Press release

FY 2012: Good performance across the board, Nestlé model delivered again

- Sales of CHF 92.2 billion, up CHF 8.6 billion, +10.2%
- 5.9% organic growth, 3.1% real internal growth
- Trading operating profit up 11.8% to CHF 14.0 billion, margin up 20 basis points to 15.2%
- Earnings per share up 12.2% to CHF 3.33
- Proposed dividend increased to CHF 2.05 per share
- Operating cash flow increased CHF 5.6 billion to CHF 15.8 billion
- 2013 outlook: Organic growth of 5% to 6%, improved trading operating profit margin and underlying earnings per share in constant currencies

Paul Bulcke, Nestlé CEO: "In 2012 we delivered on our commitment: a good, broad-based performance building upon the profitable growth achieved consistently over previous years. All our businesses, both in developed and in emerging markets contributed. Our nutrition, health and wellness agenda continued to bring enhanced benefits for consumers, greater brand differentiation in the market place and increased value for shareholders. With creativity and innovation, our people laid the foundations for future growth. We increased the support behind our brands. We further strengthened our global R&D network with new facilities in India and China. We developed new capabilities for Nestlé Health Science and acquired Wyeth Nutrition. We invested responsibly and sustainably, expanding our manufacturing footprint, while continuing to reduce the environmental impact of our business. Despite the many challenges 2013 will no doubt bring, we expect to deliver the Nestlé Model of organic growth between 5% and 6% as well as an improved margin and underlying earnings per share in constant currencies."

Group results

Vevey, 14 February 2013 - Nestlé's reported sales were up CHF 8.6 billion, or 10.2%, to CHF 92.2 billion. Organic growth was 5.9%, building on the strong growth of recent years, and was composed of 3.1% real internal growth and 2.8% pricing. After years of adverse impact, foreign exchange added 1.7% to sales, and acquisitions, net of divestitures, a further 2.6%.

- The Group's **trading operating profit** was CHF 14.0 billion, up CHF 1.5 billion or 11.8%. The trading operating profit margin was 15.2%, up 20 basis points, +10 basis points in constant currencies.

- The **cost of goods sold** fell by 30 basis points and **distribution costs** were down 20 basis points. Nestlé Continuous Excellence delivered efficiencies of over CHF 1.5 billion, building on savings in previous years.

- We increased the marketing support behind our brands bringing **total marketing costs** up by 30 basis points. **Consumer facing spend** rose about 8% in constant currencies.

- **Administrative costs** were up by 20 basis points, following last year's drop of 80 basis points caused by the restructuring of pension plans in 2011.

- **Net profit** was up CHF 1.1 billion to CHF 10.6 billion, and **earnings per share** were up 12.2% reported to CHF 3.33. **Underlying earnings per share in constant currencies** were up 7.5%.

- We increased **operating cash flow** by CHF 5.6 billion to CHF 15.8 billion, reflecting primarily a substantial improvement in our working capital.

Business review

- The Nestlé Group's growth was broad-based across all categories and geographies, with 5.9% organic growth in the Americas, 2.4% in Europe and 10.3% in Asia, Oceania and Africa.

- In spite of the challenging trading environment in the developed world our innovation in products, systems and routes to market delivered organic growth of 2.5%. In emerging markets we grew 11%, achieving sales of CHF 39.3 billion.

- We took further steps to enhance our position as the trusted leader in nutrition, health and wellness. We continued to reformulate products to make them healthier and tastier. We leveraged our research and development capabilities to deliver good nutrition and develop solutions to help people manage diet-related illnesses. We continued to build partnerships with organisations active in the fight against non-communicable diseases. We acquired Wyeth Nutrition and a number of new capabilities for Nestlé Health Science. We inaugurated the Nestlé Institute of Health Sciences, added two new R&D units in China, a new R&D centre in India and opened a global centre for clinical trials in Switzerland.

Zone Americas

Sales of CHF 28.9 billion, 5.2% organic growth, 0.6% real internal growth; 18.6% trading operating profit margin, +20 basis points.

- The Zone grew in both North America and Latin America.

- In **North America** we focused on increasing the value perception of our frozen food business, with improved recipes and nutritional profiles, a new promotional strategy and communication, whilst also prioritising the higher value segments within ice cream. The result has been generally improving share trends across our categories. Frozen was helped by innovations including *DiGiorno Italian Favorites* and

Lean Cuisine Salad Additions. Ice cream grew in the higher value areas, super-premium and snacks, reflecting our strategy to optimise the category mix. Another innovation, *Häagen Dazs Gelato,* was launched successfully. The coffee and creamers businesses performed well in categories that are enjoying good growth. The *Coffee-Mate* liquid range, including *Natural Bliss,* was the highlight in creamers, whilst *Nescafé Clásico* was the growth driver in soluble coffee. Petcare continued to grow volume and improve shares, with line extensions and launches. *Friskies Tasty Treasures* for cats and *Beneful Fiesta* for dogs were among a number of strong performers.

