Steffen Kindler, Nestlé S.A., Head of Investor Relations

Hello, everyone, and welcome to our three-month sales conference call and webcast. For those of you whom I haven’t met, I am Steffen Kindler, the Head of Investor Relations.

I will now present Nestlé’s 3 months sales results, followed by Q&A.

I will take the safe harbour statement as read, and move straight into the numbers.

Our three-month sales growth was in line with expectations and driven by both real internal growth and pricing.

We achieved sales of CHF 20.9 billion, that is up 0.5% versus the same period last year. Organic growth was 4.4%, real internal growth was 1.9%.

We delivered good results in Zone EMENA, Nestlé Waters, and the Other Businesses. We are continuing to make progress in restoring momentum to Zone AOA and North America.

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

Now, let’s see the details.

Here, we summarize the performance in our three geographies. This includes our zone-managed sales as well as our globally-managed businesses. As you know, on January first we re-organized our zones, taking the Maghreb, the north east Africa region, Middle East region, Turkey, and Israel into Zone Europe to form Zone EMENA.

Organic growth was 5.6% in the Americas, 4.5% in EMENA, and 2.2% in AOA. Real internal growth was 2% in the Americas, 3.4% in EMENA, and minus 0.1% in AOA.

While we continued to have broad-based organic growth in all geographies, our RIG reflects particular challenges in certain markets. I will explain in more detail in the coming slides as we discuss the zones and globally managed businesses.

Let’s now look at the split of our sales from another perspective.

The Developed markets contributed 55% of the Group’s sales, and Emerging markets 45%.
Our organic growth in the Developed markets was 2.5% in the first 3 months of the year. This acceleration reflects our ability to sustain growth in mature markets, despite the weak macroeconomic environment. We have done this through innovation, premiumization, and making choices to optimise our portfolio.

The Emerging markets, on the other hand, show a deceleration in organic growth, to 6.7%. This reflects the challenges in a number of markets. We continue to feel the slowdown in China, and the first 3 months were also affected by Brazil, Sub-Saharan Africa, and certain countries in the Middle East.

Now let’s look in more detail at our Zones and globally-managed businesses.

**Slide – Zone Americas**

Starting with Zone Americas.

We delivered sales of CHF 5.8 billion, organic growth of 3.7%, and real internal growth of minus 0.2%.

Here our growth was mainly impacted by the subdued US business, as expected, and also by a slowdown in Brazil.

For the US market overall, low wage growth is affecting consumer sentiment. Meanwhile, the slow start we have had this year is no surprise. Specifically on the US Frozen business, we have seen modest improvement recently. While **Lean Cuisine** and Pizza remain challenged, our **Stouffer’s** line showed some positive signs.

At our last earnings call, we gave details on the actions we would take to re-launch Frozen and we explained this would be an ongoing process. We have taken steps to reposition the brands, addressing all elements of the marketing mix to enhance their relevance to consumers. I look forward to sharing our progress with you in future updates.

Looking at the rest of our North American business, we continued to see good growth in our creamers category. **Coffee-mate** maintained its positive momentum supported by the launch of a portable version **Coffee-mate2Go**. **Natural Bliss**, our dairy-based range made with natural ingredients, also had another good year.

In Ice cream, **Häagen Dazs** helped deliver growth for super premium, and snacks contributed. Baking also did well, driven by innovations in **Tollhouse** morsels and frozen cookie dough.

PetCare contributed positively, despite tough comparisons. Our innovations and line extensions in **Purina ONE**, and **Tidy Cats** litter did well. In the natural segment, our **Beyond** line also continues to be a growth driver.

Moving on to Latin America, while there was good organic growth, the worsening macroeconomic environment affected the zone’s overall performance.

Brazil had a slow start to the year, given the slowing economy and low consumer sentiment. Ambient dairy had a challenging first three months. Positive highlights were Confectionery with strong performance from **KitKat**, and from biscuits with **Nesfit**.
Mexico, our other key market in Latin America, did well with good broad-based performance in most categories. Nescafé soluble coffee performed very well. Coffee-Mate had very strong growth, and Confectionery did well, contributing to the market’s overall momentum. The divestiture of chilled dairy in 2014 had a positive effect, as will the very recent divestiture of Ice cream.

Other markets that did well in Latin America were Chile, Colombia, Ecuador, and the Caribbean.

Nestlé Purina PetCare Latin America continued with strong broad-based growth, supported by all markets of the region. Key brands ProPlan, Dog Chow, and Cat Chow all had strong performances.

