



Nestlé

Good Food, Good Life



Annual Report 2014

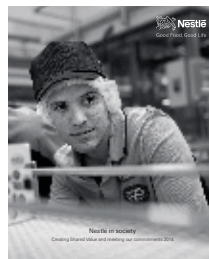
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*Corporate Governance Report 2014
Compensation Report 2014
Financial Statements 2014*



*Nestlé in society
Creating Shared Value and meeting
our commitments 2014*

KEY FIGURES (CONSOLIDATED)

In millions of CHF

(except for data per share and employees)

		2013	2014
Results			
Sales		92 158	91 612
Trading operating profit		14 047	14 019
as % of sales		15.2%	15.3%
Profit for the period attributable to shareholders of the parent (Net profit)		10 015	14 456
as % of sales		10.9%	15.8%
Balance sheet and Cash flow statement			
Equity attributable to shareholders of the parent		62 575	70 130
Net financial debt		14 690	12 325
Ratio of net financial debt to equity (gearing)		23.5%	17.6%
Operating cash flow		14 992	14 700
as % of net financial debt		102.1%	119.3%
Free cash flow ^(a)		10 486	14 137
Capital expenditure		4 928	3 914
as % of sales		5.3%	4.3%
Data per share			
Weighted average number of shares outstanding (in millions of units)		3 191	3 188
Basic earnings per share	CHF	3.14	4.54
Underlying earnings per share ^(b)	CHF	3.50	3.44
Dividend as proposed by the Board of Directors of Nestlé S.A.	CHF	2.15	2.20
Market capitalisation, end December		208 279	231 136
Number of employees (in thousands)		333	339

(a) Operating cash flow less capital expenditure, expenditure on intangible assets, investments (net of divestments) in associates and joint ventures, and other investing cash flows.

(b) Profit per share for the year attributable to shareholders of the parent before impairments, restructuring costs, results on disposals and significant one-off items. The tax impact from the adjusted items is also adjusted for.

NESTLÉ IN SOCIETY

98%

of our children's products met all of the Nestlé Nutritional Foundation criteria^(a) for children at the end of 2014.

73

Our Healthy Kids Global Programme reached more than 7.6 million children in 73 countries in 2014.

Top 3

We are ranked one of the top 3 global food and beverage manufacturers in the current Access to Nutrition Index.

73%

We audited 8700 of our 10000 Tier 1 suppliers and found 73% fully complied with our Supplier Code.

FTSE4Good

We remain the only infant formula manufacturer included in FTSE's responsible investment index, based on our performance in human rights, labour rights, responsible marketing of breast-milk substitutes and more.

Leader

We were ranked number one by the charity Oxfam in its 2014 scorecard, Behind the Brands. The survey scored 10 food and beverage companies on their efforts to improve food security.

38%

Volume of high-priority categories of raw material that are traceable back to the primary source.

52%

Water discharges per tonne of product cut by 52% since 2005.

72

factories achieving zero waste for disposal in 2014.

12 458

farmers sensitised on child labour issues in 2014.

11 832

Nestlé Needs YOUth helped 11 832 young people in Europe find work or apprenticeship opportunities in 2014.

26%

Energy consumption per tonne of product cut by 26% since 2005.

(a) The Nestlé Nutritional Foundation criteria are based on nutrition science and public health dietary recommendations, such as those of the World Health Organization (WHO), the Institute of Medicine and other global or local authorities. Our products are evaluated against these criteria, using the Nestlé Nutritional Profiling System, which determines their nutritional value and whether they achieve the Nestlé Nutritional Foundation status.

NESTLÉ IN NUMBERS

Group sales (in CHF)

91.6 billion

Trading operating profit (in CHF)

14.0 billion

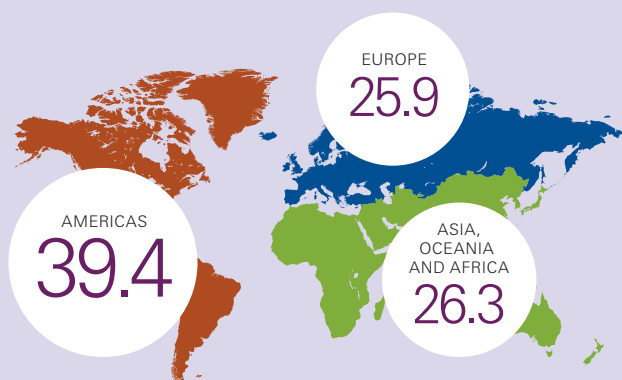
Employees

339 000

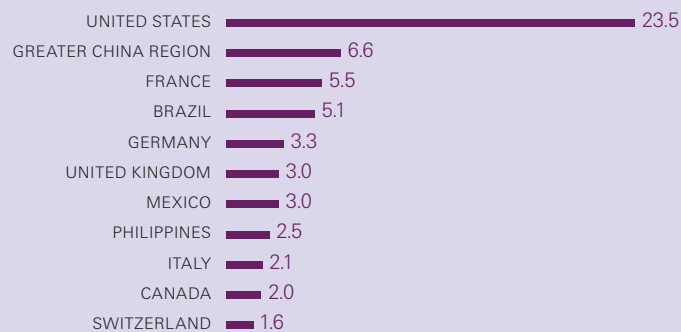
Countries we operate in

197

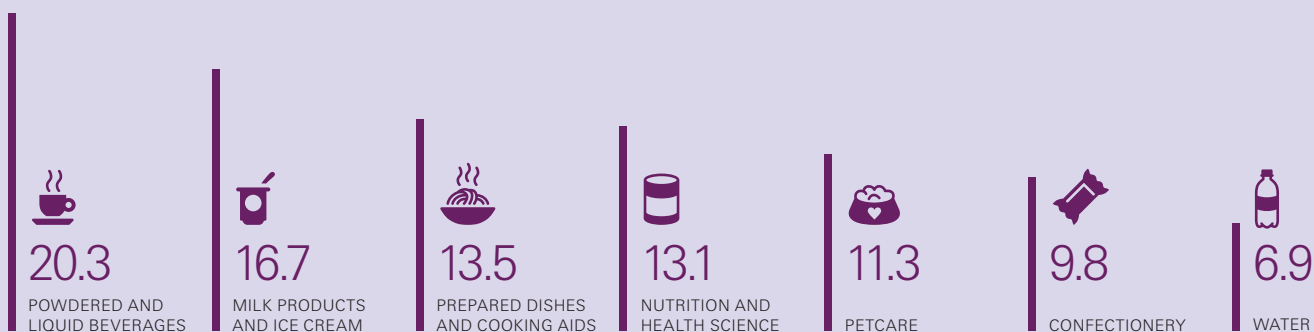
Where we sell (in CHF billion)



Our top 10 Markets plus Switzerland (in CHF billion)



What we sell (in CHF billion)



LETTER TO OUR SHAREHOLDERS

Dear fellow shareholder,

The business environment was again marked by great uncertainty in 2014. Disruptive socio-economic and political change continued to affect growth in many parts of the world. In the emerging markets, economic volatility worsened as growth rates slowed and currencies weakened. In the developed markets, deflationary pressures and soft consumer demand resulted in a continued challenging trading environment. In the face of such uncertainty it was more important than ever to stay the course and remain loyal to our strategy, driving short-term performance while ensuring we made the right decisions to deliver our long-term goals. We took decisive steps to further our ambition to be the world's recognised leading Nutrition, Health and Wellness company, trusted by all stakeholders, while again delivering financial results in 2014 that outperformed the market.

