

146th Annual  
General Meeting  
of Nestlé S.A.  
Lausanne,  
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## Speeches

**Peter Brabeck-Letmathe**

Chairman of the Board

**Paul Bulcke**

Chief Executive Officer

## **Address by Mr. Peter Brabeck-Letmathe**

Chairman of the Board

*Check against delivery.*

Dear Shareholders, Ladies and Gentlemen,

2012 has again been a year full of challenges and opportunities.

In a difficult and unstable environment, your Company has delivered very solid results across the board. For the 17th year in a row, the management has lived up to what we call “the Nestlé Model”: organic growth of 5.9% was at the upper end of the target range, with a margin improvement of 20 basis points. This constancy over time is unique in today’s turbulent economic and political world. Our CEO, Mr. Paul Bulcke, will elaborate on the performance of your Company and give you a more detailed perspective on our business.

To continue our long-term policy of ensuring an attractive return for our shareholders, the Board of Directors once more proposes an increase in the dividend, which would be set at 2.05 Swiss francs per share.

On behalf of the Board of Directors, and I am sure also on your behalf, I would like to thank our CEO, the management and all Nestlé employees around the world for this excellent performance and for their great commitment.

I now invite Mr. Paul Bulcke to speak.

*Presentation by Mr. Paul Bulcke, Chief Executive Officer (see page 9).*

Ladies and Gentlemen,

Paul Bulcke has spoken about the strength of our brands and how they are constantly renovated to remain vibrant and attractive to our consumers. 2013 is a jubilee year for two of our most outstanding brands: 150 years of *Perrier* and 75 years of *Nescafé*. We will come back later on their strength and continuous radiance.

Our Company is also approaching a major jubilee: its 150th birthday is just three years away. There are not many companies that can pride themselves on such a journey, from modest beginnings in a small Swiss town to the world's biggest fast-moving consumer goods company, present in all countries around the globe. We will duly celebrate this occasion and express our attachment to our origins in Vevey and our roots in this country.

The Nestlé success story started in 1866 in Cham with the Page brothers and in 1867 in Vevey with Henri Nestlé, who manufactured his famous "farine lactée" infant cereal in his first factory behind the train station in Vevey. This revolutionary product, essential to the survival of millions of babies whose mothers are unable to breastfeed, is at the heart of our positioning as the leader in nutrition, health and wellness.

It is in this historical location that we will build a Nestlé Centre which will, in a playful way, let people experience the past, the present and the future ambition of our Company. It will be a way to say thank you to our consumers, to the population and to our city of origin, and it will be another sign of our willingness to be an open and accessible Company. At the same time, we will transform the Alimentarium, a Nestlé foundation, into a learning centre on nutrition for the general public, and particularly for the younger generation.

Over the course of a century and a half, this modest production site on the banks of the Veveyse River has transformed into a worldwide network of expertise, products, markets and effective management. Let me put Nestlé's presence in Switzerland today into a global context:

Nestlé's production in Switzerland accounts for roughly 5% of global turnover, of which nearly 80% is exported. Of our 339,000 employees worldwide, about 3% (more than 10,000) are employed in Switzerland. This modest share should not belittle the fact that over the last ten years, we have created 3,500 jobs in Switzerland, at a time when employment in the food industry has been stagnant. We have invested significantly here in this country – more than CHF 3.2 billion over the last ten years, which corresponds to 7% of our global capital expenditure. More than 60% of our worldwide R&D expenditure is in Switzerland.

So, although sales in Switzerland account for only 2% of our global turnover, the employment effect, the manufacturing footprint and R&D expenditure are very significant and – with all their multiplier effects – have hugely positive consequences for the local environment well beyond the relative size of our business in this country.

To this day, Switzerland hosts the international headquarters and the main decision-making and administrative units of the Nestlé Group, whilst the ownership of this truly global company is now one-third Swiss and two-thirds foreign. Eighty-five nationalities are represented at our headquarters in Vevey.