- In **Latin America** where we have continued to see generally positive trends, we drove innovation through regional roll-outs under our well-established brands. In Brazil, most categories grew double-digit. Highlights included the successful launches of *Kit Kat* and peelable ice cream, as well as the continuing good performance of *Nescafé Dolce Gusto.* In Mexico, coffee helped drive growth, from popularly positioned products to *Nescafé Dolce Gusto*. The other regions contributed positively. Petcare grew double-digit across Latin America.

- The Zone's **trading operating profit margin** increased 20 basis points due to necessary pricing actions and consistent discipline in cost savings.

Zone Europe

Sales of CHF 15.4 billion, 1.8% organic growth, 1.1% real internal growth; 15.7% trading operating profit margin, + 10 basis points.

- The Zone grew in both Western and Central / Eastern Europe, demonstrating that even in a challenging trading environment, there are opportunities to achieve above-market growth and share gains.

- We continued to grow in **Western Europe**, maintaining momentum from last year. This growth, fuelled by a strong innovation pipeline combined with a rigorous approach to efficiencies, is enabling the Zone to increase both its brand investment and margin. This should enable us to maintain our growth momentum in 2013. In Greece and Spain trading conditions were extremely tough but we were able to deliver growth. We also grew well in Great Britain where we made real progress in the fast-growing online, convenience and discounter channels. In France we gained market share in most categories. Across the Zone, *Nescafé Dolce Gusto* continued to be a key growth engine and *Maggi* also performed well in many markets. The performance of petcare, another key growth driver, was driven by the premium category, in particular *Felix*, *Gourmet*, *Proplan* and *Purina ONE*.

- In **Central Europe and Eastern Europe** we have enhanced our competitive position in coffee and petcare, with increased local manufacturing and distribution capabilities. There was continued improving momentum in Russia, with *Nescafé*, ice cream and chocolate all contributing good real internal growth. The other parts of the region also performed well.

- The Zone's **trading operating profit margin** increased 10 basis points, reflecting volume growth and good cost management, and was achieved whilst increasing brand investment. This improvement built on the 230 basis points improvement in 2011.

Zone Asia, Oceania and Africa

Sales of CHF 18.9 billion, 8.4% organic growth, 5.9% real internal growth; 19.0% trading operating profit margin, +10 basis points.

- The Zone grew in the developed markets and in the emerging markets where we continued to focus on increasing distribution and rolling out popularly positioned products with strong nutritional profiles. We also invested in new manufacturing facilities in different markets including China, India, the Philippines, South Africa, Angola and Vietnam.

- Amongst **emerging markets,** we achieved double-digit growth in Africa, China, the Middle East and Indonesia. There were strong contributions from powdered beverages, predominantly *Milo*, and culinary, mainly *Maggi*, as well as chocolate, ice cream and ready-to-drink beverages. Innovations included *Maggi Magic Meals*, *Milo High Fibre* and *Nestlé Esquimo Mummy*.

- Japan was the strongest performer amongst the **developed markets**, with *Nescafé Dolce Gusto* and *Kit Kat* both highlights. *Kit Kat* became the number one brand in the chocolate category.

- The Zone's **trading operating profit margin** rose by 10 basis points.

Nestlé Waters

Sales of CHF 7.2 billion, 6.4% organic growth, 4.9% real internal growth; 8.9% trading operating profit margin, +90 basis points.

- Nestlé Waters continued to perform well, further strengthening its positions in developed markets in North America and Europe and increasing the scale of its operations in emerging markets. It was helped by strong sales of premium brands, *S.Pellegrino* and *Perrier*. *Nestlé Pure Life* reinforced its leading position globally with strong double digit top line, confirming healthy hydration as core to the bottled water category growth.

- In **North America**, regional brands including *Poland Spring*, *Ice Mountain* and *Zephyrhills* benefited from growth in the category. The "Home & Office" business also performed well.

- In **Europe**, good performances in France and Great Britain compensated for the subdued environment in Southern Europe.

- **Emerging markets** grew dynamically, with double-digit growth in Turkey, Egypt, Mexico and Thailand, amongst others.

- The Nestlé Waters **trading operating profit margin** increased due to the division's growth and a high level of efficiencies in manufacturing, procurement and distribution.

Nestlé Nutrition

Sales of CHF 7.9 billion, 6.7% organic growth, 3.0% real internal growth; 19.2% trading operating profit margin, -80 basis points.

- 2012 was a good year for **infant nutrition**, particularly in emerging markets, including the BRICs and Africa, with double-digit growth in both formula and cereals. It also achieved growth in developed markets, despite low birth rates, with good performances in particular in France and the US, where it gained share. Innovations included the continued global roll-out of anti-colic formula, *Gerber* pouches and shelf-stable infant yoghurts in the US. The acquisition of Wyeth Nutrition, completed in November, will enhance materially our position and capabilities in key emerging markets, and improve the growth profile of our nutrition business.