Sales were CHF 91.6 billion, with organic growth of 4.5%, composed of real internal growth of 2.3% and pricing of 2.2%. The Group's trading operating profit was CHF 14.0 billion and the margin increased by 10 basis points to 15.3%, up 30 basis points in constant currencies. This performance was achieved whilst we again increased consumer facing marketing support for our brands. The net profit rose to CHF 14.5 billion. The CHF 4.4 billion increase in net profit also reflects the profit realised on the disposal of part of the stake in L'Oréal and the revaluation gain on the 50% of Galderma already held when the Group brought its ownership from 50% to 100% (see below). Earnings per share were CHF 4.54, up 44.6%. Underlying earnings per share were up 4.4% in constant currencies. The Group's operating cash flow remained strong at CHF 14.7 billion. In view of this performance and the company's strong financial position, the Board is proposing a dividend of CHF 2.20 per share up from CHF 2.15 last year.

Through continuous innovation and renovation of our food and beverages portfolio we are able to offer people healthier and tastier choices at every stage of their life, at any time of the day. Science-based innovation enables us to enhance the quality of people's diets, using our knowledge and our research and development capability to make a positive contribution to society. Wherever you are in the world, we have safe, nutritious products to help you care for yourself and your family. A few years ago, we expanded the boundaries of Nutrition, Health and Wellness with the creation of Nestlé Health Science, motivated by the opportunity to forge a major therapeutic role for nutrition in the management of health. In line with this broadened strategy, in 2014 the Board approved

the sale of 48.5 million L'Oréal shares to L'Oréal for cancellation. Part of the proceeds were used for the acquisition of the 50% stake in our joint venture Galderma from L'Oréal, bringing our ownership of Galderma to 100%. Galderma formed the foundation of a new Nestlé subsidiary, Nestlé Skin Health. Its goal is to be recognised as the leading company in skin health, offering science-based solutions to protect, nourish and enhance skin, and where needed to treat, correct and restore damaged skin over the course of people's lives. Nestlé Skin Health provides prescription drugs, self-medication, therapeutic skin care and aesthetic and corrective medicine, allowing us to compete in the growing and promising multi-billion global skincare market. Nestlé Skin Health was further strengthened by the acquisition of the full rights to commercialise several key aesthetic dermatology products in the United States and Canada.

These developments ensure that, building on the strong foundations of our food and beverages business and guided increasingly by science, we can further expand our portfolio to provide promising platforms for future growth in line with our strategy of Nutrition, Health and Wellness. At the same time, we continue the drive to ensure our company is organised efficiently and effectively to deliver continuous profitable growth over the long term. With this objective in mind we made some key decisions, adapting our organisational structure to better prepare ourselves today to meet the challenges of tomorrow.

While our company continues to benefit from its decentralised structure, allowing key decisions to be made as close as possible to consumers, there is still an important opportunity to better leverage our scale. That is why in 2014 we set up Nestlé Business Excellence at Executive Board Level, combining GLOBE (Nestlé's Global Business Excellence function) with Nestlé Business Services (our shared operation for transactional services around the world) and Nestlé Continuous Excellence (our continuous improvement and LEAN programme). Through a focus on three areas: Simplifying, Standardising and Sharing, Nestlé Business Excellence will allow us to decrease structural costs and operational expenses, freeing up resources to support growth. This will also allow our markets to keep a sharp focus on generating demand.

We have integrated the Maghreb, the Middle East, the North East Africa region, Turkey and Israel into Zone Europe to form Zone EMENA (Europe, Middle East and North Africa). This balances the different consumer dynamics and opportunities in each geography. Additionally it allows a sharper focus in Zone Asia, Oceania and Africa, a fast-growing part



Paul Bulcke, Chief Executive Officer (left), and Peter Brabeck-Letmathe, Chairman (right).

of the world where three quarters of the global population live, enabling us to dedicate more attention to countries and regions which are highly complex but have huge potential.

The new Nestlé Business Excellence function is led by Chris Johnson, the former head of Zone Americas. Zone Americas is now led by Laurent Freixe, the former head of Zone Europe, and the new Zone EMENA by Luis Cantarell, who previously was in charge of Nestlé Nutrition and Nestlé Health Science. The new head of Nestlé Nutrition is Heiko Schipper, who was formerly responsible for our Global Infant Nutrition division. Nestlé Health Science is led by Greg Behar, who joined the company from Boehringer Ingelheim in July. The newly established Nestlé Skin Health is led by Humberto Antunes, formerly the Chief Executive Officer of our joint venture Galderma.

We further reinforced our business through continued active portfolio management, reviewing the performance of different products in different markets to assess strategic fit, the extent to which they were accretive against our financial targets, and what investments were necessary to deliver growth. We made choices about where we wanted to invest, where we wanted to improve, and what we wanted to divest. Making such choices enables us to align our resources behind our best ideas, products and categories, to deliver sustained financial performance and help us on our journey to recognised Nutrition, Health and Wellness leadership over the short term and the long term.

We also announced new investments and research collaborations, which will enhance our ability to deliver science-based solutions to improve the quality of people's lives. A newly-announced research partnership with the EpiGen consortium will help us to better develop our understanding of the influence of nutrition and genetics at the beginning of life and continue to build our knowledge in this important area. The Nestlé Institute of Health Sciences began a collaboration on a groundbreaking project, which could one day lead to the development of made-to-measure vitamin combinations tailored to individual needs. Our company was founded almost 150 years ago on the product Henri Nestlé invented, farine lactée. It saved the life of a child. Today we continue to invest in science-based innovation to ensure we can answer current and future needs.

It is our fundamental belief that to be successful over time we need to create value for our shareholders while at the same time creating value for society. We call this Creating Shared Value. To prosper we have to take a long-term view, framed in a robust set of principles and values that are based on respect: respect for people, respect for the environment,

and respect for the world we live in. What we do and the effects of what we do are highly visible. It is our responsibility to connect with different stakeholders, to show transparency and build trust. We have therefore again in 2014 reported on our social performance and our compliance in our *Nestlé in society* report, and our progress towards meeting the tough targets we set ourselves.

In 2014 we held another successful Creating Shared Value forum, this time at the Nestlé Research Center in Lausanne, co-organised for the first time with a United Nations body, the UN Conference on Trade and Development (UNCTAD). The President of the Swiss Confederation used his address to the event to plead for water to become a self-standing goal of the future global development agenda. At the event we renewed our long-standing partnership with the International Federation of Red Cross and Red Crescent Societies. Since 2006 this collaboration has focused on the improvement of rural communities' access to clean water and sanitation.

Currently, at the United Nations there are intense discussions about the global development goals for the period after 2015. At the same time, governments and international organisations are increasingly reliant on the expertise, experience and resources of the private sector to help address some of the world's most pressing problems. This offers an opportunity for global companies such as Nestlé to make a valuable contribution, in partnership with governments and civil society. We are participating actively in the policy dialogue in areas which will deeply influence our future business, such as food security, nutrition and health, water, sustainability, and human rights.

The Board of Directors has actively supported the decisions we have taken to further strengthen our Nutrition, Health and Wellness strategy in 2014. It carried out a review of the Wyeth acquisition, received an update on Nestlé Professional, and visited our operations in France, where the discussions included a focus on Nestlé Waters. The Board discussed our global strategy in November, and reviewed our business in the United States, as well as Nestlé Nutrition, Nestlé Health Science and Nestlé Skin Health. It also examined our past capital investments and future needs, as well as our continuing active portfolio management. The Board exercised its responsibilities for financial planning and oversight, risk and compliance management, and setting the right tone at the top of the company.

