



**Nestlé**

**Welcome to the  
Full-Year Results  
Conference**

# Disclaimer

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



**Nestlé**

## Full-Year Results Conference

**Paul Bulcke**  
Nestlé CEO

# Nestlé Group Highlights

**Sales**

**CHF 91.6 bn**

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**Organic Growth**

**4.5 %**

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**Real Internal Growth**

**2.3 %**

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**Trading Operating Profit Margin**

**+ 30 bps in constant currencies**



**Nestlé**

## Full-Year Results Conference

**Wan Ling Martello**  
Chief Financial Officer



# Resilient Performance Fuelled by Top Line Growth

*Organic Growth*

**+ 4.5%**  
(FX - 5.5%)

*Trading Operating Profit  
(in CCY)*

**+ 30 bps**  
(+10 bps reported)

*Free Cash Flow  
(in CCY)*

**+ CHF  
14.7 bn**  
(+ CHF 14.1 bn reported)

*Underlying Earnings Per Share  
(in CCY)*

**+ 4.4 %**  
(- 1.7% reported)

CCY = Constant Currencies



# Broad Based Regional Growth

**Americas**

**Europe**

**Asia,  
Oceania &  
Africa**

**Sales**  
(in CHF)

**39.4 bn**

**25.9 bn**

**26.3 bn**

**RIG**

**+2.3%**

**+2.4%**

**+2.4%**

**OG**

**+5.4%**

**+1.9%**

**+5.7%**

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

*OG = Organic Growth, RIG = Real Internal Growth*

# Developed *and* Emerging Markets Growth

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

OG = Organic Growth

# Zone Europe



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

# Zone Americas



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



# Zone Asia, Oceania & Africa



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