And finally, Nescafé Dolce Gusto continues with very good growth across Latin America.

**Slide – Zone EMENA**

Next is Zone EMENA, which as mentioned earlier includes Europe plus also now the Middle East, Turkey, Israel, and North Africa.

The sales were CHF 3.9 billion, and growth was solid both organically, at 5.3%, and in terms of RIG at 3.9%. Pricing was taken, both in response to currency depreciation, as well as in Coffee and Confectionery in many markets in Europe. Consumer sentiment in the zone appears to be modestly improving.

I want to emphasise that all regions contributed positively to the zone’s growth: Western Europe, Eastern Europe, and Middle East and North Africa.

Across Europe, PetCare was a growth-driver with Felix, Purina One and Gourmet. Nescafé Dolce Gusto grew well across the Zone and continues to drive a positive momentum in many of the key markets. Frozen pizza sustained its strong contribution supported by successful innovations and our strong brands, Buitoni and Wagner. Ambient Culinary and Confectionery were also good, both helped by the early Easter.

In general, most of our western European markets did well. Switzerland and Greece were more challenged. The UK showed improvement, making a positive contribution to the zone’s growth.

In Central and Eastern Europe, we saw good performances. In Russia, we were able to deliver good growth despite a turbulent economic environment. We adapted our prices while maintaining share. Ukraine also did well, despite the challenges there, and also delivered good real internal growth.

And finally, in the Middle East and North Africa, there was solid growth across the region, often in challenging environments. Coffee, Culinary, and Confectionery did well. Sales in Turkey, driven by Soluble Coffee, are progressing strongly, where pricing has been taken due to inflationary pressures. The challenging environments in Iraq and Yemen were compensated by the good overall growth in the Middle East.
Now turning to Zone AOA.

You will recall from the full year announcement that RIG in AOA for the last 3 months of 2014 was negative. The start of 2015 was broadly similar, in line with our expectations. The main challenges were in China, and also Sub-Saharan Africa.

In China, we continued to be affected by Yinlu’s slow performance. Wafers in Confectionery and Coffee also remain challenged. Hsu Fu Chi showed improvement, helped by the comparisons from last year, and Ready-to-drink coffee achieved strong growth.

We did say that the actions taken to rebuild the business in China will take time. We are on track, renovating the portfolio, and improving our communication and distribution. As one example, Yinlu recently launched a premium protein drink, Chun, which brings value to the consumers through its focus on nutrition.

Sub-Saharan Africa was the other region where we had particular challenges, mainly in the oil-dependent economies of Nigeria and Angola. There were severe economic and political disturbances, including elections, falling oil prices, and instability in the north of Nigeria, all contributing to a slowdown.

In the other AOA markets, our premium businesses grew well. Our Coffee brands were highlights, with Nescafé Dolce Gusto and Nescafé Gold performing well across the Zone. The Malaysian market benefitted from its two recent launches: KitKat Rubies and Nescafé 3-in-1 Blend and Brew. Bear Brand milks were a highlight in Indonesia, and premium noodles in South Asia and Malaysia-Singapore also did well.

In our Developed markets, Japan continued its solid growth. This is an excellent example of how value creation though innovation and premiumization drives dynamic growth, even in mature markets. KitKat sustained the good momentum we saw in the prior year, and Ready-to-drink coffees are also doing well. This is a good performance in spite of difficult comparisons and the sales tax increase implemented in April last year.

And finally, our business in Oceania stabilized, helped by good performance in Confectionery. This market continues to feel the pressures of a difficult trade environment.

Moving on now to our globally-managed businesses, starting with Nestlé Waters.

The growth for the quarter was broad-based, helped by continued investment in our brands and positive category momentum. Sales were CHF 1.7 billion, with organic growth of 7.3%, and RIG of 7.5%.

All three geographies contributed to the business’ very good performance.

In the Developed markets, we had mid-single-digit growth in both North America and Western Europe, despite strong competition. The premium international brands Perrier and San Pellegrino continued their strong growth momentum in North America and France, and the local UK brand Buxton also did well.
In the Emerging markets, we achieved double-digit growth led by our local brands: *Erikli* in Turkey, *Al Manhal* in the Middle East, and *Yunnan Shan Quan* China. I hope I pronounced that right.

*Nestlé Pure Life* continued to be a growth engine with strong acceleration, particularly in North America, UK, Brazil, and certain AOA markets.