At our 2014 shareholders' meeting, the Board proposed significant changes to our corporate governance in response to changes in Swiss legislation. The changes to our *Articles of Association* were approved by a large majority. For the first

time in 2014, shareholders had to elect all members of the Board for annual terms and to directly elect the Chairman of the Board and the Members of the Compensation Committee. The new governance framework had a significant impact on our Annual General Meeting (AGM) and put compliance at the forefront of the meeting. The role of the Board has changed and the AGM has been given increased responsibilities. We therefore lead an active dialogue with our shareholders and proxy advisors to explain these changes and new responsibilities.

At our next AGM in April, we will for the first time submit our proposals for the compensation of the Board of Directors and the Executive Board for approval by our shareholders as required by the new legislation. We have implemented these measures in a manner designed to preserve legal certainty, while ensuring that compensation remains competitive. We continue our active dialogue with investors and encourage all shareholders to vote and to help preserve our long-term focus as set out in our *Articles of Association*.

Our success has always been based upon our determination to stay the course and look ahead, to understand the environment in which we operate, to organise ourselves to seize opportunities to deliver profitable growth, now and in the future. Although we are operating in a challenging and turbulent economic environment, we see these as fascinating times, full of opportunities. We continue to commit ourselves to ambitious financial targets. We aim to achieve organic growth of around 5% to 6%, improvements in margins and underlying earnings per share in constant currencies, as well as capital efficiency. There will be years when we exceed our ambition and years where we come close, but this is the line we want to walk over time.

We would like to thank our 339 000 employees, whose commitment to Nestlé, hard work and disciplined alignment behind our strategy ensured that we achieved our common goals. Their talent, their creativity, their discipline and entrepreneurship are key to delivering our results. We would also like to thank you, our shareholders, for your investment and your confidence, which have enabled us to deliver good returns for investors over the long term.



Peter Brabeck-Letmathe
Chairman



Paul Bulcke
Chief Executive Officer

ENHANCING LIVES AND WELL-BEING



Supporting parents in raising
healthier children

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Developing innovative products
to safeguard skin health

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Helping ageing dogs maintain brain health

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Continuing to deliver the highest quality
espresso coffee through *Nespresso*

24

Extending new job opportunities
to European youth

30

THE STRATEGY

For almost 150 years we have enhanced people's lives by offering tastier and healthier food and beverages choices at all stages of life and at any time of day, helping them care for themselves and their families. We have built our success by anticipating the future and continuously adapting ourselves to seize the opportunities it presents.

Through the continuous innovation and renovation of our products we are helping people enjoy healthier diets. In 2014 we continued to invest behind the ideas, the products and the categories that help us on our journey towards recognised Nutrition, Health and Wellness leadership, and deliver sustained financial performance.

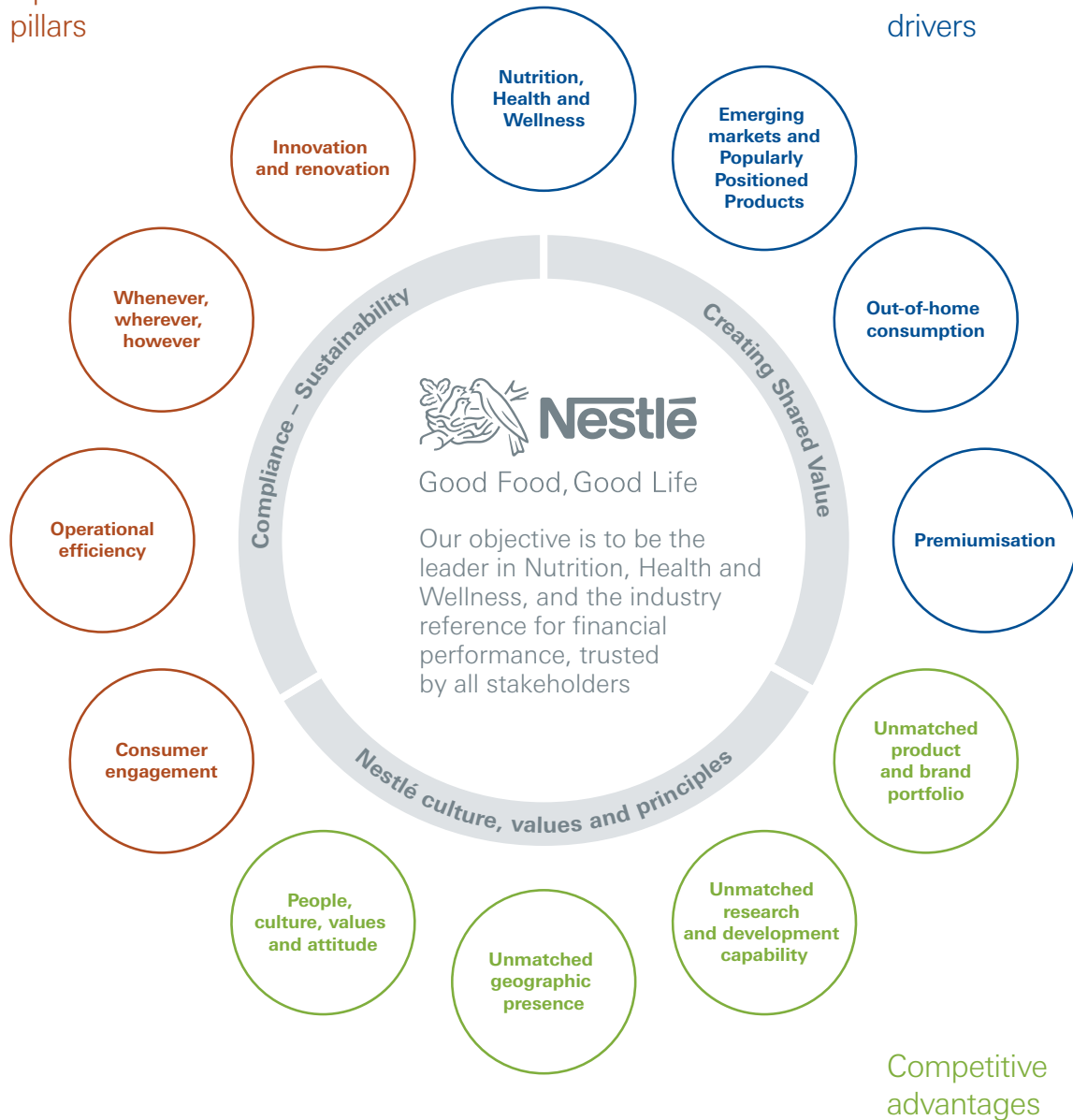
The Nestlé Strategic Roadmap (facing page) is our compass, driving internal alignment behind our goals. The roadmap shows the strengths we leverage to drive performance and deliver competitive advantage. Our strong culture, values and principles, all based on respect, unite us worldwide.

Our ambition is not just to be the leader but the industry reference for Nutrition, Health and Wellness. In recent years we have built on the strong foundations of our unrivalled food and beverage portfolio, exploring the benefits of nutrition's therapeutic role with Nestlé Health Science. In 2014 we again expanded the boundaries of Nutrition, Health and Wellness with the creation of Nestlé Skin Health, offering scientifically-proven products and solutions for people's skin health needs throughout their lives.