# Nestlé Waters

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



# Nestlé Nutrition



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



# Other Businesses

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

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

## Nespresso

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

## Nestlé Health Science

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

## Nestlé Skin Health (as from July 2014)

- Double digit growth in all businesses and geographies

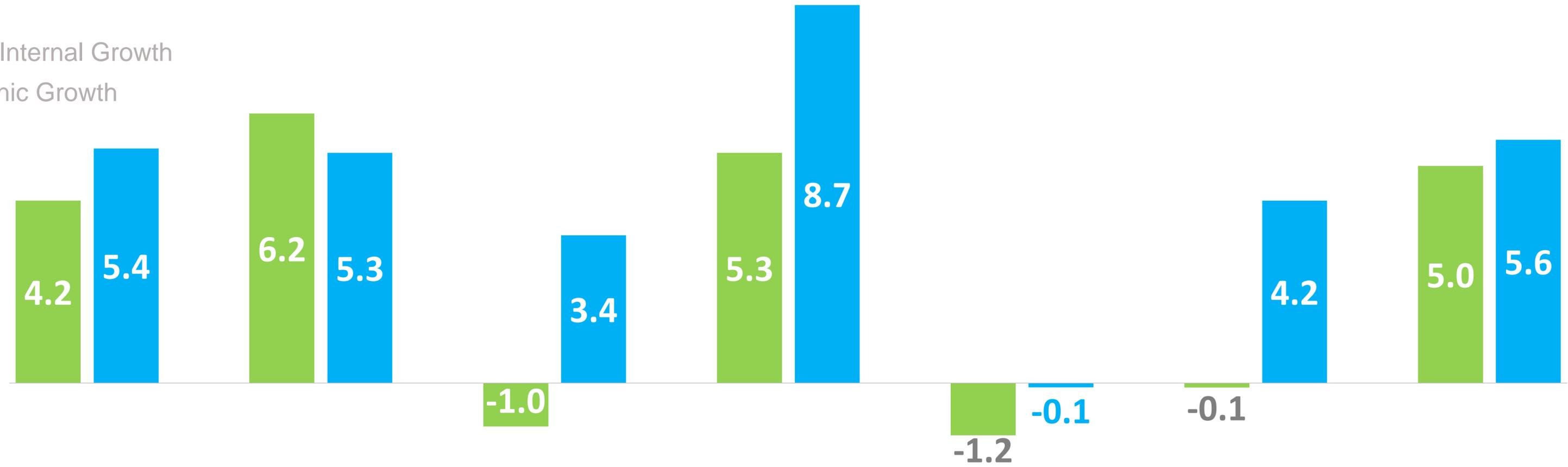
## Other TOP Margin

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



# Products

■ % Real Internal Growth  
 ■ % Organic Growth



**Powdered and Liquid Beverages**

**Water**

**Milk products and Ice cream**

**Nutrition and Health Science**

**Prepared dishes and cooking aids**

**Confectionery**

**PetCare**

**Sales**  
(in CHF bn)

