

NESTLÉ S.A.

2015 CAGE PRESENTATION TRANSCRIPT

TRANSLATING NESTLÉ ROADMAP INTO EXECUTIONAL EXCELLENCE

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Speakers:

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Wan Ling Martello, Chief Financial Officer, Nestlé S.A.**Introduction:**

Thank you James. Good morning, everybody. It's an honour to kick off the CAGE presentation this morning.

Thank you for your interest in our company. Nestlé is special. But, then again, I'm biased, I'm prejudiced. For those of you who followed our earnings call a few weeks ago, yes, a very solid set of results but you would have also heard Paul Bulcke, our CEO, talking about how intrinsic strengths at Nestlé have really enabled us to deliver our numbers, to deliver our performance, to deliver our results in both good times and bad times.

Now, everybody knows we're known as a company with very long term mind set, the breadth and depth of our categories, the geographic footprint and not least, the talent and commitment of our people. Folks often ask, "Wow, that's a lot to manage? You've 450 factories, people on the ground in over 180 countries, and so, how do you do it?" So, we would like to take this opportunity for Luis Cantarell to share with you how we translate the vision of the company, the roadmap of Nestlé at the group level, into executional excellence. Because we believe that complexity managed very well is actually a competitive advantage. There's nobody better than Luis Cantarell, who was at one point head of our Nutrition business, who then headed our zone Europe, then to zone Americas and was then tasked to create Nestlé Health Science, now the head of zone EMENA. He's absolutely one of my favourite colleagues. So, with that, Luis Cantarell, take it away.

Luis Cantarell, Head of Zone EMENA, Nestlé S.A.

Thank you, Wan Ling, and thank you, James. As Wan Ling said, I would like to contain my presentation in these thirty minutes so we will have time for questions and answers. The key message is; How do we execute? How do we transform and try to make a complex environment into a competitive advantage?

We are a company that created the concept of a Nutrition, Health and Wellness company. We have said that we can work with different categories, in different groups and align all of them behind a strategic direction. That's what I'm trying to cover.

The majority of the examples you are going to see are my personal examples, how I have done it in the different positions that I have been running in this company. Specifically as I was already working in 2001, at that moment with Peter Brabeck who was the CEO, on defining the Nutrition, Health and Wellness strategy, and I spent more than four years doing that.

Slide: Disclaimer

So, that's the usual stuff. [Disclaimer slide]

Slide: Executing the Roadmap
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Let's talk about the roadmap. You have seen that. That's what we call our long term strategy. What you see at the centre, it defines our vision as a company, and it defines where we like to be. From a consumer point of view we said that our objective is to enhance the lives of people by offering them tastier and healthier food and beverage choices at all the stage of lives, for them and their families, and helping to take care of them and also their families. That has been the concept behind what is in the middle [of the roadmap] and, of course, has been also the reference for financial performance trusted by all the stakeholders.

So, what you see here is a roadmap. This roadmap was created around one year after Paul Bulcke took over responsibility and it was built on what Peter Brabeck had done. It was discussed and [he] was already a member of the executive board with all of us and he defined what we call these three elements operational pillars, growth drivers and competitive advantage.

This set up the vision and the way that this company is going to execute and since 2008/2009, this roadmap has not changed fundamentally. We have maybe adjusted some words but the basic thing, which matters for me as a responsible of operations, is basically to cover the three elements that are here, drivers, pillars and competitive advantage.

Slide: Priorities

But, of course, one thing that was clear was that in order to make this executable, we needed to define what the priorities were, priorities within this territory. Some years ago, I think it was around three, four or five years ago, we defined what we called the priorities, and we said we're going to concentrate on what we used to call six plus one. Six are these that you have here [on slide 4] and the one is we said that in order to develop the future of the company, we're going to expand the boundaries of Nutrition, and at that moment, we [started to] talk about Nestlé Health Science, and last year we added Nestlé Skin Health.

So, the first thing is what are the priorities? Six priorities.

