

149th 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

Translation of the original French text. Check against delivery.

Shareholders, Ladies and Gentlemen,

In 2015, your company again achieved operational and financial results that position it as one of the best businesses in its industry. These results have been achieved against a backdrop of political and economic challenges and volatility in many parts of the world, and of deflation in Western Europe.

These results are further evidence of your company's solidity and reliability, and of its ability to grow its business sustainably and profitably while preparing for the future. We have indeed continued to invest in developing our brands, our innovation, our research and our employees. We intend to continue these investments in the future.

Our CEO, Paul Bulcke will in a moment outline the operating results for 2015 and provide further details of your company's activities.

I should like to pay tribute to the fine management and leadership of our management team here at my side, and the hard work and dedication of the 335000 Nestlé employees all over the world. I would like to thank them all on behalf of the Board of Directors and, I am sure, on behalf of every one of you.

Dear Shareholders,

Both the Board of Directors of your company and its Executive Board value your trust in them, your loyalty, and your concern for the company's long-term interests. Continuing our long-term policy, the Board of Directors is proposing a further dividend increase to CHF 2.25 per share. If you accept this proposal, the total amount of the dividend paid to shareholders will come to CHF 7 billion.

The return offered by our company's stock is first-rate and is worth emphasising, especially given the volatility of the financial markets and the foreign exchange rate situation. Since 1942 your company has never cut the dividend it pays its shareholders. For 20 years now – to be precise, since 1995 – the dividend paid out has increased every year. The total shareholder return has amounted to 880% over the same period.

I would now like to hand you over to Paul Bulcke to talk about your company's performance in 2015.

Presentation by Paul Bulcke, Chief Executive Officer (see page 11).

Ladies and Gentlemen,

2016 is an important year for Nestlé. It's the year that marks the 150th anniversary of its foundation. That's 150 years of passion for nutrition and quality; 150 years of development and success; 150 years of creating shared value for you, our shareholders, and for the society at large.

Later in this annual general meeting we shall return to the high point of these celebrations, namely the creation of "nest", a centre dedicated to the history of Nestlé and to its current and future role in society and the role of diet and nutrition for our health. "Nest" will be located in Vevey, on the very spot where Henri Nestlé developed his original product: infant cereal.

The 150th anniversary of our company is not only an opportunity to chart and celebrate its history. Above all, it also allows us to look to the future. The world around us is in a state of flux, with progress and change continuing at ever-increasing speed. Over the last 150 years, the Nestlé Group has lived through all the world's major political, economic and social upheavals. It is now ready to face the future with confidence.

Our company was born at the start of the second industrial revolution, which transformed manufacturing methods and encouraged the development of economic activity. Our company successfully adapted to the challenges of the third industrial revolution, which – since the 1960s and the arrival of the computer, and then the internet – has profoundly altered management practice, communication and our way of life. Since then our company has seen four decades of remarkable development during which it has reinforced its leading positions geographically as well as in its product categories and also in its operational management.

Today, we are at the dawn of what people are calling the fourth industrial revolution, which is bringing change with unprecedented speed and force, and on a scale never seen before!

We are currently witnessing the remarkable development of new insights in the fields of life sciences, the genome, artificial intelligence and even robotics. It is the convergence of these different kinds of knowledge, and their interaction with the digital world, that makes this fourth industrial revolution unique.

Ladies and Gentlemen, I'd like to put before you some of the challenges, as well as certain opportunities, that will be being presented to us over the coming years thanks to the development of new technologies and of a world that is not just

more and more interconnected and smart, but also more and more interested in health and well-being. Digitalisation will open the door to major advances in fields with which we are directly concerned, such as education, agriculture, food security and health.

First of all, with new technologies emerging, consumption habits and behaviours are going to evolve immensely. Instant access, whenever and wherever, not only to information but also to services and consumer goods, is gradually going to become the norm. These needs and these new expectations and ways of behaving will encourage the creation of products and services that do not at present exist and that we cannot even imagine right now.

Secondly, businesses' capacity to innovate will be the factor determining their ability to succeed and enjoy future growth. Innovation will rely more and more on an immense network made up of higher educational institutions, research institutes, start-ups and other sorts of companies. Big businesses will have to adapt and open themselves up to these new ways of working, collaborating and finding solutions.

In the area of health and wellness, which lies at the heart of the Nestlé promise, there will be profound changes. Digitalisation and technology, progressively more present in our everyday lives, will define new ways of managing our health, with more prevention, greater personalisation and an increase in continuous monitoring, through all sorts of connected objects that will play an integral part in our daily routine. A healthy and balanced diet will play a crucial role in health management.