In the following pages we highlight some of our efforts to contribute to society, driven by our determination to offer Nutrition, Health and Wellness for all.

Operational
pillars

Growth
drivers



Nutrition, Health and Wellness – our promise for a better life

We enhance people's lives by offering tastier and healthier food and beverage choices at all stages of life and at all times of the day.

Nutrition, Health and Wellness is a priority for the people who buy our products, for society as a whole and for us as a business. As the world's leading food and beverage company we have a responsibility to use our knowledge and our research and development capability to make a positive difference to society. We have an important role to play in not only providing good nutrition but in helping people understand its value.

Start Healthy Stay Healthy is our interactive, science-based education programme designed to help parents and caregivers provide nutritionally and developmentally adequate nutrition in the crucial first 1000 days of life. We support and promote breastfeeding as the best start a baby can have in life. Our educational programmes are targeted at people who are most involved in implementing good practices during this important early period in a child's development. We help to guide parents and caregivers to raise healthier children and help healthcare professionals have a greater impact on the nutritional aspects of care of future generations.

We continue to reinforce our leadership in the area of children's nutrition. By the end of 2014 98% of all our products for children met the Nestlé Nutritional Foundation criteria for children. These criteria are based on nutrition science and public health dietary recommendations from bodies such as the World Health Organization and the Institute of Medicine. Our products are evaluated against these criteria using the Nestlé Nutritional Profiling System which determines their nutritional value and whether they achieve Nestlé Nutritional Foundation status.

We are carrying out large-scale studies together with leading scientists of children's diet and lifestyles, based on the success of the Nestlé Feeding Infants and Toddlers Study. In addition to dietary intakes and behaviours, our research explores family dynamics around diets and key lifestyle patterns of children while documenting their height and weight. We use this data to support our product reformulation, consumer communication and educational programmes, and we share the results with the wider scientific community, non-governmental organisations and others.

We ensure global compliance with responsible advertising and marketing standards for children, abiding by external pledges such as the EU Pledge. At the end of 2014, the Executive Board approved an updated and strengthened *Nestlé Marketing Communication to Children Policy*, which will come into effect in December 2015. To ensure consistent and effective implementation, detailed internal guidelines have been developed and external stakeholders are encouraged to provide feedback via our Tell us reporting mechanism. We have phased out our marketing communication in schools and reinforced our health and wellness education activities, particularly those that positively impact children's development and support governments' goals to increase physical activity.

By the end of 2014 the Nestlé Healthy Kids programme was in 73 countries, supporting initiatives which demonstrate how appropriate nutrition and exercise can improve the health of children and their communities. In addition, our own studies in four countries have shown that two thirds of children are insufficiently hydrated when they arrive at school. In 2014 we provided tools and information that schools, parents and caregivers need to ensure children learn about the benefits of healthy hydration.

United for Healthier Kids is a platform, created by Nestlé in 2014, where society can engage and collaborate to find ways to improve the health and wellness of children, from conception to the age of 12 years. In Mexico, a TV series was launched which supports and encourages five families looking to change their eating and lifestyle habits over six months. The platform has also been launched in the Philippines.

Through innovation and renovation we continue to make our products tastier and healthier. In line with the recommendations from public health authorities, we are reducing the amount of salt, sugar and saturated fats in our products as part of our contribution towards the fight against non-communicable diseases in society. Our reduction targets are included in our public nutrition commitments (detailed in the *Nestlé in society* report) so our progress can be measured. We are also ensuring that whole grains are the primary ingredient in our breakfast cereals for children and teenagers.

We want to help people who buy our products to make informed decisions by giving them better nutritional information on our product labels. We are enhancing our portion guidance and have committed to print GDAs (Guideline Daily Amounts) on the front of all relevant packaging. These make it easier for people to see how much salt, sugar or fat is in the product, and how the amounts compare to reference daily guidelines. Nestlé Portion Guidance is a voluntary initiative

that bridges the gap between dietary recommendations and more user-friendly information to promote the right portion size. It is designed to help reframe portion norms, particularly in energy dense categories where habitual servings have increased over time.

In parts of the world where people find it difficult to get essential vitamins and minerals in their daily diets, we fortify foods to help them and their families stay healthy. We are on track to deliver our commitment of 200 billion servings of micronutrient fortified foods and beverages annually around the world by next year. In 2014 we continued to extend the reach of our microfortification programmes, focusing on categories for children and women of child-bearing age, such as fortified infant cereals and growing-up milks.

Salt reduction

Nestlé scientists at the Product Technology Centre in Singen, Germany, are working to reduce the amount of salt in *Maggi* Tomato Mozzarella Soup by enhancing other flavours.



Nestlé Healthy Kids

Finding ways to help children, like these in Brazil, to be more active and to make healthy eating choices helps them achieve and maintain a healthy body weight.



Guiding the portions

This label from Italy gives detailed information about the contents of a recommended portion made with 13.5g of *Nestlé Nesquik* and 200ml of milk.

Read more about Nutrition, Health and Wellness:
www.nestle.com/nutrition-health-wellness
www.nestle.com/csv/nutrition





Supporting parents in raising healthier children

Nestlé aims to support parents with the information they need to make the most informed decisions about their children's health and eating habits, such as the importance of regular consumption of fruits and vegetables, and of exercise.

We believe getting it right early in life pays big dividends in terms of health and well-being throughout life.

Supporting parents is part of Nestlé's commitment to helping future generations develop their full potential and live healthier lives by providing high-quality, science-driven nutrition for infants and children in the first 1000 days of life.

Research carried out by the Nestlé Research Center, and published in the journal *Appetite*, indicates that children who help their parents prepare their own meals eat significantly more vegetables than those children who are not involved in cooking with their parents.

THE HIGHLIGHTS

Our company was founded almost 150 years ago on the product Henri Nestlé invented, farine lactée. It saved the life of a child. Nestlé's success has been built on innovation, which will continue to drive performance and deliver profitable growth in the years ahead. Across our portfolio, innovation reinforced our growth platforms in 2014.

Increasingly, science-based innovation enables us to improve the quality of people's lives with new ideas, products and solutions. We introduced a new lactose free infant formula with probiotic *L. reuteri* that helps infants recover from diarrhoea. We rolled out new organic fruit purée pouches for infants, combining good nutrition with convenience.

In South East Asia we launched new premium noodles designed for growing urban populations. *Maggi 'so Tender from the Pan'*, the unique seasoning paper that can be used to cook meat without oil, was rolled out to new markets.

Nestlé Skin Health offered people innovative ways to protect, nourish and enhance their skin health over the course of their lives.

Our expertise in beverage systems ensured a good response from consumers in North America to Nespresso's new *VertuoLine* system. By the end of 2014, *Nescafé Dolce Gusto*, the fastest growing coffee system business in the world, was being sold in more than 70 countries. In Japan we started using humanoid robots to sell *Nescafé Dolce Gusto* and *Nescafé Gold Blend Barista* coffee machines.

Across the globe, our petcare business benefited from an innovation pipeline that delivered new products with proven benefits based on good nutrition.

Some of these highlights are detailed on the following pages.

Skin health, clear ahead

Nestlé Skin Health's unique holistic approach will help to protect, nourish and enhance skin health, while working to preserve and, when needed, to treat, correct and restore damaged skin back to its healthy state.