Making choices. This priority was very much inspired by work that we did in the company, which I started in zone Europe when I was the head of the Europe in 2006, defining the context of cells. We don't manage geography, we don't manage category, we don't manage channels, we manage all of them at the same time. Through the work that the company did in implementing GLOBE, the biggest IT project ever done in a company, we said that the company's like a Rubik's cube. Basically, you have responsibilities in terms of a category in a given geography in a given channel, and the idea of identifying the cells was a way where we can discuss the areas that we like to make choices. It was thanks to the work that we did identifying these 2,000 cells in the company, around 500 at that time in zone Europe, then we will start working with that. So making choices gives you the necessary mind-set to decide where to play based on three criteria. Market attractiveness. How attractive is the market that we work at? Ability to win. Could we win this market? And the third, financial performance. What is our return on invested capital that we're going to follow in this specific cell that we're going to work out? That was one of the key elements by which we're managing our priorities.

Of course, the second one is grasping opportunities. What does it mean? It is to be stricter on making choices and what you have seen are the divestments and investment we have done respond to these criteria. These give us the possibility to enter in new areas and grasping opportunities we define like Premiumization and PPP, areas where Nestlé has been very active.

The second row of priorities was Value what consumers value. Same as the work that my colleagues have done in LEAN by implementing lean thinking, by basically taking cost out of the system, we have been able to improve the operational performance of our business.

Think about Nestlé in Europe last year. Now, we talk about Europe, Middle East and North Africa (EMENA) but last year, even in a deflationary environment, we were able to improve our margins thanks to growth and also thanks to operational performance. We have, in the case of Europe, taken around five to six per cent of operational costs in total delivery costs in terms of economies, which was ahead of what we did in 2013 already. This is an important point in order to make our company competitive enough, in order to play in environments of volatility and in the case of Europe of low or even deflation.

Engage with the community and stakeholders, you're going to hear me at the end. That's the concept of Creating Shared Value. You have already been exposed to that but we would like to say that we have been very active, and specifically in Europe, we launched two years ago, the concept of the youth employment initiative; how Nestlé is going to be the leading company in helping the youngsters of this world to find a job and improve their employability and the possibilities to find a job. When I've finished this meeting I'm going to go to a presentation of what we call Alliance for Youth, it is a group of 200 companies that we have been helping to create, that is offering jobs youngsters. We have a meeting in Facebook where we're going to launch the first website done by young people for young people in order to promote jobs in Europe. I was with the commissioner in Brussels and the comment I received when I was talking to her, she told me, "We need more Nestlés in order to help this dimension." So, that's an important point of the way Nestlé does long term and short term.

The other point is to Embrace digital. Since three years, we have been already implementing digital acceleration teams in Switzerland and all the majority of our markets. I was in Spain two weeks ago launching the same initiative there. We have already implemented a Silicon Valley innovation outpost with particular focus on Nutrition, Health and Wellness. I was there when we inaugurated with Wan Ling, where we start talking about that. We have already Global partnerships with Facebook and Google, and in E-commerce we are leading with the experience built by Nespresso. You know that more than 50 per cent of our sales in Nespresso is online and this helps also to build new possibilities. Specifically, we are going to talk about Nescafé Dolce Gusto. You are going to see that this is an area of future growth.

And then last but not least, are our people. People are an important point in our company. As it was said I have been a long time in this company, I have learned the majority of jobs in this company and keeping people motivated and interested and, basically, using the quality of our people is an important point. Just an example, we have this concept of centre based expatriates, we have around 3,000 people that we can move around the world in a very short period of time to help us managing business, different responsibilities, from finance to technical, from marketing to HR, and this is a very important group of people. These people are recruited from all over the world and they're managed centrally in Switzerland and I've been using them in order to help me manage and push different businesses. But, this is not it all. So we have divided twelve growth drivers that you have seen operational pillars of the roadmap in six priorities and then, last year, we decided to be more specific and we concentrate on what we call focus areas.