Ultimately, digitalisation will have a profound impact on the entire supply chain. The combination of artificial intelligence and robotisation will lead to increasingly more efficient and safer industrial production methods. Making good use of large quantities of data – so-called “big data” - and of new technologies will enable us to manage natural resources and agricultural production more efficiently. This will likewise encourage a more efficient use of land and water, while reducing greenhouse gas emissions. As part of our relationship with the agricultural world, which has always been a preferred partner of Nestlé, we have a real opportunity to become involved in the roll-out and adoption of these new technologies. They will enable us not only to increase production of foodstuffs, but also to improve quality, reduce waste, ensure full traceability of raw materials and give direct market access for small-scale producers, thereby increasing their earnings. This will be particularly important for small farmers in emerging countries who are at the heart of our commitment to rural development. That will ultimately improve

employment conditions in this industry, and in particular will help put an end to child labour.

For Nestlé, this fourth industrial revolution represents an outstanding opportunity for development, innovation and growth. Our investments in health science, innovation and digitalisation, will enable us to prepare for the future, as our CEO Paul Bulcke just pointed out. The only certainty we have is that the economic, social and environmental models we know today will change profoundly. In particular, the world of labour and employment will undergo a significant transformation. The prediction that over 60% of children starting primary school today will in future practise a trade or profession that does not currently exist, is an indication of the changes yet to come. As a result, and beyond developing an ability to adapt, innovate and grow, we must at the same time develop an ability to contribute positively to an inclusive society.

This fourth industrial revolution is being driven, above all, by young entrepreneurs, young innovators, and young consumers. They are asking us to reinforce our sense of responsibility towards future generations, our planet and our natural resources. This young generation considers that businesses and the private sector in general have a responsibility and a real opportunity to help develop a world that is more sustainable and more inclusive.

With this in mind, 2015 will probably be regarded as a landmark year in matters of sustainable development. The United Nations has published the 'Sustainable Development Goals' for 2030 and the COP21 conference in Paris ended last December with a comprehensive and binding agreement to combat global warming. These developments are highly encouraging and have the potential and the imperative to make a real impact in the coming years. This is something we at Nestlé are pleased with and commit to actively contribute to.

We have always been convinced that our activities and our success will benefit not only you, our shareholders, but also society as a whole. We call this approach "creating shared value". It is by focusing on the fundamentals of this approach, namely nutrition, water and the environment, rural development, and human rights that we help to achieve a healthier diet and lifestyle, a more sustainable environment and a more inclusive society.

We are committed to these fundamental issues – not because we have to be, but because we believe in them! This conviction is shared by our consumers, by communities in which we are present and by our employees.

So, by being a Nestlé shareholder, as well as investing in a company capable of guaranteeing you a first-rate financial return, you are also putting your faith in a company that is having a positive impact on society and its future.

Everyone agrees that the private sector has an opportunity and a duty to contribute to society. It is also worth asking ourselves how society – and in particular governments and regulators – will put incentives in place to encourage an increasing number of players in the business world, and also in the community, to develop behaviours and measures that favour sustainable and inclusive development in the long term. We also need a financial sector and investors that reward not only a company's economic performance, but also its contribution to society. This is also why we have published our report on "creating shared value" for the last twelve years now, as a key part of our annual report. It provides a detailed account of our commitments and achievements, in a way that is transparent and in line with the highest standards of non-financial reporting.

These convictions are also reflected in our corporate governance. We have indeed extended the responsibility of the nomination committee within the Board of Directors, to include the monitoring of the long-term sustainability of the company in terms of its economic, social and environmental aspects. It will also monitor non-financial and other aspects associated with our corporate social responsibility. The extended role of this committee likewise confirms the importance that Nestlé attaches not only to the commitments made and reported in the "Nestlé and society" report, but also the seriousness with which your company treats the real and effective implementation of those commitments.

As regards our corporate governance during 2015, the Board of Directors has studied the active management of Nestlé's business portfolio, which our CEO spoke about just now. The Board of Directors has also examined the strategy of the Group, as well as that of R&D. It has reviewed the major acquisitions made by the Group over the last few years and its activities in China. Furthermore, and reflecting our belief in the importance of our people, the Board of Directors has been considering our progress in diversity and gender balance. Last September, the Board also paid a visit to our Nestlé operations in the Middle-East, a region that plays a strategic role in the new Zone EMENA. Lastly, the Board has devoted an important part of its work in 2015, and this will continue, to succession planning in the Board of Directors.

Ladies and Gentlemen,

I should like to make a few comments on certain political developments in Switzerland, the impact of which is crucial for our company as they directly affect the legal framework within which we conduct our business.

First of all, I should like to commend the judicial decisions taken by the Swiss Federal Council at the end of last year, and the resolution not to make any new amendments to the Minder law. The latter is essential for the country's legal stability, as even without amendment the Swiss voting system for compensation remains the most stringent in the world. The consequences of the Minder law are not favourable, but we can live with these new requirements.