**Slide – Nestlé Nutrition**

Looking now at Nestlé Nutrition, with 4.3% organic growth, and 1.3% RIG.

Nestlé Nutrition had a slow start into 2015, with tough comparisons, mainly in the more volatile markets in the Middle East, Africa, and Russia.

Wyeth Infant Nutrition continued to deliver solid growth in Infant formula and Growing-up milks, driven by premium brands *Illuma* and S-26. In China, our geographic expansion into smaller cities is on track, helping us achieve better distribution and higher brand awareness.

The Developed markets started the year with a positive contribution, helped by Western Europe and the impact from portfolio rationalisation. In the US, pouches and cereals were a highlight. Sales continue to be affected by the decision to participate only in selective WIC contracts in the US.

The Emerging markets remained a source of growth, but at a slower rate compared to prior years, again due to the difficult comparisons. We saw good performances in Asia and Mexico in particular.

As well as the continued positive momentum for Infant cereals in the US, there was also strong performance in South East Asia.

And finally, our organic fruit purée pouch line was a highlight for the Meals and Drinks category.

**Slide – Other Businesses**

Now let me move to our “Other Businesses”, which includes Nestlé Professional, Nespresso, Nestlé Health Science, and Nestlé Skin Health.

Together, these businesses achieved sales of 3.3 billion CHF, organic growth of 8.1%, and real internal growth of 5.9%.

Nestlé Professional had a solid start to the year. The growth was balanced across both the Food and the Beverage businesses. Developed markets remain challenged due to difficult trading environments. Nestlé Professional’s growth was driven by the Emerging markets in Asia, Latin America, and Eastern Europe. You will have seen our announcement on *Davigel* earlier this week.

Nespresso continued to grow well in a competitive environment. We are constantly leveraging our strengths by innovating our coffee offering, our machines, and our service, helping us to maintain our premium position in this category. For example, we introduced 3 decaffeinated Grand Crus with the same aroma profiles as 3 of the most preferred coffees.
from the permanent range. We also continued to increase our global presence though international expansion with 7 new boutiques opened so far in 2015.

Nestlé Health Science saw good sales growth in all three of its business areas: Consumer care, Medical nutrition, and Novel therapeutic nutrition. Europe and AOA performed well. Highlights we spoke about during our full year conference, such as Vitaflo, Boost, and Meritene, continued to drive growth.

Nestlé Skin Health grew well throughout all businesses with strong performance in the Americas and Asia. Growth in the prescription business was helped by the U.S. launch of Soolantra, a novel topical treatment for rosacea. The self-medication business benefited from continued geographic expansion and the U.S. launch of Benzac for the treatment of acne. The U.S. medical aesthetic business, acquired last year, contributed strongly and benefited from the launch of Restylane Silk.

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**Slide – Products**

This slide highlights the performance across our product categories.

Starting with Powdered and Liquid beverages, the slowdown in RIG was driven by several factors. Cocoa beverages started the year with tough comparisons, with Sub-Saharan Africa particularly affected. Our position as market leader in Soluble Coffee in many countries means we are often the first movers in terms of pricing. In the first three months of this year, the pricing taken impacted our RIG in some markets.

We covered waters in the previous slides.

Milk products and Ice cream faced further challenges versus last year. The key reasons are the drivers I mentioned during our review of the zones. Yinlu remained slow in China, Dairy in Brazil had a difficult start due to the slowing environment, and the Middle East was affected by Iraq and Yemen. Ice cream had a slow start, however please keep in mind that January through March is not necessarily indicative for Ice cream’s performance in a year.

Nutrition and Health Science continued to benefit from the good performance of Nestlé Health Science and Nestlé Skin Health.

Looking at Prepared Dishes and Cooking Aids, the improvement from prior year came from slightly better performance in Stouffer’s, and good performance from Pizza in Europe. We also saw a strong start for Ambient Culinary sales in Maggi and Chilled showed improvement in France and US.

The growth in Confectionery reflects both the Easter campaign in Europe and pricing taken in Latin America and Eastern Europe in response to inflation. RIG has been helped by strong KitKat performance and improvements in Hsu Fu Chi against easier comparisons. The successful launch of Les Recettes de l’Atelier, which we spoke about during the last call, continues with its expansion into new markets.

PetCare shows good organic growth however RIG was affected by the factors we mentioned.

That wraps up our business review.
Slide – Summary

In summary, I would describe organic growth of 4.4% for the first three months to be a solid start to 2015. The growth is broad based, coming from both Emerging and Developed markets, despite some very different dynamics in the operating environment.