Slide:	Focus Areas
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Focus areas, it covers three points. Strengthening our portfolio, Allocating resources and Mastering complexity. In the case of complexity, we have reduced the number of our factories already. Wan Ling was talking about 480 factories, we have been reducing these, even with new acquisitions, we have acquired Wyeth Nutrition, that I know quite well, and other businesses. Since then, we have been able to reduce and to (UNCLEAR) these in order to make sure that we have a level factories that will sustain the need for being flexible and also to be very efficient. So, we have reduced the number of SKUs by six per cent last year and more even important, the specifications. Just to give you an example, we used to have more than 120 specifications for vanilla flavour to produce our ice cream. We have been reducing these dramatically in order to improve the quality of our procurement and also the efficiency of our factories. We have also improved the quality of our production lines. We have projects in Europe concentrating on eliminating production lines that are worth less than one third. We have already reduced our overheads worldwide by 50 basis points. All this is in the concept of mastering complexity, a priority that Paul Bulcke has set up in the last years.

Allocating resources. Thanks to the work that we have done on the cells, in defining which business, geography and channel we're going to work, we have also been able to be very clear

and very demanding of our people to concentrate research and development resources behind cells that are accretive to the group, both in organic growth and on profit levels. More than two thirds of our CapEx and more than 50 per cent of our R&D goes today to specific areas that we identified as growth areas of the company. We have been increasing the consumer facing marketing expenses by 33 per cent and behind what we call accretive categories. Both that will have a growth, higher than the average and also with prospective of profits.

When it comes to strengthening our portfolio, it is very much about this issue that you have been following, that in terms of divestments, we have divested more than 800 million in terms of sales over the coming two years, and I was specifically behind that when in 2012, in addition to my responsibility of Nestlé Health Science, I took back the responsibility of the head of Nestlé Nutrition, I was behind divestment of Jenny Craig and Powerbar. Last but not least, what we have done in streamlining our Baby Food portfolio in Germany. That's part of the initiatives that the group has also done, I'm just referring to the ones where I had direct responsibility.

Slide: Our Approach

What is then the approach by which we go from twelve to six, six to three? Which is the approach by which we work in order to master this complex company in an executional roadmap and achieving the results that we have been achieving?

I like to concentrate on five points. One is the concept of anticipation and consistency. How do we look at our geography and category? The concept of short term and long term? How do we deal with people and the concept of being part of society? I'm going to use that, I'm going to use personal examples. I'm going to use what I have done, what we have done in the context of the different business for which I've been responsible.

Slide: Anticipation and Consistency

The first one which is very close to me is this concept of anticipation and consistency. I presented this chart in a long presentation in the investor seminar that we did in Switzerland in

2013. I'm going only to present this chart. There is far more behind that. What you see here is more than 14 years of history of our company. What you see is how Nestlé identified Nutrition, Health and Wellness as a key priority and what we have been doing since then without changing and keeping the same consistency and also dissipate. This could also be perceived as short and long term, because we have been delivering Nutrition over the years, and what you see here is that the creation... 1997 was when Peter Brabeck took over as CEO. He clearly identified at that moment that Nutrition would be an important element of the future direction of this company and he created at that moment what we call a Nutrition strategic business division that I was asked to head in 2001. At that moment in time, we started working closely in defining the future direction of the company, what today is called Nutrition, Health and Wellness. We set it up and I remember, in a group of investors like this, in 2003 I already presented the first ideas of this concept. Since then what we have done, we decided then to move ahead and to say let's create, for the first time, a globally managed business, which was Nestlé Nutrition. We had already others like Nestlé Waters but this was the first time that the company decided to extract part of the responsibilities from the traditionally decentralised geography and put it behind one unit, what we call Nestlé Nutrition. At that moment in time, the main subject was to manage R&D and to manage innovation centrally, to make sure that we will have a pipeline of products that is going to have an influence on the future of our innovation, specifically in Infant Nutrition.

What we did since then, we defined, and I still remember, I kept the chart, I went to the board of directors of Nestlé in 2004 and said that at the moment Nestlé Nutrition was set up it was worth five billion. Then we said by 2012, this should be doubled, it should be ten billion. Today, Nestlé Nutrition, if you take the exchange rate, it will be more than that, but at the end of last year we shared that it was around 9.7 billion Swiss francs and clearly improving the position every year. What we did since then, we decided to concentrate in acquisition, we acquired Gerber, we acquired Jenny Craig, we acquired Novartis Medical Nutrition and we also integrated PowerBar, which is a division that we bought in 2001.