The skin is the largest organ in the human body and it is responsible for safeguarding our health. Longer lifespans will mean good skin care will become more important if we are to extend a good quality of life to those of all ages. Seven out of ten people are affected by a skin disease at some point in their life.

Nestlé Skin Health's goal is to be recognised as the leading company in skin health. Created in 2014, it focuses on the CHF 130 billion health-conscious segment of the growing and promising global skincare market that was worth CHF 245 billion in 2013. It provides prescription drugs, self-medication, therapeutic skin care and aesthetic and corrective medicine, with innovative products from moisturisers to sunscreen, from medical aesthetic procedures to medicines used to treat serious conditions such as skin cancer.



Skin research

Nestlé Skin Health is supported by five research and development centres around the world in France, Japan, Sweden, Switzerland, and the United States.



Dermatology leader

The strength and breadth of our suite of innovative products and medical solutions has made Nestlé Skin Health a global leader in dermatology.

Nestlé Skin Health's vision is to enhance the quality of life by delivering science-based solutions for the health of skin, hair and nails over the course of people's lives.



Product range

Nestlé Skin Health has a range of products that protect, nourish and enhance skin health and, when needed, treat, correct and restore damaged skin over the course of people's lives.

Read more about Nestlé Skin Health:

www.nestleskinhealth.com
www.galderma.com

Follow the blog of Galderma's CEO:

committed.galderma.com





Developing innovative products to safeguard skin health

The skin is the largest organ in the human body and it is responsible for safeguarding our health. Because our skin is our interface with the world, healthy skin leads to improved well-being.

Given the importance of skin in each of our daily lives, Nestlé Skin Health's focus on science-based solutions is a way to enhance the quality of people's lives.

Our focus is to provide a complete range of innovative products and solutions, and to make them available everywhere people go, so we are there, every day, to help protect, nourish and enhance, treat, correct and restore the health of your skin.

We look at our skin and it influences our self-view and well-being. Other people look at our skin and it shapes their perception of who we are.

Start Healthy Stay Healthy: nurturing a healthier generation together

We provide high-quality, innovative, science-proven nutrition for mothers and infants.

The importance of the right nutrition and feeding practices during the first 1000 days of life, from conception to a child's second birthday, is now widely accepted by the public health community. Our *Start Healthy Stay Healthy* programme is dedicated to supporting mothers and caregivers to get nutrition right in the first 1000 days. Good nutrition is crucial for health, growth and development, and establishing the right feeding practices in early childhood also supports the establishment of good eating habits.

We promote and support breastfeeding which is the best start a baby can have in life. Where breastfeeding is not possible, we provide breast-milk substitutes. In addition, we have developed science-based nutritional solutions for infants with specific medical needs, who are unable to absorb, digest or metabolise standard infant formulas and are at risk of death or abnormal development without access to these products.

We also provide a range of complementary foods, such as infant cereals and meals and drinks. These baby foods contain carefully selected high-quality ingredients and are fortified with nutrients to meet the specific needs of infants in this important phase of life.

We market our breast-milk substitutes in line with the aims and principles of the World Health Organization's International Code of Marketing of Breast-Milk Substitutes as implemented by governments. Our marketing standards are the strictest in the industry. We are the only breast-milk substitute manufacturer to be included in the FTSE4Good responsible investment index (see the *Nestlé in society* report).



Breast is best

We firmly believe that breastfeeding is best for babies and fully support the World Health Organization's recommendation on breastfeeding. We also provide a conducive environment for our employees to breastfeed, such as through flexible work arrangements.

We have 150 breastfeeding rooms at our premises around the world.



Unique ingredients

Illuma is a premium brand containing a unique ingredient blend designed to enhance infants' absorption of key nutrients.



BabyNes

BabyNes is the first advanced nutrition system for infants and toddlers that offers age-specific, single-serve formulas for children up to the age of three years old.

For more information:

www.nestle.com/aboutus/ask-nestle/answers/how-does-nestle-support-breastfeeding

Prolonging pet companionship

Nestlé Purina is addressing cognitive decline in pets using research techniques that focus on adding nutritional enhancements to pet food.

Nestlé Purina scientists, veterinarians and nutritionists have been studying the effects of ageing on pets since 1986, when Purina began the breakthrough 'Lifespan Study' of canine diets.

Around age seven a dog's glucose metabolism in the brain begins to change, which can affect memory, learning, awareness or decision-making. Our scientists have discovered that medium chain triglycerides (MCTs) in certain botanical oils can be used as an additional alternative source of energy for the brain in these ageing dogs.

Our scientists have also developed a proprietary brain protection blend that includes fish oil to promote cognitive function in cats and dogs. Extensive testing in cats and dogs demonstrated improved cognitive and learning ability in pets fed this blend.



Cognitive testing

This task, for an older dog, tests its mental capabilities.



Nutritional benefits

Purina Pro Plan Bright Mind helps support cognitive function in pets.



Better together

Nestlé Purina PetCare hosted its second 'Better with Pets' summit in New York as a forum for discussing a range of pet care issues. The one-day event brought together opinion leaders from across the pet world, including retailers, bloggers, veterinary practitioners, leading animal welfare groups, and, of course, pet-lovers and owners.

In December 2014, Glassdoor, an online jobs and career community, rated Nestlé Purina number three in its 2015 list of top 50 Best Places to Work.

Read more about Nestlé Purina:

www.purina.com/innovation

Read more about the 'Better with Pets' summit:

www.purina.com/better-with-pets/summit





Helping ageing dogs maintain brain health

We understand the need for good nutrition to live healthily, so it's imperative that pet owners are aware of similar nutritional breakthroughs available for their pets that help slow the changes associated with ageing.

Nestlé Purina scientists, veterinarians and nutritionists have been studying the effects of ageing on pets since 1986, when Purina began the breakthrough 'Lifespan Study' to look at canine diets.

Nestlé Purina's recent work addresses cognitive decline in pets by using research techniques that focus on adding nutritional enhancements to pet food.

Nestlé Purina's research has involved developing neuron-targeted nutrition with a blend of nutrients sourced from vegetable oils, such as coconut oil, to help improve memory function in older dogs.

Creating Shared Value – our way of doing business

It is our fundamental belief that for a company to prosper over the long term we need to create value for shareholders while at the same time creating value for society. We call this Creating Shared Value.

In the *Nestlé in society* report we detail our progress towards meeting our 38 Creating Shared Value commitments (including three new ones for 2014). These commitments, which we introduced in 2013, make it possible for stakeholders to hold us accountable, while at the same time encouraging our management, and all our employees, to achieve continuous improvement. Creating Shared Value requires compliance with the highest standards of business practice, including international codes and standards as well as our own.

Global companies like Nestlé have a role to play and can make a valuable contribution to the efforts to address some of the critical issues the world faces, such as food security, nutrition and health, water, sustainability and human rights. Our Creating Shared Value approach focuses the business on the long term, where the success of society and economic activity are intertwined and mutually reinforcing.

In 2014, at our sixth Creating Shared Value Forum, held in Switzerland, participants discussed how civil society and the private sector could work in partnership to strengthen and speed up sustainable development, focusing on the key areas of nutrition, water and rural development.



Bees make honey

The 2014 Nestlé Creating Shared Value prize was awarded to Honey Care Africa, an East African fair trade honey company, which works with farmers in South Sudan.