The economic outlook in many of our markets remains challenging, but we will continue to focus on driving performance by doing the right things for the long term.

We confirm our full year outlook. That is, we aim to achieve organic growth of around 5% with improvements in margins, underlying earnings per share in constant currencies and capital efficiency.

That brings us to the end of the presentation. We will now open the lines for Q & A.

Q & A Session

The first question is from Jon Cox at Kepler. Please go ahead, Jon

| Questions on: | Frozen category in North America | Expansion of Premium Chocolate brands in Confectionery |

Jon Cox, Kepler:

Yeah. Good morning, Steffen. I have a couple of questions for you. The first one is really on that Frozen category in North America. It seems to me that Stouffer's is sort of turning around and doing a bit better. I wondered if you would just give us a bit more colour. You mentioned Lean Cuisine, but also maybe you could talk a little about Hot Pockets, Di Giorno and then the Pizza business as well, and how things are going in terms of the re-launch there. That's the first question.

Second question, just on Confectionery, just right at the tail end there, you talked about the expansion of the premium chocolate brands into other markets. Can you just give us some details there, which markets you're moving into? Thank you.

Steffen Kindler:

First on U.S. Frozen. Look, there are complex dynamics in the U.S. food and business consumption also, as illustrated yesterday by our Chairman at the AGM. We said before, it's not an overnight fix. We are committed to fix the business and we believe Frozen remains relevant to the consumer. Just a reminder, Frozen is a sizable category, and it's important for us as well as for the retailers with the assets that have been invested into that category.

We have leading positions. And as we said before, we are looking at all elements of the marketing mix. We're making our products more relevant to the consumer. We're changing the product ingredients. We're changing the packets. We're changing the communications. So we're really addressing all elements of the marketing mix.

But again, I want to reiterate, it's a process throughout the year. So at the moment, it's really too early to say that the new measures we've been taking have had a large effect already now in the first quarter. We were launching, for example, for Lean Cuisine, that the products are hitting the shelves as we're speaking. So we're going to see the effect of that probably towards the middle of the year and especially, in the second half.
So we have seen a slight easing in Stouffer's as I said. But I wouldn’t read too much into it at this point in time. I would like to reiterate that the improvements will really be seen in the second half.

Now, for premium confectioneries, your second question. We have a premium business already in Switzerland with Cailler and I talked about Les Recettes de l'Atelier. That's really in the countries of Switzerland, France, and we introduced it this year also in Spain.

Okay. So the next question is from Céline Pannuti from JPMorgan. Good morning, Céline. Go ahead please.

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**Céline Pannuti, JPMorgan**

All right. Good morning. My first question will be on China. I don't know whether you can share with us numbers on the country. But otherwise, can you say sequentially whether China was better, worse versus Q4, and I would say China in the Zone as well as the China total business, if you could comment on that. And I think you had said that the destocking would still have an impact in Q1. Is that the case and can we expect that that would be behind us then from Q2 onwards? So, that would be my first question.

My second question is on the milk performance, which you highlighted, there are some impacts from Brazil and I think Middle East. Is it something that we should continue to see as subdued throughout the year or was there a specific impact of comp? Thank you for that.

**Steffen Kindler**

All right. Let me start with China. China is a big market with many parts. And China, as a market, is still slightly positive. So, in the geography, to your question, is slightly positive.

The challenged categories, highlighted in the full-year conference call, were still difficult. They were not worse and we expect gradual recovery. Like Hsu Fu Chi improved but due to easy comps as well. Yinlu, Shark wafers and Coffee are still slow, and everything we said at the full year earnings call is still very relevant here.

On the other hand, RTD had a very strong growth. In the geography, among the globally managed businesses, we had good growth in Infant, we had an acceleration in Water, Nestlé Health Science and we had good growth in Skin Health.

So, the actions were taken to reconnect with the consumer. I gave an example before on Yinlu. They are now also being rolled out and we're going to see progress as we move through the year.

Destocking, we’re really – your question on destocking, we're really coming to the tail end of that process right now.

For Milks, I would like to remind you that this category has three segments. There's Ambient Dairy, there's Ice Cream, and there are Creamers. Now, Ambient Dairy is slow in the large markets: China, Brazil, and Middle East, and these are the three markets I also talked about in my speech. As far as Ice Cream is concerned, I would say that the first three months of the years are not necessarily indicative for what's going to happen in the latter part of the year.
And then, lastly, Creamers, that is Coffee-mate, and that is doing well. That is – in North America, that is growing year-over-year at 5% compounding growth on growth and has a very strong growth now also in Mexico. So, it's very different. It's a very different picture across that category.