Since then, some years later, we decided to do a new kind of, what I call a disruptive innovation, which was the creation of a new company called Nestlé Health Science. It's not a Globally Managed Business. It's an (UNCLEAR) company that the board, when I was heading the Americas business I was asked to do that because of my experience in the past. I created this company, I incorporated the Health and Nutrition business and since then, we have been growing this business, which we believe would be in the next 10/20 years a key future pillar of

our company. At that moment I was convinced, and since managing this business for four years I am more convinced that it will be one of the key pillars of the future for our company. And then in 2012, we decided, as a part of this analysis to do a very important acquisition, which was the Wyeth Nutrition acquisition, which we have integrated but kept separate. We're managing Nutrition with Nestlé Infant Nutrition and Wyeth Nutrition. We said it's an embedded business, it's not an integrated business because we are managing both at the same time with the same approach, using and leveraging our shared service but keeping the consumer facing, the mother facing exercise in a different way. As you know, it's a very complimentary business. I've been managing this business for the last two years. I left this business when I took over again the responsibility of Zone EMENA and I can tell you, we have been able to deliver on all metrics since that acquisition, based on our original plan.

Since then, Nutrition has improved their margins through managing portfolio, we are at 20.8 per cent operating profit, improvement of 80 basis point versus last year and this year we believe we will continue driving. We are number one in Baby Food, we are number one in Infant Formula. We've got a key position in Asia. We're managing super premium, premium and affordable Infant Formula.

We took the decision, which was a very painful decision, to realise that the acquisition we did in 2006 of Jenny Craig was no longer an area that we can add value and then we decided to divest. And the same thing I did personally with PowerBar, because I felt that PowerBar would be better in different hands and then we need to concentrate because the critical mass is both in Nestlé Health Science and in Infant Nutrition. So, that's an example of what I call anticipation, consistency and well executed strategy that has proven to have good results.

Slide: Category and Geography

Category and geography, this is very much also close to me. I was the head of Europe to the end of 2005, and then 2006 to 2008 where I moved to zone Americas. Basically, in my career, I have been Coffee and Nutrition person. So, I know very well Coffee. I have done a lot of things behind Coffee. So, when I saw the project of Nescafé Dolce Gusto I said this will be an outstanding future and then 2006 we started selling four million. We put a huge amount of money behind supporting this product, this brand and today, I believe we are not only going, I'm

talking about now Europe, Middle East and North Africa, we are going to overcome one billion this year, and we said that we are 42 countries, this is just in Europe. We're in 75 countries today worldwide with Nescafé Dolce Gusto, and we have gone from four million to one billion in eight years. And we are number one in retail in terms of machine sales. There have been more than 16 million Nescafé Dolce Gusto machines sold since the inception. We are the fastest company growing in retail. We are number one in machine sales in retail. We are number one in capsule sales in retail, and as I was telling you before, we believe, through our expertise coming from Nespresso, that we will be also driving this in online and in E-commerce.

Slide: Short Term and Long Term

Short term and long term, the best example I could tell you is the creation of Nestlé Health Science, and what you see here is this concept of expanding the boundaries of Nutrition. If our company is all about Nutrition, Health and Wellness, what we have said, at the end of 2010 when the board and Peter Brabeck and Paul Bulcke asked me to think about creating a new company to work in new space, was that it's not only about enhancing the quality of life with good food and beverage everywhere but could we present a new offer with personalised nutrition for medical conditions? Why could nutrition not be part of the solution for people with chronic medical diseases? And at that moment in time we announced this in a press conference, 27 September in Lausanne. We said we don't know exactly what we're going to do but we believe this is an area of future growth for a company that is convinced that nutrition will be part of the solution when it comes to chronic medical conditions.

Slide: Building a Transformational Business

At that moment I said, and I think you have seen this chart, I said, "This is a long transformational business. It will take time." So, at that moment, my commitment with the board was I need two years to build organisation, I need five years to build product portfolio and pipeline and I believe in ten years we will be able to demonstrate leadership, the leadership being the acceptance of the world that we have been able to create a new area of expansion of nutrition working in areas like gastrointestinal diseases, like brain health, like nutrition and

autism. Just to give you an example, 75 per cent of the kids that have autism have got intestinal disorders. There is a clear relationship between microbiota and what we could deliver with probiotics and autism.