Ladies and Gentlemen,

With its high standard of living, its low rate of unemployment and its solid public finances, Switzerland is an economic success story, unrivalled in a Europe fraught with massive public debt and unacceptable numbers of people looking for jobs, particularly among the younger generation. I am convinced that one of the secrets of this success story is the strong fabric of competitive small- and medium-sized enterprises that coexist with an unusually large number of globally-active multinational corporations. This productive symbiosis has come under increasing political pressure lately, exacerbated by the irreversible globalisation of economic activity in general.

A few weeks ago, Swiss voters decided by a strong majority in favour of a constitutional amendment, the “Minder Initiative”.

It is now crucial to respect the Swiss voting population’s decision and to find practical legislative solutions which safeguard the long-term attractiveness of Switzerland as a business location.

As soon as we have clarity on the legal application of the initiative, we will adapt our by-laws accordingly and present them for your approval.

In the meantime, we have already put into practice some of the key demands of this initiative:

- For four years now, you have been able to express yourselves on the compensation of the Board of Directors and the management.
- Regarding the election of the Chairman of the Board of Directors by the General Assembly, you have the opportunity to do so today. You have been informed that if I am re-elected, the Board intends to appoint me as Chairman. So today, you will implicitly decide on the election of the Chairman of your Board.

However, it also has to be said that the political and regulatory environment for publicly listed companies is becoming more difficult in this country. The long-term stability and predictability of the legal framework and reasonable regulation, which are crucially important prerequisites of entrepreneurial activity, are constantly being challenged.

Ladies and Gentlemen,

We must find a new consensus between the economy, politics and society. Efforts need to be made on all sides to deepen mutual understanding and to find the right balance. The media carry their share of responsibility in this respect. Nestlé wants to stay in Switzerland. Nestlé – the management and the employees – want to continue to feel welcome in this country and contribute to its success story, not only today, but also in the future.

Dear Shareholders,

The long-term financial and economic success of a company can only be achieved and assured if it is accompanied by the creation of value for the communities we have the privilege to serve.

In this sense, Nestlé not only achieved a strong financial performance in 2012, but, for the eighth year in a row, we have been chosen by our peers as the “World’s Most Admired Consumer Food Products Company” in the annual rankings of Fortune magazine.

In addition, our global efforts in the areas of sustainability and Creating Shared Value for society are increasingly being recognised by external stakeholders:

- Nestlé continues to be the only infant food manufacturer to be included in the responsible investment index of the London Stock Exchange, FTSE4Good.
- The NGO Oxfam, whose critical view of the food industry as a whole we take very seriously, has just ranked Nestlé first in the industry for its social and environmental policies.
- A new index measuring people’s access to nutrition, ATNI, has ranked us first, along with two European competitors.
- And yesterday, the Reputation Institute of New York and Copenhagen named Nestlé among the Top Ten most reputable companies in the world based on a wide consumer survey.

- Finally, we are fully committed to transparency, reporting at the highest level A+ of the Global Reporting Initiative.

Dear Shareholders,

This year, with our new report *Nestlé in society*, we have made a significant step which truly represents a change of policy: for the first time, Nestlé publicly commits to meet concrete and quantified objectives and targets in different societal areas, such as nutrition, rural development and responsible sourcing, water, environmental sustainability, as well as human rights. These commitments will allow all our stakeholders to measure Nestlé's social performance in the future.

Ladies and Gentlemen,

The food industry as a whole is today being challenged as never before. The times have passed when our industry was universally recognised as helping to ensure basic sustenance and hence the physical survival of the population. With rising income levels, industrialisation and urbanisation, lifestyles changed and the food industry fulfilled its role to bring convenience, pleasure and diversity to people's diets. Today, this is no longer enough: our industry is also expected to provide additional nutritional benefits and to make a positive contribution to individuals' personal health and wellbeing. Sky-rocketing healthcare costs and unsustainable public health systems will further increase pressure on the food industry. That is why we created Nestlé Health Science and the Nestlé Institute of Health Sciences in 2011.