Okay. So, the next question is from Patrick Schwendimann from ZKB. Patrick. Please go ahead. Good morning.

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<th>Questions on:</th>
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**Patrick Schwendimann, ZKB:**

Good morning, Steffen. I just was wondering why the acquisition effect was lower than expected at 0.6%. Just I would have assumed that Galderma itself should have had that positive impact of 1.8%. That's my first question.

And, secondly, regarding the Easter effects bearing in mind this effect; would you say it would be a fair assumption that quarter two organic growth could be a little bit lower than quarter one? Thank you.

**Steffen Kindler:**

Okay. So, the M&A impact – what's in there is Skin Health as a positive, but you have also got to keep in mind that we divested Juicy Juice, Nestlé Korea, PowerBar and Water HOD last year as an offsetting result, so these things balance each other out.

In terms of Easter, yes, Easter was two weeks earlier this year than last year. It is broadly in line with our expectation. And then it clearly helped as you can see from the figures in Zone EMENA and especially in Confectionery and Culinary. But we do not usually carve out these one-off events in one specific quarter. And we don't guide too much on them. It's the beauty of being a diversified company. So, it did have an impact, but I would not dare to give you a number right now.

**Patrick Schwendimann, ZKB:**

So, would say it could be possible to have in quarter two similar organic growth as in quarter one?

**Steffen Kindler:**

Again, a quarterly guidance is not usually something we do. We would refer back to a full-year guidance of organic growth, aiming for organic growth of around 5%. And that's what we are really building towards.

**Patrick Schwendimann, ZKB:**

Okay. Great. Thanks.

**Steffen Kindler**

Okay. Thanks. So, next question is from James Targett from Berenberg. Good morning, James. Please go ahead.
Questions on: Growth in Water
                  Frozen category in US

James Targett, Berenberg:

Good morning. A couple of questions for me. Just firstly on Water, you got a couple of strong quarters of growth even on a pretty tough compare this quarter. Just wanted to know if there are any timing issues or whether you're comfortable that this level of growth could continue?

And then secondly, just back on Frozen in the U.S., Mr. Brabeck made some comments in the AGM about putting some of the right solution for the business in 2015. So, does it just refer to the communication and innovation that you spoke of or is there something more there? Thanks.

Steffen Kindler:

Okay. Thanks, James. On Water, we have a broad-based growth in all geographies and brands and the growth is really, of course, driven by our strategy of our three-tiered brand hierarchy. But it's really growing categories also. So, we see a good sustained growth in Waters. This is for that question. And we have focused our choices on premiumization, value-added products and portfolio strengthening. North America is strong, Europe is doing much better. So overall, this is a very strong performance in Waters, and we see that sustaining.

As to the comments of Mr. Brabeck from yesterday, no. He referred to the plans that we have in place and that both Paul Bulcke and Wan Ling Martello have talked about at the full year and also on the road shows. He did not mean to say anything different than that.

James Targett, Berenberg:

Okay. Thanks, Steffen.

Steffen Kindler:

All right. Next question is from Warren Ackerman from Société Générale. Good morning, Warren. Please go ahead.

Questions on: Soluble Coffee performance
                  Nespresso Competition
                  Pricing

Warren Ackerman, Société Générale:

Good morning, Steffen. It's Warren here. Two questions from me as well. First one is on Coffee. I'd like to get some more colour on Coffee. Can you say, Steffen, what Soluble Coffee did in the quarter? And then just on Nespresso, you talked about a competitive market. Can you tell us exactly where the competition is coming from and perhaps a quick update on how VertuoLine is doing in the U.S.? That's the first question.

And then secondly, I guess, the beat today on organic seems to be driven by pricing overall. Can you maybe outline where you've taken most pricing in the quarter? And then looking out for the year, given much lower Dairy prices, should we accept pricing to come off? And if so,
maybe an idea of kind of how quickly, just looking at Dairy cost coming down very significantly? Thank you.

**Steffen Kindler:**

All right. So, I'll take the first one on Coffee, the soluble organic growth accelerates driven also by higher pricing. And in Coffee, we are the category leader in many markets. And as such, we are often the first movers in pricing. And that can have an impact on RIG and it did.