Water at the well

In 2014, we renewed a long-standing collaboration with the International Federation of Red Cross and Red Crescent Societies, with a particular focus on improving rural communities' access to water.

“We believe that there should be universal access to truly safe, not only improved, drinking water by 2025.”

Peter Brabeck-Letmathe, Nestlé Chairman, addressing the CSV Forum.



Presidential greeting

Then-President of the Swiss Confederation, Didier Burkhalter, is greeted by Peter Brabeck-Letmathe, Nestlé Chairman, at the 2014 Creating Shared Value Forum in Switzerland.

Nespresso VertuoLine – a coffee revolution for North America

Nestlé Nespresso's revolutionary system – *VertuoLine* – was launched in 2014 in the US and Canada. It brews long cups, matching North American preferences, as well as authentic espresso.

The new system introduces *Centrifusion* technology to achieve a high level of precision, using bar-code recognition to adjust the extraction parameters for each Grand Cru coffee, delivering the perfect cup. *VertuoLine* is pioneering a new segment of highest-quality, long-cup, freshly-brewed coffee. It brings the quality seal of espresso, the crema, to the world of freshly-brewed long-cup coffee.

It is the most important innovation breakthrough for Nestlé Nespresso since the invention of portioned coffee in 1986.

VertuoLine features a new line of 12 Grands Crus, eight large-cup coffees and four espresso blends. The machine is sold directly to consumers through the network of *Nespresso* boutiques, over the phone and online and at selected North American retailers.



Another research breakthrough

A researcher at the Nestlé System Technology Centre in Orbe, Switzerland, where many Nestlé technology systems have originated, including *Nespresso VertuoLine*.

Intelligent brewing

An intelligent extraction system allows the new *Nespresso VertuoLine* machine to recognise the different Grand Cru coffee capsules and brew each blend in the optimal way.



The *VertuoLine* rotates the coffee capsule 7000 times a minute to extract every drop of flavour.

Ensuring a sustainable supply of the best quality coffee is a top priority for Nespresso

The Nespresso AAA Sustainable Quality Programme, developed with the Rainforest Alliance, was launched in 2003. It aims to secure the highest sustainable quality coffee for Nespresso's Grands Crus while helping to improve the livelihoods of coffee farmers and their families through support and training. Nespresso pays above-market prices for its coffee beans, as part of its commitment in the programme.



Read more about Nespresso:

www.nestle-nespresso.com

www.nestle-nespresso.com/ecolaboration





Continuing to deliver the highest-quality espresso coffee through *Nespresso*

The *Nespresso* story began with a simple idea: enable anyone to create the perfect cup of espresso coffee, just like a skilled barista.

From its beginning in 1986, *Nespresso* has redefined and revolutionised the way millions of people enjoy their espresso coffee.

The entire *Nespresso* system – the interaction of the *Nespresso* aluminium capsule with the *Nespresso* machine – is designed to ensure the highest quality that has made *Nespresso* the reference point in the portioned coffee sector and one of the fastest-growing global food and beverage brands.

Nespresso's new coffee technology is delivering both American-style large-cup coffee and espresso to North American consumers.

THE FUTURE

Across the world societies are getting older and the burden of healthcare costs is increasing. More than ever there is a need for safe, effective and affordable solutions to help people stay healthy. Our understanding of the importance of good nutrition to help manage health and treat disease continues to grow.

We will play our part in addressing the issues the world faces with the strategy we set out some time ago: expanding the boundaries of Nutrition, Health and Wellness, investigating the role of diet and nutrition in health, and innovating and renovating constantly to provide effective solutions based on science. Building on the strong foundation of our food and beverages business we will expand our portfolio to provide promising platforms for future growth.

We also need to attract and retain the best talent: we are pleased that regularly Nestlé is ranked as one of the best global employers, but we are not complacent. We work hard to offer our staff the opportunity to grow and develop throughout their careers.

We report on the result of our efforts in these pages; in nutrition, in sustainable production, workplace policies and more.

Changing the course of health

Nestlé Health Science is a company engaged in advancing the role for nutritional therapy in the management of people's health through investing in innovation and leveraging leading edge science.

By 2020, one billion people in the world will be over 60, increasing the burden on society from obesity and chronic diseases. It is estimated global healthcare costs could rise to between USD 5–10 trillion by the end of the decade. At the same time scientific understanding of health, disease and the potential of nutrition is growing.

Nestlé Health Science aims to champion the role of nutritional therapies that have proven clinical and health economic value, and improve the quality of people's lives. The company focuses on three areas: Consumer Care, which aims to address specific health conditions with an emphasis on enhancing 'healthy ageing'; Medical Nutrition, which supplies hospitals and other healthcare facilities; and Novel Therapeutic Nutrition, which works on new nutritional therapies (including pre-scribed medicines) for specific diseases and conditions that would be administered by a health professional.



Young at heart

Meritene, launched in Europe, is a nutritional range targeting age-related health challenges.



Technology health product hub

The Product Technology Centre in Konolfingen, Switzerland, develops and manufactures a range of products for Nestlé Health Science.

Nestlé Institute of Health Sciences is involved in over 170 research collaborations with more than 60 partners.



Nestlé Health Science products

Nestlé Health Science has a range of nutrition solutions, diagnostics, devices and drugs that target health areas, such as paediatric and acute care, metabolic and obesity care, healthy ageing, and gastrointestinal and brain health.

Read more about Nestlé Health Science:
www.nestlehealthscience.com

Read more about the Nestlé Institute of Health Sciences:
www.nestleinstituteofhealthsciences.com

Nestlé Health Science is supported in its work by the Nestlé Institute of Health Sciences (NIHS) which undertakes fundamental scientific research into how nutrition can be used to empower people to improve and maintain their health. NIHS research teams are providing greater insight into how our environment, diet and lifestyle intersect with our genetic make-up, gut microorganisms, metabolism and nutritional status to determine our health.

NIHS has established the first complete essential nutrient profiling platform for accurate analysis of nutrient status. Thanks to the development of digital applications that capture dietary intake, the institute can now combine the information about the nutritional content of diet with measurements in people's blood. This research offers the prospect of developing personalised nutrition products, including dietary recommendations.

It has also built a natural products screening platform to discover compounds that may already exist in diets around the world and which can be used to improve metabolic and ageing health.

Special milk for seniors

Nestlé's *Jian Xin Double Care*, a specially designed milk to enhance heart and bone health for middle-aged and senior adults, was launched in China in December 2013. The product contains phytosterols, which lower LDL ('bad') cholesterol, as well as calcium and vitamin D. The brand raises awareness of heart health with in-store health checks and offers toll-free phone contact with doctors to discuss cardiovascular health.



Close concentration

A scientist at work in the Nestlé Institute of Health Sciences, located on the EPFL campus near Lausanne, Switzerland.



Nestlé biscuits

Nestlé Fitness biscuits are wholegrain cereal-based snacks low in fat and calories. After just three years, *Nestlé Fitness* biscuits hold the number one position in Brazil's healthy biscuit segment. The biscuits are sold across South America and in Israel.



Fortified morn

Golden Morn is a ready-to-eat breakfast cereal sold in Nigeria, made of maize or millet, and fortified with micronutrients vitamin A and iron.

Alliance for YOUth

At our 2014 CSV Forum, we announced that we will transform our European Youth Employment Initiative into a global programme. The initiative has two aims – to recruit and develop the next generation of Nestlé leaders and to help young people with the transition from education to work.