We are operating in a new paradigm. Nothing could illustrate this better than the chart on the screen:

- Thanks to the food industry and its technologies, the calorie intake of the population has increased, resulting in a dramatic extension of life expectancy. However, at the end of the 20th century, this model, which had been valid for 200 years, arrived at a breaking point: the additional calorie intake is no longer associated with an extension, but rather a decrease, in life expectancy. In other words, a longer life now means fewer calories, but of better quality! And this is true not only in the US, but in the industrialised world in general, and more and more also in developing countries. This is the reason why we evolved the positioning of Nestlé: from a food and beverage company, we became the leader in nutrition, health and wellness. Nestlé has understood and embraced this new global trend earlier than other major players in the food industry.

This sets a new standard for our industry. Do we meet this challenge? Do we live up to our responsibilities? These are the questions society is putting squarely to us.

Our policies and our actions focus on three areas: products, communication and education:

1. We are continuously improving the nutritional value of our **product portfolio** by reducing salt, sugar and fat in our products, by fortifying them with micronutrients, by adding whole grains, etc. Healthy hydration through water consumption is another essential component.
2. We are systematically improving our **communication to consumers**, from on-pack labelling to advertising and social media, to help them choose healthier diets, and we are particularly mindful of our responsibility towards children.
3. Together with health authorities, teachers and civil society, we can make an important contribution to **nutrition education** in communities where the most basic knowledge about the relationship between nutrition, physical activity and health is often lacking.

Nestlé is uniquely positioned to be a positive force and to engage in taking on the nutrition and health challenges in society.

However, the magnitude of the task places it beyond the limit of any one company, as big as it may be. It requires active cooperation among all relevant actors of society – business and governments, NGOs, international organisations, academia, etc. – to arrive at sustainable solutions. This is why we attach so much importance to strengthening our collaborations and engagement with external stakeholders.

Ladies and Gentlemen,

The challenges are enormous. Let me name just a few of them:

- adequately feeding a growing world population, which will reach 10 billion people in the not too distant future;
- addressing the paradox of 500 million small farmers and their families, that is 2 billion people, who are themselves suffering from hunger or malnutrition;

- responding to the aspirations of hundreds of millions of new consumers in emerging cities;
- mitigating the healthcare costs, which are growing exponentially in an ageing society.

But it is in precisely these challenges that an enterprise like Nestlé finds important opportunities for its sustainable development.

It is in this context that our vision must be understood: to be the recognised leader in nutrition, health and wellness.

We have the right strategies in place, which will enable our management to transform these challenges into new opportunities for the sustainable development of your Company.

Above all, we have the competent people and management, convinced and aligned behind our strategies, and the strong commitment to deliver on our promise of Good Food, Good Life.

And finally, dear Shareholders, we know that we can also count on your valuable support and your long-standing loyalty to our Company.

I thank you warmly for that.





## **Address by Mr. Paul Bulcke**

Chief Executive Officer

*Check against delivery.*

Thank you, Peter, and good afternoon Ladies and Gentlemen, dear Shareholders.

2012 has been another solid year for our Company. We delivered on our commitment: a good, broad-based performance built on profitable growth achieved consistently over previous years. We delivered on all levels and grew all our businesses, in emerging and developed markets.

Our total Group sales amounted to CHF 92.2 billion, with organic growth of 5.9%. Our trading operating profit was CHF 14 billion, with a margin of 15.2%, up 20 basis points. The Group delivered a net profit of CHF 10.6 billion, up 11.8%. Our earnings per share, at CHF 3.33, were up 12.2%. Our operating cash flow increased from CHF 10.2 billion to CHF 15.8 billion.

As in previous years, we achieved these results in a challenging environment. But our Company has taken the necessary actions and initiatives, and has the right mindset to respond to the challenges and grasp the many opportunities the current environment brings. That is the basis of our solid results in 2012 and, I am convinced, of our success in 2013 and beyond.