*Nescafé Dolce Gusto* is a growth engine for us with double-digit growth still. It's doing very well. Soluble, without *Nescafé Dolce Gusto*, is driven by Black Cup, and we continued innovations with good traction. The micro grind soluble coffee in Japan, the *Barista, Gold Style*, the mixes, new white foaming cappuccino, the *Blend & Brew* in Malaysia, the new *Nescafé* virtual identity launch proceeds well. Japan, the *Café Nescafé* in Harajuku. So overall, this category performs well, but again, pricing taken as a market leader with a slight impact on RIG.

And for Nespresso, you asked about the *VertuoLine*, that is completely on track with expectations, and we alluded to that before. We do see competition coming in, but we believe due to the reasons I gave before, we have a very clear positioning in Nespresso with a premium product offer, the machines with the service. So we're competing and we believe we are on a good track there as well.

Your organic and pricing question, the pricing is driven by what you would expect it to be. So it's Latin America, it's the two countries in Eastern Europe. That drove pricing, and it's to a smaller effect actually also due to the fact that in Western Europe, the negative pricing eased very slightly. So these are the effects that hit pricing.

Now, going forward, we don't guide on pricing. Pricing is a very local decision. It depends on your brand strength in the market, on the strength of your competitors' brands. It also depends on the retail situation in any given market and also, on the overall commodities basket. So sometimes, commodity volatility is reflected in pricing. Very often, we try to offset it in other lines of the P&L with efficiencies, with delaying certain parts or finding solutions to commodity volatility in other parts of the P&L.

**Warren Ackerman, Société Générale:**

Thank you, Steffen.

**Steffen Kindler:**

The next question is from Alain Oberhuber from MainFirst. Good morning, Alain. Please go ahead.

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<th>Questions on: Prepared Dishes and Pizza business in U.S.</th>
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**Alain Oberhuber, MainFirst:**

Alain Oberhuber with MainFirst. Just a question again on Prepared Dishes in the U.S. Could you elaborate a little bit on the Pizza business in the U.S. specifically? And if we are in there already, maybe giving us a pecking order as to how it looks about growth between the three
ones, i.e. the Pizza, the Lean Cuisine and the Stouffer's? And then, the question in there is, how is Hot Pockets doing?

And my second question is on the currency impacts for the year. If we look at the current environment of currencies, what could be the impact that comes from currencies based on today?

Steffen Kindler:

So I understood your first question on Prepared was more on the categories, right? I hope I understood that question right. So, the Pizza category is close to flat and the overall Frozen category in the United States, we see with a very slight negative of about minus 2%. But the Pizza category particularly is flat. And everything we said about the Frozen category in the United States that we said we make products more relevant to the consumer. We changed our offering, we changed the packaging, we changed certain parts of the contents. We talked about concepts like gluten-free and so on. That all applies to Pizza as well. And interestingly, we do see a very good performance of our Frozen Pizza in Europe right now, where innovation and premiumization drives a very good performance.

On currency, we don't usually guide on currency. There is an impact for the year, but clearly, the U.S. dollar has also recovered.

Alain Oberhuber, MainFirst:

Could you – and on Hot Pockets Steffen just coming back, what did Hot Pockets do?

Steffen Kindler:

Hot Pockets as a category is actually slightly up, but the growth in 2014 was impacted by the SNAP product. SNAP, that's the American food stamp program. Hot Pockets was impacted in 2014 by the SNAP production and some voluntary withdrawal of certain SKUs. We had a topic there. However, that the fundamental performance is positive, and we improve recipes and we increased velocity.

Alain Oberhuber, MainFirst:

Great. Thank you very much, Steffen.

Steffen Kindler:

All right. Okay. Next question is from Jean-Philippe Bertschy from Vontobel. Good morning, Jean-Philippe.

Jean-Philippe Bertschy, Vontobel:

To come back to Peter's prior comments yesterday about directing the adjustments of the portfolio. And then he was as well explicitly mentioning Jorge Paulo Lemann. So, should we read as well that you would take some more aggressive measures with regard to cost cutting? That will be the first question.
The second one is on the drought in California. You have said that the growth in the U.S. was strong as well, mid-single digits. Have you seen in that region signs of a slowdown towards the end of the quarter due to this drought and as well due to the negative press in this region?

And the third one, a very short one, on the buy-back. Are you confirming that you would complete the program of the CHF 8 billion at the end of this year?