With regard to the reform of taxation in Switzerland, we praise the clear decision made by the population of the Canton de Vaud to approve such a reform and we hope this is a good omen for the reform to come at the national level.

Finally, as far as the relationship between Switzerland and the European Union is concerned, 2016 is a very important year for the future. This relationship is extremely successful for both sides: Switzerland benefits from its access to the European free trade area, and 1.6 million EU citizens are settled in Switzerland or go there every day as cross-border commuters, and they make a good living there. There are clear advantages for Switzerland as well as for the European Union. That is why we must all play our part in finding a solution that preserves the key elements of the bilateral agreements, while also respecting the essential points of decisions made by the Swiss population.

Dear Shareholders,

Before I conclude I should like to emphasise Nestlé's key strengths, which enable it to look to the future with confidence.

Firstly, Nestlé has a clear, strategic plan, based on the firm concept of nutrition, health and wellness and a determination to contribute to a healthier, more sustainable and more inclusive society. To put this strategy into practice, we can count on a team of people that is unique in terms of expertise, experience and diversity. This confirms our company's capacity not only to develop its in-house talent, but also to recruit expertise from outside when necessary.

In the R&D field, we have an unmatched network of research centres with capabilities, technologies and partnerships that allow us to continue to innovate in our historical product categories while developing the requisite knowledge to redefine the role of food and nutrition in health management.

We benefit from a world-famous brand portfolio, which we are continuing to develop and strengthen. Our corporate governance is strong, and is recognised as such. It is based on clear convictions and principles, which guide the management of our company and guarantee effective risk management, and reporting which accurately reflects reality in all areas. Finally, all these aspects of Nestlé's short-term and long-term success are anchored in strong values and principles shared not only by everyone who works for the company but also by its stakeholders. These values and principles underpin all that we do, our success and our future commitments.

I invite you, dear Shareholders, to journey onward with us as we work to make our vision of nutrition, health and wellness a reality and to celebrate with us the 150 years of our company – not as an achievement, but as a basis on which to build the future. I invite you to share our enthusiasm for Nestlé and our pride in working for its advancement. After all, it's what moves you that moves us forward!

Thank you for your attention.

I now invite Ms Catherine Saurais, currently Director of "nest" after a rich career at Nestlé, to introduce "nest", the high point of the 150 years celebrations of Nestlé.

Address by Mr. Paul Bulcke

Chief Executive Officer

Translation of the original French text. Check against delivery.

Thank you, Peter.

Ladies and Gentlemen, dear Shareholders, good afternoon.

It is well known that each year brings its own challenges, and 2015 was no different.

In a difficult environment, Nestlé, our company, delivered solid and profitable growth – at the higher end of the industry, building on the consistent and sustainable performance in previous years. It should be noted, as you are aware, that the strength of the Swiss franc in recent years, last year included, has not been favourable to us.

Nevertheless, total Group sales reached 88.8 billion Swiss francs in 2015, with organic growth of 4.2%. Our growth was mainly driven by higher volumes and market share gains rather than increases in price.

The Group's trading operating profit increased to 13.4 billion Swiss francs, representing a margin of 15.1%, or an improvement of 10 basis points in constant currencies. The Group delivered a net profit of 9.1 billion Swiss francs, and our earnings per share amounted to 2 francs 90 centimes. At 14.3 billion Swiss francs, our operating cash flow remained strong, among the best in the industry.

We delivered this performance while at the same time continuing to invest substantially in the future, in research and development, in our brands and our new health and nutrition platforms, as well as in our organisation and our employees. In this way, we ensure that we have the right initiatives, skills and expertise to grasp the numerous opportunities around us to continue to deliver profitable growth. It is this balance between delivering today and building for the future that characterises Nestlé.

Such a performance doesn't come about by itself. It is testimony to the talent, creativity, alignment and hard work of our 335 000 employees around the world.

Ladies and Gentlemen,

As we celebrate our 150th anniversary, we remain true to Henri Nestlé's original mission, which is to enhance lives and to help consumers care for themselves and their families, by offering health and nutrition solutions for all stages of life, solutions that are increasingly based on scientific knowledge.

To guarantee our long-term success, we must recognise the many changes around us, understand and anticipate them. Society is currently undergoing important transformations that intersect and confirm more than ever the validity of our nutrition, health and wellness strategy.

We see the development of emerging countries, which is resulting in a growing middle class and strong urbanisation. We see ageing populations, which are creating specific nutritional needs and putting pressure on healthcare costs. We see an accelerated evolution of consumers' expectations and preferences with regard to their diet.

At the same time, science continues to make huge strides, with significant progress being made in understanding the role of nutrition on health and how nutrients interact with the human body.

Finally, digital is fundamentally revolutionising society, in the way we communicate and offer services and products to consumers.

Our Chairman will come back later on the long-term effects of these transformations.