In 2012, we increased the investments behind our brands. We further strengthened our global R&D network and invested in new factories. We invested responsibly and sustainably, expanding our manufacturing footprint, while continuing to reduce the environmental impact of our business.

Credit goes to all our 339,000 colleagues around the world who make such results possible. Their alignment behind our roadmap, their talent, their commitment and enthusiasm are what guarantees the continued success of Nestlé. I thank them all. I would like to pay special tribute to our employees who are working in particularly difficult and complex conditions. I praise their creativity, their loyalty, their strength and their courage.

Ladies and Gentlemen,

Nutrition is at the heart of Nestlé. We want to be the leading nutrition, health and wellness company and offer our consumers tastier and healthier food and beverage choices, and this at all stages of their life and at any time of the day. In this way, we help consumers care for themselves and their families, everywhere in the world. This is the foundation of our promise Good Food, Good Life, which puts nutrition at the centre of everything we do. It is this strategy that differentiates us from our competitors, that differentiates our brands. It is this strategy that creates value for our consumers, that creates value for our Company.

To achieve this, we add nutritional benefits to our products and brands. That is why we focus so much on research and development. This enables us to bring our nutrition know-how to all our categories and brands.

With 34 R&D centres around the world and 5,000 people directly involved in R&D, we have the largest R&D network of any food company in the world. And we continue to invest in this network, strengthening it and creating new capabilities. Last year, we opened an R&D centre in India, focusing on local ingredients and popularly positioned products. We also opened two new R&D units in China and inaugurated an R&D unit in Switzerland to manage our global clinical trials programme.

Being the leading nutrition, health and wellness company also means expanding the boundaries of nutrition, and understanding better the relationships between nutrition, health, genes and lifestyle. That is why we created Nestlé Health Science in 2011. Together with the Nestlé Institute of Health Sciences, which we inaugurated last year, this pioneering company enables us to develop science-based, personalised nutritional solutions to prevent and treat medical conditions. This is a major opportunity for our company.

In 2012, Nestlé Health Science acquired a stake in Accera, whose key brand is intended for the clinical dietary management of Alzheimer's disease. Nestlé Health Science also created a joint venture with Chi-Med, called Nutrition Science Partners, to research and bring to market nutritional and medicinal products derived from plants, with an initial focus on gastrointestinal health.

In November, we acquired Wyeth Nutrition from Pfizer. This division is active in infant nutrition, an area which has been very close to our heart since our beginnings and part of our conviction that good health is linked to a good start in life, from infancy onwards. Wyeth Nutrition is an excellent strategic and cultural fit with our Company. Its geographical presence, brands and product portfolio complement our existing infant nutrition business perfectly and enhance it.

Ladies and Gentlemen,

As a company, we are part of society. We therefore not only have to carry out our business but also assume our responsibilities towards society at large. Indeed, we believe that for a business to be successful in the long-term it has to create value simultaneously for its shareholders and for society. This is what we call Creating Shared Value. In this context, we are focusing our efforts on nutrition, water and rural development.

There are challenges in the world such as sustainable development, the environment and public health. These problems are complex. And yes, sometimes our industry is singled out. But I am convinced that we are part of the solution. Nestlé is a committed company and takes its responsibilities seriously. We have already come a long way, and are proud of what we have achieved. In our *Nestlé in society* report, you can find out more about our achievements and our commitments for the future.

Ladies and Gentlemen,

We delivered a strong performance once again in 2012, despite the difficulties in the global situation which worsened during the course of the year and which are not yet behind us.

But we will meet these challenges as we have done in the past. We will remain aligned behind our strategy. We will press our competitive advantages. We will seize opportunities and continue our drive for continuous improvement so that 2013 will again be a successful year for Nestlé.

On this note, I hand you back to our Chairman.

Thank you for your attention.

Peter.





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