Steffen Kindler:

Okay. So, for the first one on Mr. Brabeck’s comments from yesterday, I would actually say we’ve said many times in the past that Nestlé is the ‘And’ company. And we often said that we believe in order to create value on the long run, we need to grow And improve profitability. And this is what we are doing; this is what we are doing on the long term. And that that really is I think the view we got to give you. But in terms of cost cutting, yes, of course, we’re doing our homework as well. We have announced the new Nestlé Business Excellence organization under Chris Johnson. You know that we’ve taken the GLOBE system and we’ve put that together with the Shared Business [Services], and we put that together with the Continuous Excellence programme in order to share, to standardize and to simplify operations, and really to leverage Nestlé’s size into more of a strength. The idea here again is to free up the resources in the markets to focus on what they have to do in terms of innovation, in terms of growth, and enable them to do that well. That is our view on that.

For the drought in California, first a short reminder maybe, on March 17, Nestlé has published the latest Creating Shared Value report. You can see this on the web, or you can get paper copy here from us. It’s a very comprehensive document with many KPIs where we provide a lot of facts on what we’re doing in the overall area of Creating Shared Value. As you know that water, that water is one of the key topics in Nestlé. So one of the topics where our Chairman is very active. And so we are very concerned with water and we are also particularly concerned also with the drought in California.

But we also feel we’re part of the solution. We contribute to improve the water footprint. We continue to improve the operational efficiency and Water is the category actually with the lowest water usage versus other beverages. And lastly, amount of water we’re withdrawing, we’re water neutral. So we always withdrawing as many, as much water from our resources as it get naturally replenished over time. And finally, we believe the best way to save water is to drink it. But this is obviously a very wide, very complex topic, and I would invite you to reach out to our media relations and to our public relations team if you or we can set that up for you if you want to have a more in depth discussion. We’re happy to do that.

Now for the share buy-back, the share buy-back is, we’re now CHF 2.5 billion into the CHF 8 billion program. We said we aim to buy-back CHF 8 billion by the end of the year but we also said it’s depending on market conditions.

Good. That gets me to the next question from Robert Waldschmidt. Robert, good morning. Please go ahead.
Robert Waldschmidt, Liberum:

Good morning. Could I ask two questions if I may? Firstly, in terms of the Waters business, can you quantify the amount of the business which is now in Emerging markets as a percentage of the division.

And then secondly, in terms of the U.S. overall. Is the U.S. in positive growth? And if it is, is it driven by pricing only? Thank you.

Steffen Kindler:

Okay. So the first question, the Emerging markets for Waters are around a quarter of the business, about 20%. And for the U.S. overall could you repeat your question? I didn't understand that very well.

Robert Waldschmidt, Liberum:

Yes. So, your organic sales growth in the U.S., is it positive? And alongside that, if it is positive, is it driven exclusively by price or is there positive RIG as well?

Steffen Kindler:

So, the growth in the U.S. is positive. It's driven by RIG and, of course, partly by pricing. Okay?

Robert Waldschmidt, Liberum:

Okay. Thank you.

Steffen Kindler:

Good. Next question from Adam Spielman from Citibank. Good morning, Adam.

Adam Spielman, Citibank:

Good morning. In fact, my question was a very specific question and it's already been asked, so thank you – and answered indeed. So, thank you very much.

Steffen Kindler:

Thank you. That was easy. Next question is from Alan Erskine, UBS. Alan, good morning.

Alan Erskine, UBS:

Good morning, Steffen. Just one question from me. If I can triangulate the growth rates of the Nutrition business and Nutrition category, if I've done my maths right, it looks like Nestlé Health Science and Skin Care were up 15% in the quarter. So, I wondered, could you just
give us a little bit more colour as to what drove that growth and was there any one-off factors in there that would prevent us from sort of extrapolating that kind of growth rate into the balance of the year? Thank you.

**Steffen Kindler:**

Okay. Skin Health performance was good in Q1 and it was in line with our expectation. But we do not carve out the contribution of each business to the group's organic growth. So, what I can tell you both did well and both contributed to growth. And there were no particular one-offs. In terms of the full year, I would come back to our overall guidance on a group level that we aim for 5%.

**Alan Erskine, UBS:**

Thank you.

**Steffen Kindler:**


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**John Revill, Wall Street Journal:**

Good morning, Steffen. A couple of points. You guys refer to the European Zone has been quite a good performance, but in actual numbers, sales have actually gone down. So, I was wondering, how much of that is pure currency translation? Like how much is a strong franc drag there or was it something else?

And also you mentioned that the consumer mood is moderately improving in Europe, I just wondered if you could talk about where it's doing better and where it's struggling a little bit on sort of consumer confidence in Europe. And how sustainable you think that is? That's my first kind of point about Europe.