**20.3**

**6.9**

**16.7**

**13.0**

**13.5**

**9.8**

**11.3**

**TOP %**

**23.1**

**10.3**

**16.1**

**20.9**

**13.4**

**13.8**

**19.8**

*in bps*

*+40 bps*

*+30 bps*

*+90 bps*

*+210 bps*

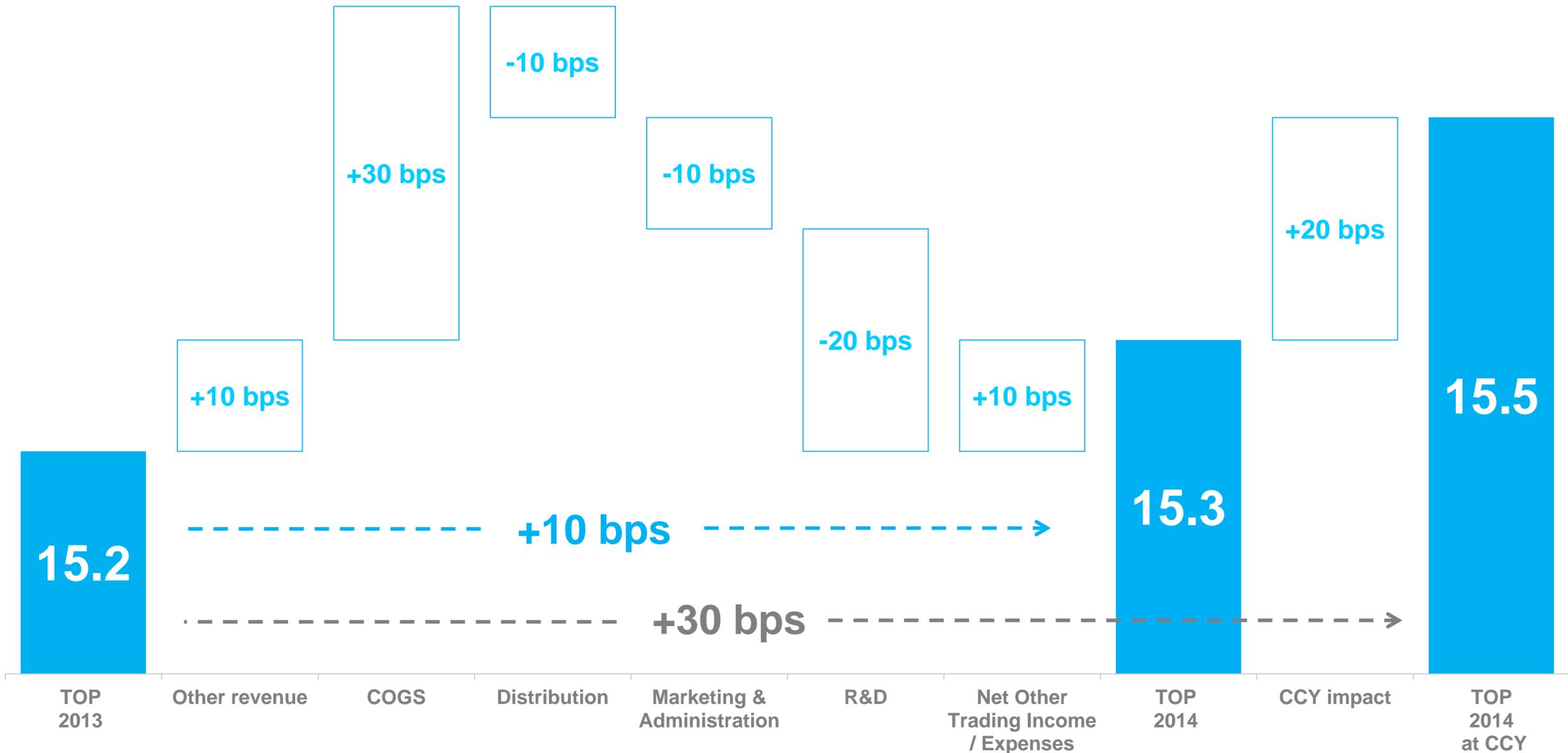
*+20 bps*

*-210 bps*

*+60 bps*



# Trading Operating Profit Margin



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

TOP = Trading Operating Profit, CCY = Constant Currencies



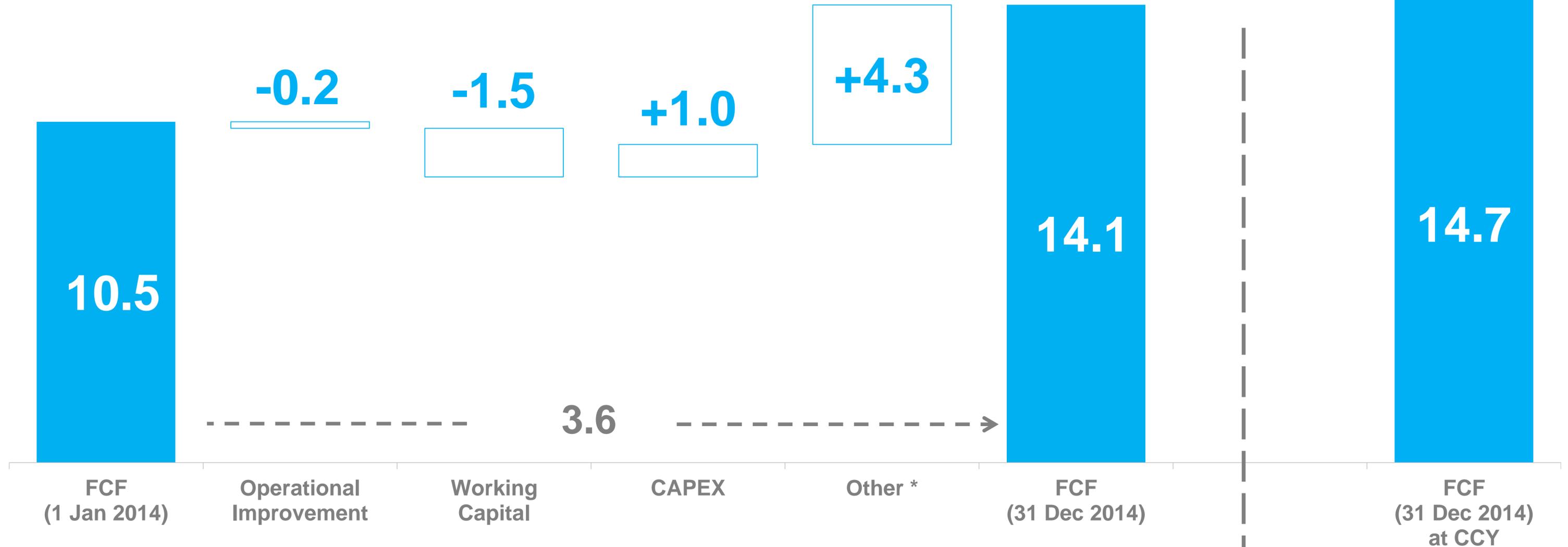
# Income Statement

## Total Group

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

# Free Cash Flow

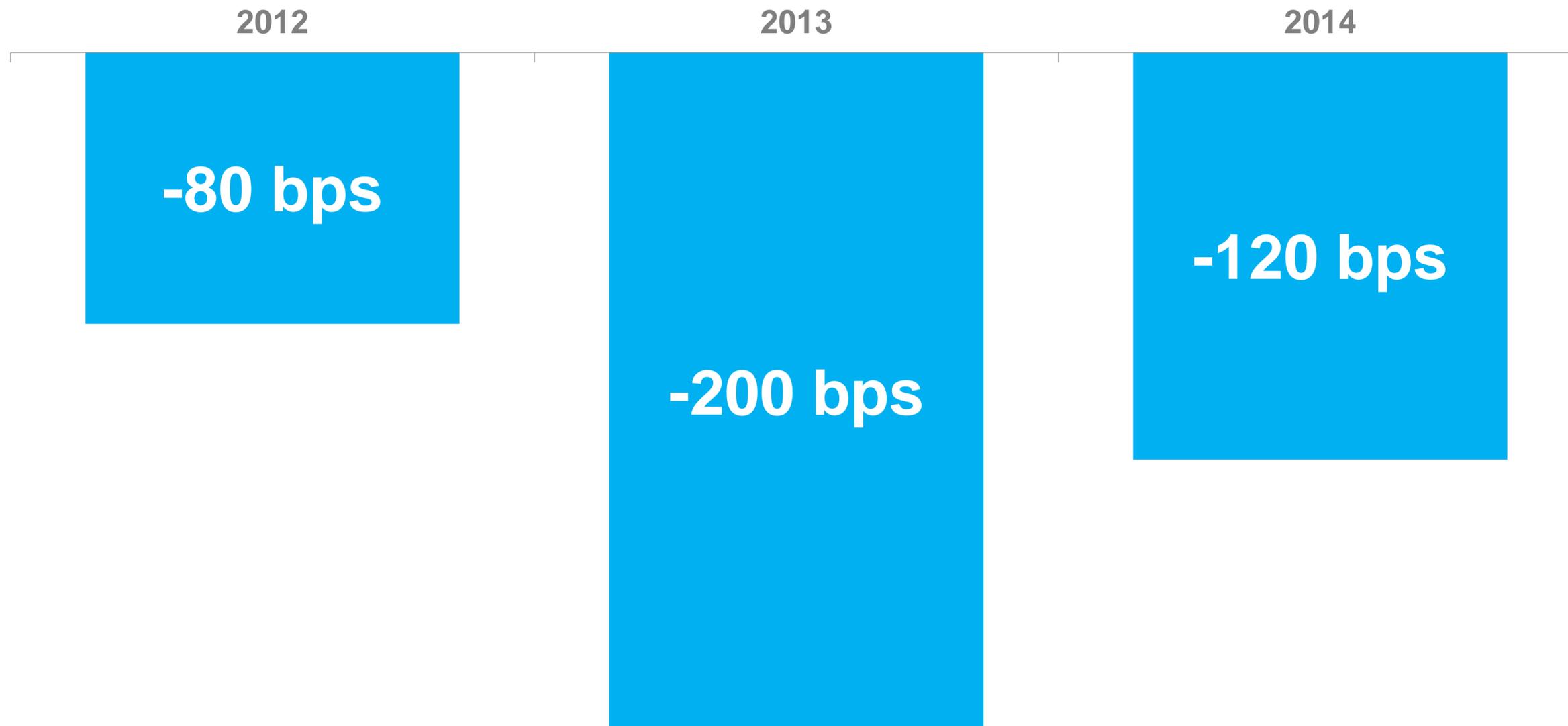
in CHF bn



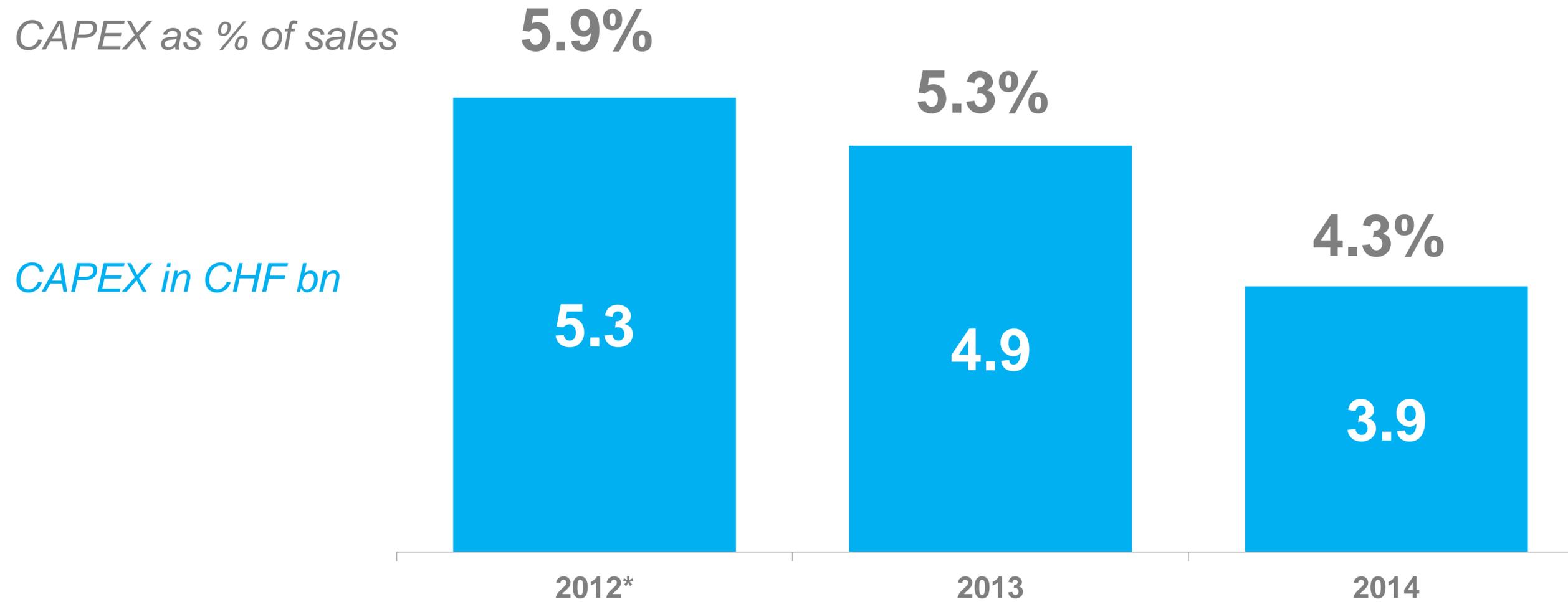
\* Mainly impacted by the cash in from the partial disposal of L'Oréal shares

