export, so many things we could export that we are – well, and I think that is eventually going to come over. It is going to take some time. Politically speaking it is not easy, all that. A little bit more varied leadership maybe there too; us speaking up louder maybe, too, but the intrinsics are there.

That is why we said the world is changing. ‘Well, everybody goes east;’ we said, ‘Yeah we looked there, but we are here, too.’ 50% of the world growth, give and take, over the next five to ten years, is going to come from the developed markets. 50% of the absolute growth; that is what I read. Well, if they are right, then I am not going to leave it.

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<th>Question on: Impact of Ebola</th>
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<td><strong>Ueli Hoch, AWP:</strong> Could you give us a bit more colour on how you work in countries with Ebola and what impact you expect if the disease is spreading further around.</td>
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<td><strong>Paul Bulcke:</strong></td>
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<td>Well Ebola is something that touches the whole society, so I do not even speak as a company now. Ebola is something that is conditioning the world. So your question, is it what if, or what do we do?</td>
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<td><strong>Ulli Hoff:</strong></td>
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<td><strong>Paul Bulcke:</strong></td>
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| Because today, it is – and although we see some spots coming out of that region, but it is something that is conditioned by our Zone AOA now there, where we always have one thing. First of all, it affects us as it affects society in general. Safety of people, and in that sense our people, is important. We are now not having operations in the countries that are most affected. We do not have factories there. We do not have a very physical presence, but we are on high alert in the zone there specifically and the zone is linked with our crisis management dimensions of the corporation. Now, we are also helping in the sense that you see that the International Red Cross is doing specifics. We do actually in many regions like Ghana, Ivory Coast, have projects already linked with cocoa farming, that is linked to our Cocoa Plan, and also part of these actions are with the Red Cross. So that collaboration is there. We are intensifying that with quite a few companies financially, if you want, but also through our employees and all. So it is something that we are totally aware of, as part of society. I think it is caring about our people, and the people that are working with our people, where we really can have a direct impact. Think about what we are doing already, in the farms and all. Hygiene and sanitation I would say the most fundamental common denominator of what we do there, and creating shared value, as we call it. That is actually one of the preconditions of retaining or containing Ebola. These are concrete things that we can do as a small part of that society, but being
totally part of that society is definitely something that is the first priority. I think that is what we do. We are on high alert; we are caring about our people.

Then the question may come here about cocoa. I feel people are more important than that. Cocoa, we do have. We are aware of that, too. So our cocoa supply comes out of that region, and there we do have covers, normal covers, and looking into that too. But that is not the highest priority we have there, although it is important to us.

Robin Tickle, Head of Corporate Media Relations, Nestlé S.A.

Paul, some concluding words perhaps for the conference?

Paul Bulcke:

Well, the concluding words, I think I am going to repeat myself. It is considering all, and I thank you for your question because it allows us to really connect on the important issues. One of the most important issues that we hear and feel and it actually intensified over the last weeks is slow growth, basically. Common denominator: tough environment for whatever reason and all. It is true. I call it there are no tailwinds, because we spoke of so many headwinds, no tailwinds.

What I wanted to share with you was the fact that yes we keep our targets, we aim. We are not paranoid, we want to outperform and we want to go about our agenda with conviction, our agenda that is strategic. Nutrition, Health and Wellness dimensions that we want to build into our capabilities, because they entail profitable value creation and growth for this company. This challenge, that the short-term induces sometimes, to tweak, to change what you aim for or to lose sight of the long-term perspective of things is a danger that we do not want to do. We are aware of that, and I just wanted to share that with you. I think also your questions helped us to explain a little bit further.

So once again, thank you very much for your attention here present and over the phone and the webcast. See you then in a few months' time.

Robin Tickle, Head of Corporate Media Relations, Nestlé S.A.

Thanks Paul. As usual, we are happy to take follow-up questions via email or Twitter, and I am sure you know the addresses. Thank you very much.

[END OF TRANSCRIPT]