All of these factors clearly pose challenges, certainly, but also, and more importantly, offer opportunities for Nestlé. It is up to us to recognise them, understand them and be organised in order to anticipate and seize them. And this is exactly what we are doing.

Hence, the importance of research and development in which we continue to strongly invest. We invested 1.7 billion Swiss francs and filed for 300 patents in 2015. With 39 R&D centres around the world and more than 5000 people directly involved in this area, we have the largest R&D network of any food company in the world, and we are collaborating with distinguished scientists from universities, biotechnology companies and start-ups.

All these investments are aimed at driving innovation, assuring the relevance of our products, and meeting the changing needs of society.

Thanks to continued renovation of our portfolio of food and beverages products, we improved the nutritional profile of 8000 products last year. In 2015, we removed 880 tonnes of salt, 18000 tonnes of sugar and 1900 tonnes of saturated fats from our products.

We are also responding to new expectations of consumers who are looking for more natural products, with simple ingredients, without gluten, etc. The positive reaction of consumers to the relaunch of our frozen food brands *Stouffer's* and *Lean Cuisine* in the United States is testament to this.

In addition, we are continuing to develop and invest in the research, innovation and expansion of two of our new promising and significant platforms. First, Nestlé Health Science, created in 2011 on the opportunity to confer a major therapeutic role to nutrition in health management, and Nestlé Skin Health, created in 2014 and based on *Galderma*, which offers science-based solutions for the health of skin.

All these initiatives are part of the active portfolio management of our products and brands, aimed at ensuring that our resources are allocated to our best ideas, products and categories, to deliver growth and sustainable financial performance.

In this context, we have significantly increased our support behind our brands, such as *Nescafé* and *Nespresso*. Furthermore, we have discontinued certain activities, such as Davigel frozen food, and we have implemented other business models, as shown by our intent to create a joint-venture for ice cream in Europe.

Finally, we have deepened our commitment in the digital world, one of our company's priorities for the past several years.

First, regarding social media, we have built throughout the organisation the necessary skills for this new form of listening, communication and dialogue with consumers and society.

Thanks to our internal network of digital specialists, our office in Silicon Valley and partnerships with Facebook, Twitter and Google, we keep abreast of the latest developments in this area.

We have done the same in e-commerce. We were already strongly involved in this area, via *Nespresso* for example, and here too, we developed the necessary

skills internally and we are working with major e-commerce players such as Alibaba, Amazon, JD and the Rocket Internet Group.

Today, our activities in e-commerce already account for more than 4 billion Swiss francs, with strong growth of 20% which is accelerating. For example, in China, where our sales in e-commerce have doubled in one year.

Ladies and Gentlemen, dear Shareholders,

Trust is the basis on which we build our success.... the trust of our consumers and that of society in general. This trust is linked to the quality of our products, but also to the quality of our interactions with society at large.

And for Nestlé, it is clear that our way of working is based on Creating of Shared Value. To be successful, we must have a long-term vision based on solid principles and values founded on respect: respect for people and diversity, respect for the environment and respect for the world in which we live.

To do this, we are transparent in our activities and our societal commitments in regards to nutrition, health and wellness, rural development, water, environmental sustainability and our employees. We communicate our ambitions and progress in these areas each year in our Nestlé in society report.

Thus, we have shared that:

- we have reduced by almost 30% the energy consumption per tonne of product manufactured over ten years
- during the same period, we decreased by more than 40% our water consumption and our direct greenhouse gas emissions, and
- more than one hundred of our factories no longer send waste to landfill.

In the area of nutrition:

- we provided 192 billion servings of micronutrient-enriched foods and
- *Nestlé Healthy Kids*, our global programme based on nutritional training and physical activity, is active in 84 countries, benefitting more than 8 million children.

Finally, in rural development:

- we have trained 400000 farmers through our Farmer Connect programme and
- we purchased almost half of our dairy ingredients and significant volumes of coffee and cocoa directly from farmers and cooperatives.

Our efforts and our contribution to society are becoming increasingly recognised. We rate highly in indices and rankings such as FTSE4Good, Access to Nutrition, Dow Jones Sustainability, Oxfam Behind the Brand and many more. This proof of recognition motivates us.

Ladies and Gentlemen,

In 2016, we are celebrating Nestlé's 150th anniversary. 150 years of passion for nutrition and passion for quality that builds trust. These are also 150 years of consistent performance, 150 years that we can be proud of.

2016 is the opportunity to thank all of those who have built Nestlé over one and a half centuries. By this I mean both our employees and you, dear Shareholders. I would like to thank you for your trust in Nestlé during all those years.

We are aware of the many challenges ahead, but also of the numerous opportunities and we are organising ourselves to grasp these. All of us, the men and women who make Nestlé, we commit each day, all over the world, to continue to make Nestlé the world leader in nutrition, health and wellness.

Thank you for your attention.



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