For the Nestlé Needs YOUth programme in Europe, where one in four people under the age of 25 is unemployed, we pledged to offer 20 000 jobs, apprenticeships and traineeships over three years, and establish readiness for work activities across our operations. We are well on schedule to achieve this with 11 832 job and training opportunities created by the end of 2014 and around 1600 readiness for work events completed.

We built on the success of this initiative in 2014 by establishing the Alliance for YOUth, a collaboration with around 200 other companies, to scale up and coordinate our efforts to tackle youth unemployment. The efforts of the Alliance for YOUth will result in the creation of more than 100 000 opportunities for young people in Europe.

We will continue to lead the initiative to help tackle youth unemployment in Europe and globally, offering young people the chance of a more secure and productive future.



Hiring young talent

A group of newly-hired Nestlé employees in Greece, where we launched our European Employment Initiative in 2013. Rates of unemployment in the country are among the highest in Europe.



Follow Nestlé on LinkedIn:

www.linkedin.com/company/nestle-s.a.





Extending new job opportunities to European youth

Helping young people become better prepared to enter the professional world and to improve their chances in a challenging job market is one of the great public policy issues in Europe today.

With youth unemployment in Europe at over 20%, we are committed to working hand in hand with policy-makers and the education sector to foster both employability and job creation.

Building on our efforts, around 200 companies have now joined forces with us to tackle protracted joblessness among young people in Europe.

The *Nescafé Dolce Gusto* factory in Germany is among the many Nestlé sites in Europe hiring young talent.

Gender balance and diversity

We want to create a workplace culture that provides equal opportunities for everyone and ensures that people are always treated with dignity and respect. Our talent pool should reflect the societies in which we operate and promoting gender balance and diversity makes good business sense.

We believe that different ways of thinking complement each other and lead to better decisions being made. Diverse teams are more creative, inclusive and competitive, and better reflect the markets we serve. We are a growing business and we need to recruit and nurture the best qualified people. This is not just about meeting a talent gap or the expectations of regulators. Gender balance and diversity strengthen our business.

In 2014, 33.5% of our managers were women, up from 31% in 2013. We promote gender balance by focusing on awareness and education, flexible working, mentoring and mobility solutions. However, more remains to be done. Removing all gender-related barriers to women reaching top management positions is a priority for the company. Quotas are not the answer. We prefer to take strategic decisions with the primary goal of increasing the diversity and gender balance of our talent pool, but always promoting the best qualified person for each role.

We recognise too that we have responsibilities to promote gender balance and diversity in our supply chains. We have taken steps, such as our work with the Fair Labor Association on the role of women in the communities that supply us with cocoa, to increase women's participation in these areas in a sustainable way. Since we signed the United Nations Women's Empowerment Principles, a set of seven steps that businesses can take to advance gender equality and empower women, more than 700 000 women around the world have been empowered with the support of Nestlé's programmes through education and other means.



Helping protect women in the workplace

The Infant Nutrition team in India was looking to increase women in the field force, especially since they would be able to bring their personal insights and experience to the table. A number of factors had to be considered in hiring women as a part of the field force. These were both cultural and logistical: safety of women during their travel and stay across locations being of prime importance.

“Nestlé builds success and our culture on strong diversity. We will accelerate gender balance. Women represent 80% of our consumer spending decisions. 60% of graduates in the EU and USA are women. Improving gender balance will enrich our leadership and improve consumer understanding.”

Paul Bulcke, Nestlé Chief Executive Officer



Ongoing learning

The training sessions at the Rive-Reine international training centre in Switzerland provide additional education and training opportunities to Nestlé employees.

Zero water – reducing water use in Mexico

In 2014, we transformed a dairy factory in Mexico into the company's first 'zero water' manufacturing site in the world. Cow's milk is 88% water, so by extracting some of it to use in the factory's systems, we are saving enough water to meet the average daily consumption of 6 400 people in the surrounding area.

The new technology used at the factory in Jalisco, Mexico, heats milk at low pressure to remove some of the water. The resulting steam is then condensed and treated and used to clean machines. It is then recycled and used again. The process reduces by 15% the total amount of water used by Nestlé Mexico. Work is now underway to deploy similar technology in five other manufacturing sites in water stressed areas around the world. It is just one of a number of water-saving initiatives we have introduced in recent years, allowing us to reduce total water withdrawal in absolute terms by almost one third in the last decade.



Safety at top of priority list

In March 2014, we opened the Nestlé Food Safety Institute in Beijing, China. The new centre has three objectives: to collaborate with Chinese universities, research institutes and regulatory authorities in food safety research; to increase our ability to assess risks, anticipate problems and provide accurate information in any food safety situations; and to engage on scientific communication and food safety training.



Zero water

A researcher at the zero water factory in Jalisco, Mexico, does a quality check. The water resource savings at the factory are equivalent to the volume needed per day to fill an Olympic-size swimming pool.



Today our people are carrying out 170 water-saving projects in Nestlé factories, which will save around 3.6 million cubic metres of water.

Read about Nestlé's Commitment on Water Stewardship:
www.nestle.com/csv/water/policy-stewardship

Read the blog of Nestlé's Chairman:
www.water-challenge.com

OUR BRANDS





Nestlé is deeply integrated into people's lives with many buying our products on a daily basis. This gives us opportunities to contribute meaningfully to their quality of life. It is what our promise of Good Food, Good Life is all about: offering the best tasting, healthiest choices across a wide range of food and beverages, from morning to night and throughout life, helping people to live more enjoyable, healthy lives.

However, today, even brands that enjoy a high level of loyalty and trust need attention-grabbing, engaging consumer communication to ensure they remain relevant to consumers. Therefore, excellence in brand-building discipline and conviction about the importance of strong, sustainable brand equity is more important than ever, especially in an increasingly complex and crowded digital world.






N°1
bottled water brand
in the world, in value

56
Nestlé Pure Life production
sources worldwide

Present in
41
countries


More than
1500 glasses drunk every
second worldwide

16
year old brand

Nestlé Pure Life is the world's top-selling water brand by value and our biggest bottled water brand. A high-quality brand with an affordable price and reliable purity; it is the best choice for healthy family hydration.

Nestlé Pure Life, launched in 1998, is available in 41 countries from 56 production sources. It became the first bottled water brand to carry the Nestlé name, strengthening our NHW strategy.

The brand was introduced in Europe in 2000 as *Nestlé Aquarel*, where it adopted a multi-source model. Today, *Nestlé Pure Life* is available as still and sparkling water in a variety of bottle sizes, from bottles that are small enough for a child to hold, to bigger sizes for a family, or for an office.

In 2010, *Nestlé Pure Life* became the top-selling bottled water in the United States, where it is the standard bearer for the *Drink Better. Live Better.* movement to promote drinking water as a natural, healthier, low-calorie option for hydration.

In our healthy hydration communication, we emphasise the needs of families, and specifically mothers and caregivers. Water is the best way to hydrate, and we want to safeguard healthy habits in future generations.





Nestlé Milo, an iconic brand with a long and distinguished history, has been re-launched in parts of South East Asia and Africa with a new visual identity and a branded active benefit, *Activ-Go*. It is made from a unique malt extract and a combination of nine micronutrients (six vitamins and three minerals).