- **Weight Management** continued to under-perform. **Performance Nutrition** grew its distribution, aligned with its focus on its core consumers, and released a renovated *PowerBar ProteinPlus*.

- Nestlé Nutrition's **trading operating profit margin** was impacted by Weight Management and transition and integration costs for Wyeth Nutrition.

Other activities

Sales of CHF 13.9 billion, 8.7% organic growth, 6.5% real internal growth, 17.2% trading operating profit margin, +40 basis points.

- **Nestlé Professional** achieved growth in the developed markets and double-digit growth in the emerging markets, with both food and beverages contributing. The beverages business enjoyed good overall growth, driven by double-digit growth in system solutions, where sales are now at CHF 1 billion for the first time. *Nescafé Alegria* is now in over 60 markets, whilst *Nescafé Milano* is in more than 30 and expanding. The food business also contributed solid growth, driven by innovation in sweet and savoury flavour solutions and close customer collaboration.

- **Nespresso** again delivered a strong performance with double-digit growth. The company continued to reinforce its position in Europe and expanded its presence at an accelerated pace in Asia Pacific and the Americas. Innovations included five new Grand Cru coffees and two new machines, *Maestria* and *U*. The boutique network saw 52 new openings to pass 300 locations in 48 countries, and new services were launched for Nespresso Club Members. Nespresso sourced more than two-thirds of its green coffee through its unique *AAA Sustainable Quality* programme and reached its 75% recycling capacity commitment one year ahead of plan.

- **Nestlé Health Science** continued to build its pipeline and capabilities through an investment in Accera and the creation of a joint venture with Chi-Med group, called Nutrition Science Partners. We inaugurated the Nestlé Institute of Health Sciences. The product portfolio performed well despite a challenging environment in some markets in southern Europe, affected by changes to reimbursement arrangements. Aging Medical Care and Critical Care and Surgery both benefited from product innovations and roll-outs.

- **Cereal Partners Worldwide** achieved double digit growth in emerging markets, which compensated weak category dynamics in developed markets. The **Beverage Partners Worldwide** realignment is complete. The pharmaceuticals joint ventures, **Galderma** and **Laboratoires innéov**, together achieved mid single-digit growth.

Board proposals to the Annual General Meeting

At the Annual General Meeting on 11 April 2013, the Board of Directors will propose an increase in the dividend to CHF 2.05 per share. The last trading day with entitlement to receive the dividend is 12 April 2013. The net dividend will be payable as from 18 April 2013. Shareholders who are on record in the share register with voting rights on 4 April 2013 at 12:00 noon (CEST) will be entitled to exercise their voting rights.

The Board will propose the re-elections of Peter Brabeck-Letmathe, Steven G. Hoch, Titia de Lange and Jean-Pierre Roth as directors, each for a further term of three years. The Board will also propose the election of Eva Cheng. Ms. Cheng is the former Corporate Executive Vice President responsible for Greater China and Southeast Asia Region of Amway Corporation, a U.S. based global consumer product company. André Kudelski has reached the end of his third term and is not standing for re-election. The Board wishes to thank him for his service over the past twelve years which was highly appreciated.

Positive 2013 outlook

The environment looks to be every bit as challenging in 2013 as it was in 2012. But 2013 will again provide opportunities to leverage our competitive advantages, deliver on our growth opportunities and benefit from our drive for continuous improvement across the Group. We expect, therefore, to deliver the Nestlé Model once again in 2013: organic growth between 5% and 6% together with an improved trading operating profit margin and underlying earnings per share in constant currency, as well as improvement in our capital efficiency.

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Annex

Full-year sales and trading operating profit margins overview

	Jan.-Dec. 2012 Sales in CHF millions	Jan.-Dec. 2012 Organic Growth (%)	Trading operating profit margins	
			Jan.-Dec. 2012 (%)	Change vs. Jan.-Dec. 2011
By operating segment				
• Zone Americas	28'927	+5.2	18.6	+20 bps
• Zone Europe	15'385	+1.8	15.7	+10 bps
• Zone Asia, Oceania, Africa	18'912	+8.4	19.0	+10 bps
Nestlé Waters	7'174	+6.4	8.9	+90 bps
Nestlé Nutrition	7'858	+6.7	19.2	-80 bps
Other	13'930	+8.7	17.2	+40 bps
Total Group	92'186	+5.9	15.2	+20 bps
By product				
Powdered and liquid beverages	20'038	+8.9	22.5	-20 bps
Water	7'178	+6.4	8.9	+90 bps
Milk products and ice cream	18'564	+5.7	15.1	+140 bps
Nutrition & HealthCare	10'726	+6.7	18.3	-40 bps
Prepared dishes and cooking aids	14'432	+1.4	14.1	-40 bps
Confectionery	10'438	+4.8	17.1	+30 bps
PetCare	10'810	+7.0	20.4	-20 bps
Total Group	92'186	+5.9	15.2	+20 bps