Now, we need to prove that. We are going to work on that. Do we have the solutions? Not yet. But we are convinced that in the future you are going to talk a lot about this initiative that I have the honour to found.

Slide:	Nestlé Health Science
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Where is Nestlé Health Science today? After four years my successor Greg Behar, who came from the pharma industry, has basically three business units within Nestlé Health Science. One we call Consumer Care. We're growing quite fast in Europe. We have very good solid growth. We've launched an initiative in Europe called Meritene. This is a brand that is going to travel all over Europe in this consumer care. This is for aging people.

Then we talk about Medical Nutrition. This is more the traditional business that we have been in. We bought a company in the UK called Vitaflo. Basically, they develop products for kids that have inborn errors of metabolism. We are very strong in paediatric care analogy. We have different products both Infant Nutrition and Medical Nutrition. We're working with metabolic and obesity care. We have also completely reshuffled our business in devices to make sure that we have the devices necessary to delivery products in hospital.

Last but not least, what I think of as the new-born, is what we call the Novel Therapeutic Nutrition division. It will be based in Boston. We have already decided that we're going to put all our expertise in brain health and gastrointestinal health. We bought companies in US, Prometheus, Pam Lab, and we invest in a company called Accera, which has products in the area of the brain. We are also investing in a venture with a company called Flagship in Boston and we are a minority investment in a company that is going to lead microbiota therapeutic solutions for microbiota problems called Seres Health. All this is showing to you that from the inception of the idea to today, we have been able to structure this business, to keep the centre of this business and I believe this is going to be something where the company is going to see future results.

And, in addition to that, we then created a Nestlé Institute of Health Sciences, which is an institute that's based in Switzerland where we're committing to invest more than 500 million Swiss francs behind genome and epigenetics. All the necessary research and development staff that will support the launch of this company in the future.

Slide: People and Teams

Last but not least, it is about people and teams. One thing that's important for all of us being so embedded in this company and doing different things is the concept of our management and leadership principles. It is a key element of the direction and is a key element that we always sell with that. I have with me my own copy; I travel with that when I visit all markets. It was the case when I was in Americas, in Europe, here and there, and we basically go through that and there is a paragraph that says Nestlé is a people inspiring company. I could give you a sense, I'm not going to read it but we can talk about that, this is one of the key elements by which we are assuring that we've going to deliver in the short term while concentrating on our in our long term vision. And also the concept that complexity, managed well, should be a competitive advantage.

Slide: Inclusive Approach of Society

And last is about the inclusive approach of society, and here there is the example of this concept that was launched by my predecessor in Europe called Nestlé Needs Youth. The idea was based that with the amount of unemployment that we have in the young generation in Europe, we cannot create future business if we don't tackle that, and we felt that our company has a responsibility to do that and to push this discussion. Basically, to support what we call employability. The meaning is the ability of our companies to train, to give internships, to educate, the youngsters of this world whether they are in universities or in different places where they can be able to join the workforce. And that what's we call the concept of Get Skilled, then the concepts of Get Hired, Get Support and Get More Opportunities. And as I mentioned to you, in a few hours I will be launching an initiative in Facebook offices with companies like

Facebook, Publicis, Axa, etc., that are part of this alliance for youth.

In the case of Nestlé, while delivering the short term, we have been able to engage more than 7,000 people in Europe, 4,000 apprenticeships have been provided by Nestlé to youngsters in Europe. We have done more than 1,600 workshops in order to train and to tell people how to work, visiting our factories, going to universities and being part of society.

There are plenty of initiatives that the company is doing everywhere but I felt that this is more specifically an important one when it comes to Europe.

Slide: Nestlé 10-year Performance: a History of Success
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And last but not least, I think what our results shows that we have a history of success. This is the average figure that you know from organic growth to operating profit improvement, market cap and also dividend increase. So, you know this figure better than me so just to say that it has been proven that our strategy has worked and I can tell you with what we are going to do, this strategy is going to continue in the future.