# Continued Focus on Working Capital

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



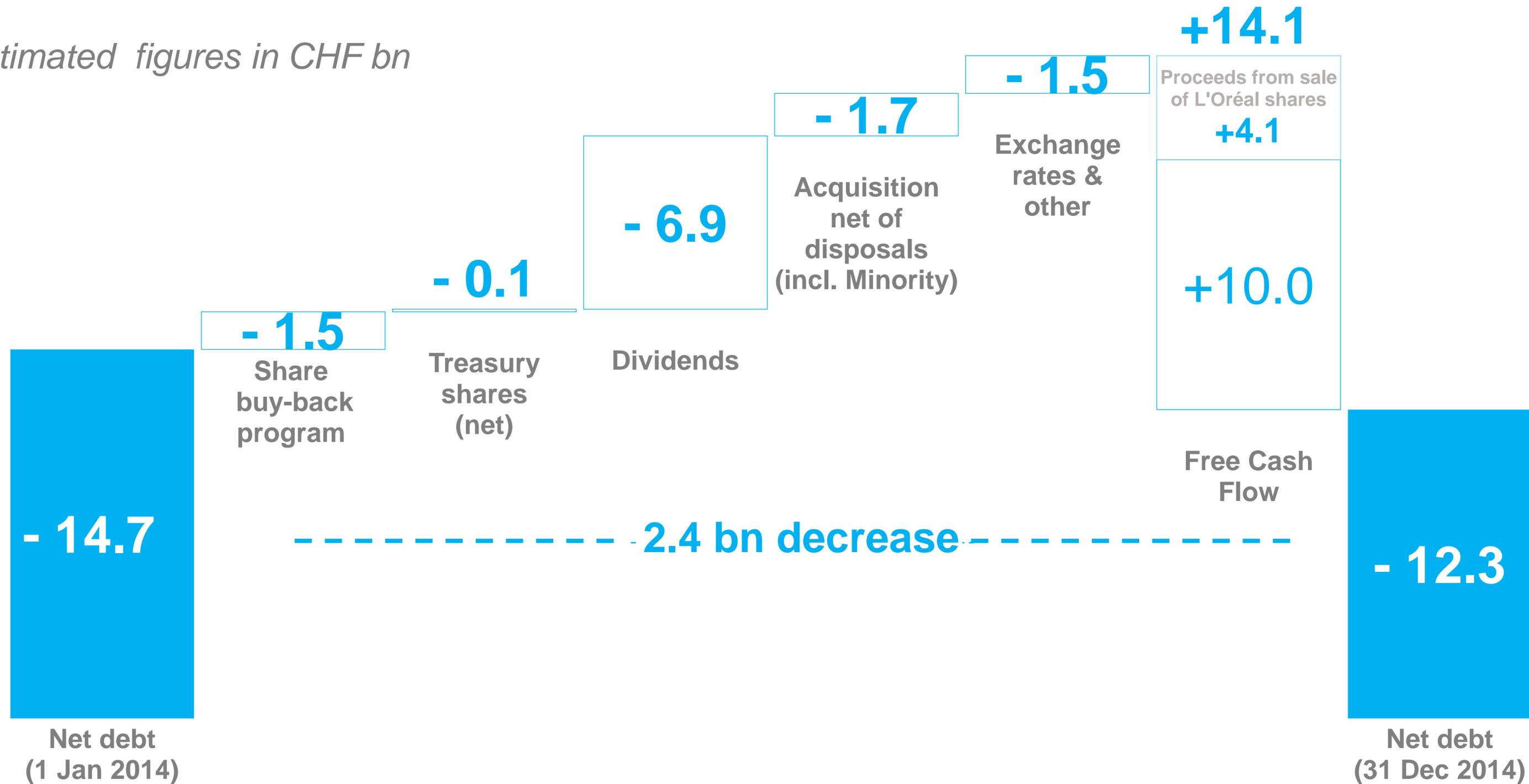
# Evolution of CAPEX



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

# Group Net Debt Decreased by CHF 2.4 bn

Estimated figures in CHF bn



# Managing the Currency Challenge

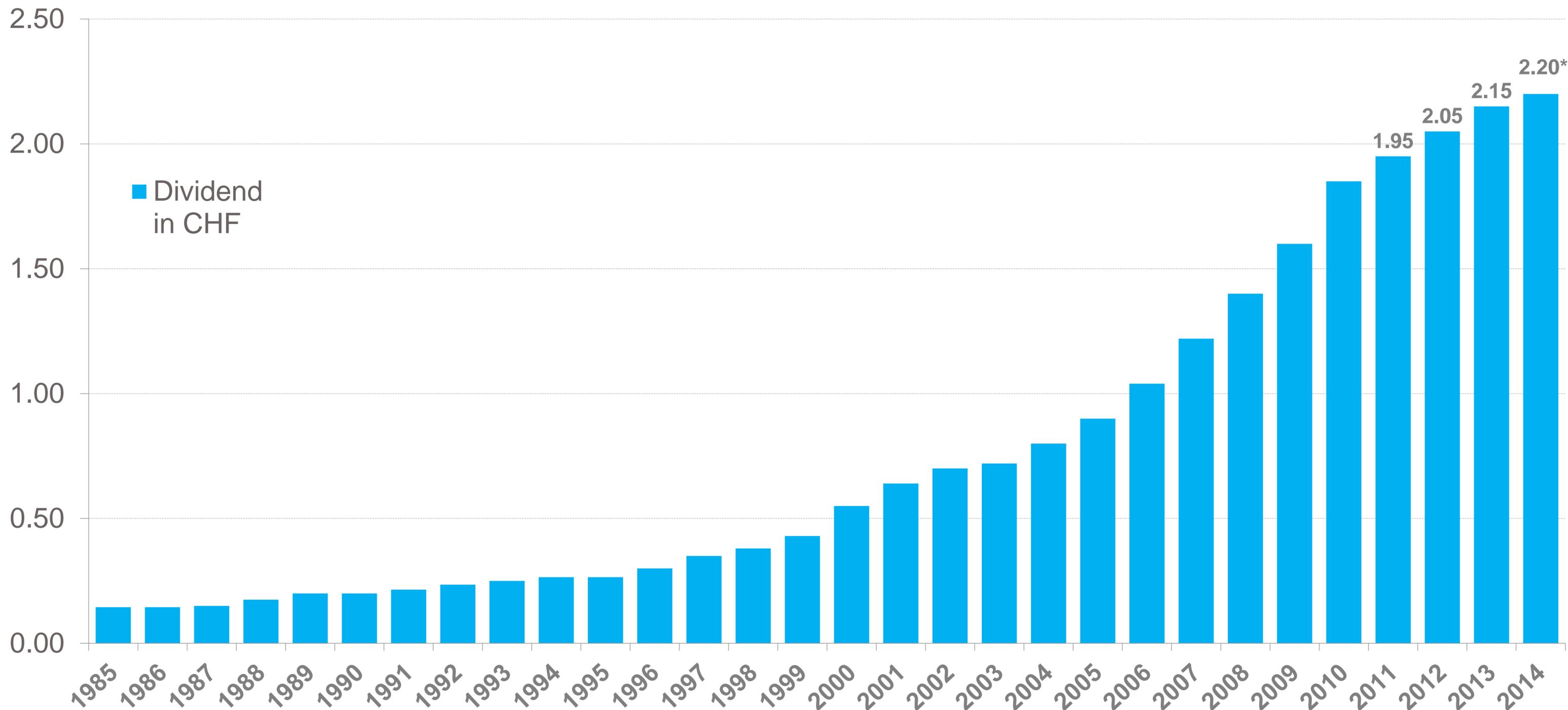
## FY 2014 Currency Impact

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

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

# Sustainable Dividend per Share in CHF



\* Proposed

# Summary

Delivery of Top Line *and* Bottom Line

Growth in Emerging *and* Developed Markets

Improved Operational *and* Capital Efficiency

Making Choices to Divest, Fix *and* Accelerate

Delivering in Short Term *and* Investing in Long Term

# Outlook 2015

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



**Nestlé**

## Full-Year Results Conference

**Paul Bulcke**  
Nestlé CEO

# Delivering today...

# ... and building for the future

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

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# Our intrinsic strengths

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

# Delivering today...

# ... and building for the future

- Our intrinsic strengths
- Challenges we face
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# The Swiss franc

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

## But impact on

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

## Actions for competitiveness

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

# China

- Changing consumer landscape
- Changing trade landscape



# China – adjusting to a changing landscape

## Consumers

- Traditional and new
- NHW awareness
- Premiumisation



## Trade

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



# US Frozen food

## High penetration

Household	96 %
Nestlé household	66 %

## Sizeable and growing

Category sales	23 bn USD
2014 – 2019	+ 3.2 %

## Leading positions

Single & multi-serve meals	29.0 %
Single serve diet meals	38.0 %
Sandwiches & handheld snacks	18.0 %
Pizza	43.0 %



california  
PIZZA KITCHEN



# Enhancing the brands' relevance to consumers



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



- New health dimensions and culinary trends



- Winning at retail and in digital



- Premiumise and offer on-trend products



# Delivering today...

# ... and building for the future

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

# Expanding the boundaries of nutrition, health and wellness



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



Nestlé Skin Health

Science-based solutions for the health of skin





## Consumer Care



### Healthy Ageing

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



## Medical Nutrition



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



## Novel Therapeutic Nutrition



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



# Nestlé Skin Health

## Prescription



Pharmaceutical products prescribed by healthcare professionals

## Self-medication



Disease and non-disease specific therapeutic skin care solutions

## Aesthetic & Corrective



Medical solutions and services for minimally invasive aesthetic and corrective treatments