And then secondly, just a bit more colour on China, please. You say China is kind of improving, but then also you mentioned that China was a drag on sales. So, is China actually in positive territory? And could you give us a bit more sort of colour about what's going on? I know you've mentioned a bit of it already, but a bit more colour on China and when do you see that coming back and what's happening out there? Thank you.

**Steffen Kindler:**

Okay. So, these are a couple of quick ones, actually. So, Europe, yes. It’s impacted by currency. The consumers’ sentiment, we do see better feedback from countries like France, Spain. This is where we see consumers’ sentiment coming up.

And then, China, as we said before, as a market, including the globally managed businesses, is kind of flattish. And as I described before, we have parts that are still challenged, and these are the ones we talked about before, and we have other parts that do very well, so that in the balance, the market is very slightly positive and the challenges are the ones we’ve talked about and where the programmes are underway. But, again, I would love to give more
updates to that maybe at our half-year or our nine-months call. That'll be more substantial, I feel.

**John Revill, Wall Street Journal:**

Right. And in Europe, I mean, which countries are still struggling on consumers' sentiment in Europe? Do you think we've actually turned the corner overall in Europe yet or is that still too early to call?

**Steffen Kindler:**

We feel that's still too early to call. That's still too early. What we do see is slight improvement here and there. It's early signs, but that's it.

**John Revill, Wall Street Journal:**

Okay. We're still kind of tough on the consumers' sentiment side then.

**Steffen Kindler:**

Excuse me?

**John Revill, Wall Street Journal:**

We're still difficult on the consumers' sentiment side in Europe.

**Steffen Kindler:**

It's very difficult in places like, for example, yes...

**John Revill, Wall Street Journal:**

Very difficult in Europe for consumers' sentiment side still.

**Steffen Kindler:**

It's difficult in places that are obviously challenged like in Greece. It's obviously difficult in places like some parts of Eastern Europe where we have – it's actually also not so easy in Switzerland.

**John Revill, Wall Street Journal:**

Okay. Thank you.

**Steffen Kindler:**

Okay. The next question is from Gerry Gallagher from Deutsche Bank. Gerry, good morning.

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| Questions on: | Pricing contribution to organic growth in Latin America | Galderma numbers |
**Gerry Gallagher, Deutsche Bank:**

Good morning, Steffen. Thanks for taking the questions. A couple for me. Just looking for a bit more granularity if possible. Firstly, just on pricing in Latin America, one of your global FMCG peers yesterday was able to give us a bit of granularity on the contribution to their organic growth from Argentina and Venezuela. I wonder if you could help us a little bit more on that.

And then secondly, I'm slightly confused on Galderma. Could you just confirm whether the Galderma numbers are in the organic line or in the acquisitions line? Thank you.

**Steffen Kindler:**

First, Galderma, it's in both. And then for pricing in LatAm, we do not carve out RIG and organic growth by country and organic growth always includes some parts of inflation and deflation. Venezuela and some of the hyperinflation countries in that continent are relatively small in sales. And then they're getting smaller due to the continued devaluation we're doing there. I think that would be it from that standpoint.

**Gerry Gallagher, Deutsche Bank:**

Okay. Thank you.

**Steffen Kindler:**

I have one final question from Jon Cox again. Hi, Jon.

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**Questions on: Cailler Premium Confectionery rollout**

**Jon Cox, Kepler:**

Yes. Sorry, Steffen. I thought I have two bites of the cherry. On the Confectionery, the premium confectionery rollout, you mentioned Spain. I'm just wondering if you have any plans to roll out in North America at all.

**Steffen Kindler:**

That is probably a bit too early to say right now. So, you see that these are brands that came here from Switzerland from Europe. We're going market-by-market, but it's too early to say about the rollout in North America.

**Jon Cox, Kepler:**

And generally, you're pretty satisfied with what you're seeing in France, for example.

**Steffen Kindler:**

Yes. So far, we are.

**Jon Cox, Kepler:**

Okay. Thanks for taking the call.
Steffen Kindler

Okay. Good. Well, that was the last question. Thanks very much. And that brings us to the end of our three-month sales call. If there are any further questions you want to ask, I think you know all our addresses, Web, e-mail, of course, Twitter. And otherwise, we look forward to talking to you again at our Half year results call on August 13. Until then I thank you for your time and interest in Nestlé.

I wish you all a great day and upcoming weekend.

Good-bye.

[END OF TRANSCRIPT]