Slide: The <i>and</i> Company

And that's what we call the 'and' company. A company that in good times, in rainy days **and** sunny days, is there. We'll deliver top **and** bottom line growth in different markets, improve in operational **and** capital efficiency and also have the courage to invest, fix and accelerate; an area that concentrates on the three focus areas. The company is looking very clearly and we are all committed to that. And, of course, what I think a very important part for all of us, is this concept of managing the short and the medium term. And with that, I think I have finished more or less around the timing that we're supposed to have question answers.

Q& A Session

Question on:	Cost savings in Europe Confidence in North America
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Jon Cox, Kepler Cheuvreux

Good morning. Jon Cox with Kepler Cheuvreux. Just to come back to the cost savings you're putting through Europe at the moment with the deflationary environment and how you're helping to offset that with the cost savings, could you just give us a bit more colour on exactly what you're doing and how you're already passing through price cuts to help the retailers in this environment in Europe.

And a second question, just one on North America, just a general question there because confidence seems to have gone a bit backwards more recently. People were obviously hoping that North America would have a pretty good year this year. That's your biggest market. Maybe Wan Ling you have some comments on that. Thank you.

Luis Cantarell, Head of Zone EMENA, Nestlé S.A.

Yes, thank you, Jon. Regarding cost savings, we have already a plan in 2015 that has been embedded in all our companies to push to continue these, what we call these operational excellence savings, which will be reverted in our competitiveness, and we have this done this by categories. We have this in Coffee, we have this in Confectionery, we have this in Milk, we have it in Ice cream. And maybe just to give you a sense of importance that I give to geography and also to category, for the first time this year that I am responsible again for Europe and Middle East and North Africa, I have given specifically targets to my markets, all of them, in Ice cream and Coffee, in separation of their own responsibilities, and these targets are not only in terms of growth but also in terms operational excellence savings. We would expect that this continue growing. We will expect that these will continue delivering good ammunition for us to be competitive in the marketplace. I cannot give you details but you could expect that this year we will be building another level, between maybe three to four per cent, in the area of operational

excellence savings in our business. In addition to that, yes, we are in deflationary environment but not all our products in Europe are suffering deflation, specifically Coffee, so you may have seen or are going to see that in some of our categories we are going to have positive pricing versus the rest. But pricing will be a challenging thing. I expect that pricing would not be as affecting on our figures in EMENA this year as last year.

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

Thank you. Hi, Jon. Good to see you. In terms of US business, as you know we don't manage our business on a quarterly basis. But we did see an uptake and an improvement in the last few months. Having said that, we recognise and we were very clear in our last earnings call, our big business in the US, being Frozen Food, was a challenge and that our expectation is that, that business along with our other opportunity, our categories in China, will improve and gain traction as the year goes in 2015. And so, in the US, in answer to your question, is we're cautiously optimistic. Where we have a problem is it's a bit self-inflicted, and that should slowly come back during the year.

Questions on: Time frame for investment in new businesses

Unidentified Participant

When I take a look at your chart about a ten year transitional programme, at what point does the cash stop going into the business. You've got a two, five and a ten year plan, which having known Nestlé over the years is certainly been executed extremely well. But, I'm just wondering from a cash flow point of view, you invest I know in the first couple of years, when does the business have to stand on its own before it gets to that ten year cycle, to where you don't knock on the door and say, "I need some more money, please"?

Luis Cantarell, Head of Zone EMENA, Nestlé S.A.

Yes, first of all, without entering in details, because we don't give the specific information of this business, but just to give a sense, since the creation of Nestlé Health Science, we took the business of healthcare, we put it there. We started to make acquisitions. So, one thing is the money I'm using for the company and, of course, within our parameters, you know, I'm heading

Nestlé Health Science, we create a board. In this board we have people inside and outside the company and one of the methods we're following is returning invested capital and also cash flow coming from investments. Of course, we're investing money, but just to give from a regional perspective, since the creation we have been delivering higher growth than the average and we have fundamentally improved within the business that we have, we have been managing new operational performance. And also we are not majority shareholders in all the investments we do, we also invest as a minority shareholder where we can test, this is the case for example, of this company in the US for brain health, and other initiatives so we can manage this and we can decide when to exit depending on the circumstances.