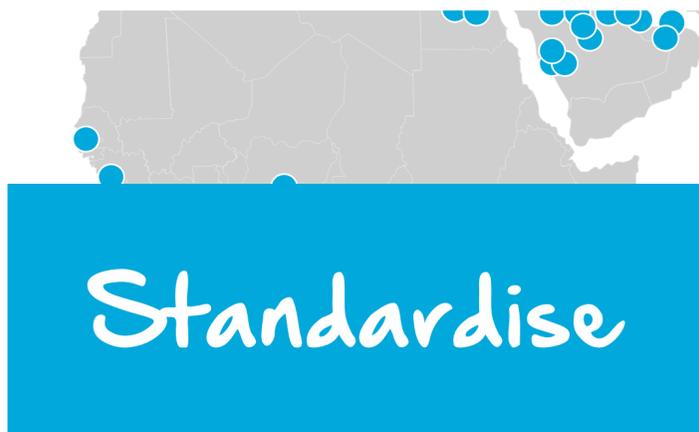









# Nestlé Business Excellence



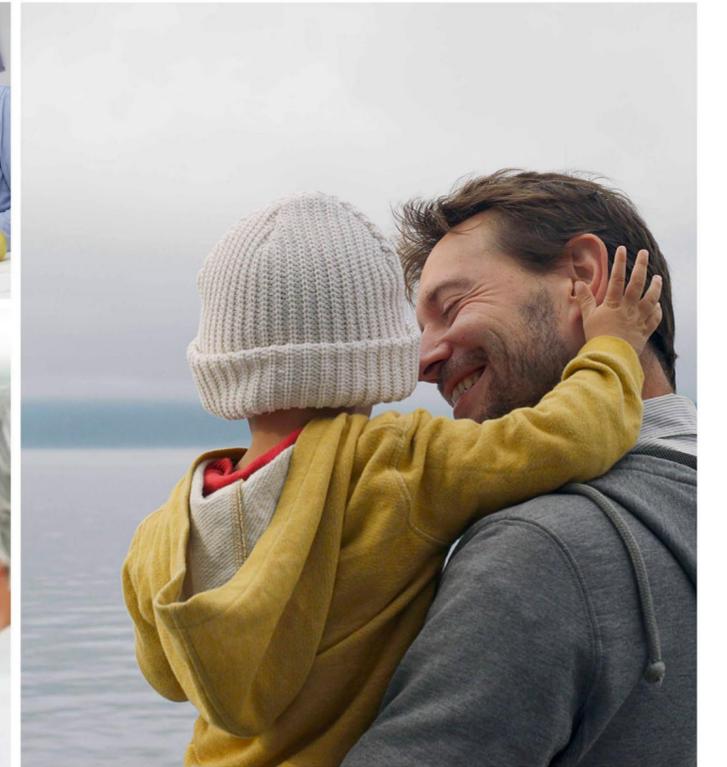




Nestlé

resilient, innovative, consistent

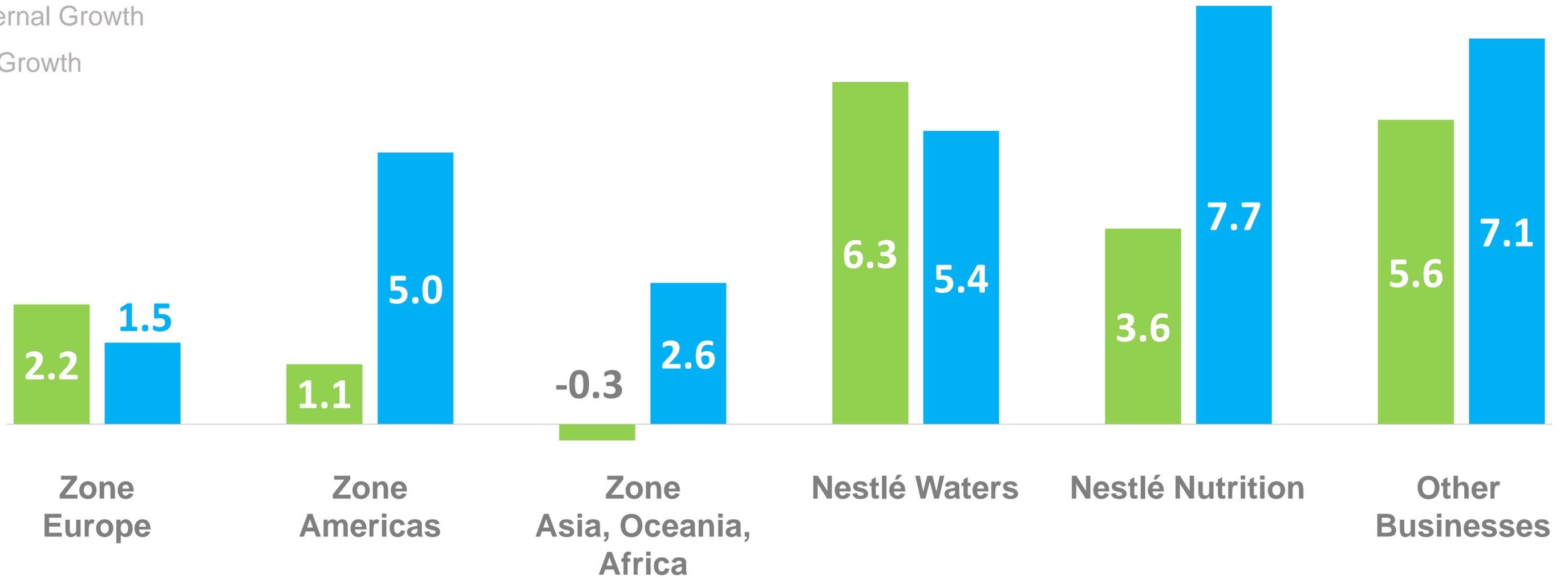




# Appendix

# Operating Segments

■ % Real Internal Growth  
 ■ % Organic Growth



**Sales**  
 (in CHF bn)

**15.2**

**27.3**

**18.3**

**7.4**

**9.6**

**13.9**

**TOP %**

**15.3**

**18.8**

**18.7**

**9.7**

**20.8**

**19.1**

in bps

+30 bps

+60 bps

-20 bps

50 bps

80 bps

140 bps



# Currency Overview

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

# FX Impact

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