That's really part of the metrics and just to give another sense, the people that work in Nestlé Health Science, they also have their own compensation systems. It's different from the Nestlé one and in this case, I created at the moment, uh kind of what we call a phantom share programme by which the people in the company, they also manage the short and the long term of that. So, this gives a sense that we care not only about the P&L but also about the balance sheet part of that.

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

And your question is about Nestlé Health Science but just in general about how we look at investment into businesses, and what has helped us significantly is the cell methodology that Luis alluded to earlier in his presentation, where we look at businesses. We break down the whole business into 2,200 cells and so we see where past value creation came from and where future value creation is going to come from. And so it helps us, it provides us transparency in where it is ... is it our margin assumption, is it the category growing, is it coming from innovation? And so, sort of like the dialogue can be a lot more grounded on black and white facts versus emotional discussion about certain categories.

Luis Cantarell, Head of Zone EMENA, Nestlé S.A.

When I launched this initiative in 2007, at that moment I was head of Europe but I used to say I am not managing Europe, I am not managing France, I am not managing UK, I am managing 550 cells of the company. That means brands, products in a given geography, in a given channel. And I was travelling in Europe with a book of 500 pages and each one cell and my

discussion with my people was concentrating on them.

Question on: Return on Invested Capital – targets and improvements
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Warren Ackerman, Société Générale

Morning. It's Warren Ackerman at SG. You talk a lot about allocating resources better, but if you look at your return on invested capital after goodwill it's still only in the eleven-twelve per cent range. I think you have internal target for where you want to improve ROIC. So, my two questions really, one, is there any reason why you can't share that internal target externally? And then secondly, which categories, which geographies do you expect to see the biggest improvement in ROIC on a three-five year view? Thanks.

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

Thank you, Warren. It was I think at the November strategic board presentation that CEO Paul Bulcke made a commitment to the board in terms of improvement in ROIC, both in goodwill burden ROIC and ROIC excluding goodwill. And that is a commitment of improvement of so many basis points over a course of five years.

Now, that's a number like you said, we haven't shared publically. One of the things that the power of the portfolio tool that we have is being a lot more brutal. To put it honestly, it's actually interesting. You know one of our market heads, in one of our biggest markets, when the tool was reintroduced with sort of economic profit as a proxy, he sent me a text and he said very clever Wan Ling, we can no longer hide. The thing that we wanted to do is when we talk about managing the portfolio; most people go directly to, "Well, are you divesting?" It's not just divesting, it's fixing and, you know, I had, during the last two weeks, a roadshow. I've been challenged by some investors about, "Well, what are you doing with the US frozen?" And I said, "Look, we're obviously giving our local team a chance to fix it but there is clock on it and so now you and I can debate whether how long should that clock be but there is a clock, it's not religion, it's not like we're not going to walk away from any category or any business in any market. That just for whatever reason we can't fix it. We just don't fix." And so, there is a plan, so to your question about which geographies or which categories, we're very clear on which ones to fix

quickly if not to divest, and which ones do we need to accelerate and in what market. So, it's not something we share broadly but we have a very clear road map internally within Nestlé.

Luis Cantarell, Head of Zone EMENA, Nestlé S.A.

And I think the example of Nutrition I showed is an example of both, investment, divestment and concentration. The decision to move from a Nestlé Nutrition perspective to what is bigger today with Nestlé Health Science on one side and on the other side is winning in what we call the thousand days of the life of a baby, which is Infant Nutrition.

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

I just want to close by thanking everybody again for your interest in our company and take this opportunity again to reiterate our guidance for 2015. We expect this year to be similar to 2014 and we aim to achieve organic growth of around five per cent, improvements in margins and EPS, underlying EPS in constant currencies and capital efficiency. We do recognise we made it very clear in our earnings call that we have two big businesses that we need to improve, which is US frozen and our China business and our expectation is that both businesses should start to gain some traction as we go through the year. So, thank you very much.

END OF TRANSCRIPT