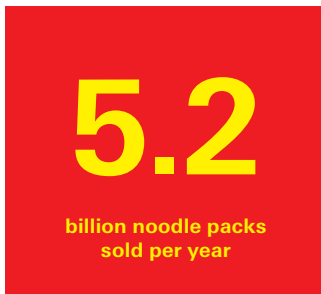
Parents want their children to make the most of their potential. *Nestlé Milo*, which is mainly consumed by children aged 7–12, can help to provide the nourishing energy they need to succeed. *Activ-Go* plays a role in energy release, muscle function, bone maintenance and red blood cell formation, all essential for physical activity.

The re-launched recipe with *Activ-Go* was developed by our scientists and introduced in 2014 in Indonesia, Malaysia and Vietnam. It will be launched in other Asian, African and Latin American countries this year.

Nestlé Milo celebrated its 80th birthday in 2014. It was created by Nestlé engineer Thomas Mayne to help children who had poor diets get sufficient nutrition. He created *Nestlé Milo* from malt, milk and cocoa to give children the nutritious energy they need to get the best out of their day. It was launched at the Sydney Easter Show in 1934.

Nestlé Milo has been a staunch supporter of youth sports throughout its history, and has fuelled generations through their formative years.





Last year, *Maggi* created a new breakfast option for the Indian market, *Maggi Oats Noodles*, offering Nutrition, Health and Wellness in a bowl. The noodles are made from 51% wholegrain oat flour, fibre (equivalent to one bowl of oats), with a real vegetable garnish, as well as the popular authentic masala taste.

The successful roll-out of *Maggi Oats Noodles* demonstrated that healthy eating can be both enjoyable and tasty. Strong sales of the new product show that it is also good business. *Maggi Oats Noodles* meet Nestlé Nutritional Foundation criteria, which are based on public health recommendations. The consumer communication reinforces the importance for families to start the day with a well-balanced breakfast, including fruits and milk. In 2014, we continued to renovate *Maggi* products all around the world, reducing salt and fat and improving their nutritional benefits.

The Maggi company began selling powdered soups in Switzerland in 1885. Julius Maggi had pioneered the production of pea and bean soups at the request of the Swiss Public Welfare Society to address the dietary deficiency of the working population. The advent of factory work for women meant less time to prepare food, and the soups were a convenient and nourishing alternative.

Maggi entered the Nestlé family in 1947, when the holding company, Alimantana S.A., merged with Nestlé to become Nestlé Alimentana S.A.

Financial review

Group sales (in CHF)

91.6 billion

Organic growth

4.5%

Real internal growth

2.3%

Trading operating profit (in CHF)

14.0 billion

Trading operating profit margin

15.3%

+30 basis points

constant currencies

Earnings per share (in CHF)

4.54

Underlying earnings per share

+4.4%

constant currencies

Operating cash flow (in CHF)

14.7 billion

Free cash flow (in CHF)

14.1 billion

Proposed dividend (in CHF)

2.20

Proposed dividend increase

+2.3%

Outlook

While delivering in the short term, we remain focused on our business long term, strengthening the foundations of future growth. We expect 2015 to be similar to 2014 and we aim to achieve organic growth of around 5% with improvements in margins, underlying earnings per share in constant currencies and capital efficiency.

LEADING POSITIONS IN DYNAMIC CATEGORIES

In millions of CHF		2013	2014			RIG (%)	OG (%)
Powdered and Liquid Beverages							
Soluble coffee / coffee systems	9619	9328		45.9%			
Other	10876	10974		54.1%			
Total sales	20495	20302		100.0%	+4.2%	+5.4%	
Trading operating profit	4649	4685		23.1%			
Water							
Total sales	6773	6875			+6.2%	+5.3%	
Trading operating profit	678	710		10.3%			
Milk products and Ice cream							
Milk products	13010	12626		75.4%			
Ice cream	4347	4117		24.6%			
Total sales	17357	16743		100.0%	-1.0%	+3.4%	
Trading operating profit	2632	2701		16.1%			
Nutrition and Health Science ^(a)							
Total sales	11840	13046			+5.3%	+8.7%	
Trading operating profit	2228	2723		20.9%			
Prepared dishes and cooking aids							
Frozen and chilled	7782	7302		53.9%			
Culinary and other	6389	6236		46.1%			
Total sales	14171	13538		100.0%	-1.2%	-0.1%	
Trading operating profit	1876	1808		13.4%			
Confectionery							
Chocolate	7477	7053		72.2%			
Sugar confectionery	1230	1148		11.7%			
Biscuits	1576	1568		16.1%			
Total sales	10283	9769		100.0%	-0.1%	+4.2%	
Trading operating profit	1630	1344		13.8%			
PetCare							
Total sales	11239	11339			+5.0%	+5.6%	
Trading operating profit	2163	2246		19.8%			

(a) Renamed following the integration of Galderma as from July 2014.

BUSINESS REVIEW

Introduction

In 2014 we delivered strong results in a soft trading environment, building on the good growth of past years. They demonstrate the intrinsic strengths of Nestlé: the commitment of our people, our global footprint, the strength of our portfolio and the quality of our innovation. While delivering in the short term, we remain focused on our business long term, strengthening the foundations of future growth.

Employees by geographic area

	2013	2014
Europe ^(a)	28.0%	28.2%
Americas	32.5%	32.7%
Asia, Oceania and Africa	39.5%	39.1%
Total	100.0%	100.0%

(a) 11 177 employees in Switzerland in 2014.

Employees by activity

In thousands

	2013	2014
Factories	178	175
Administration and sales	155	164
Total	333	339

Factories by geographic area

Nestlé has operations in 197 countries and 442 factories in 86 countries. Eight were acquired during the year and 13 divested.

	2013	2014
Europe	140	136
Americas	164	163
Asia, Oceania and Africa	143	143
Total	447	442

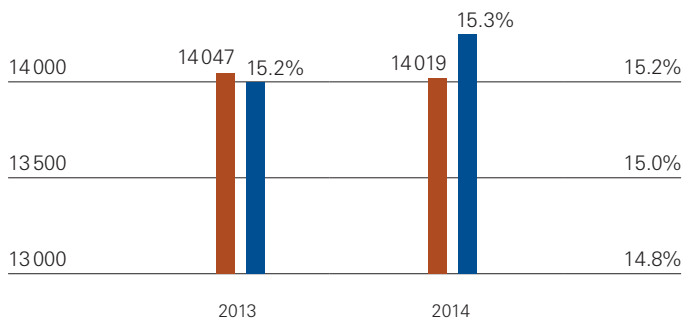
Principal key figures ^(a) (illustrative) in CHF, USD, EUR

In millions (except for data per share)

	Total CHF	Total CHF	Total USD	Total USD	Total EUR	Total EUR
	2013	2014	2013	2014	2013	2014
Sales	92 158	91 612	99 452	99 961	74 858	75 431
Trading operating profit	14 047	14 019	15 159	15 296	11 410	11 543
Profit for the period attributable to shareholders of the parent (Net profit)	10 015	14 456	10 808	15 774	8 135	11 903
Equity attributable to shareholders of the parent	62 575	70 130	70 329	70 863	51 030	58 307
Market capitalisation, end December	208 279	231 136	234 087	233 553	169 850	192 170
Data per share						
Basic earnings per share	3.14	4.54	3.39	4.95	2.55	3.74

(a) Income statement figures translated at weighted average annual rate; Balance sheet figures at year-end rate.

Trading operating profit



- In millions of CHF
- In % of sales

Operating segments: trading operating profit

In % of sales

Zone Europe	15.3
Zone Americas	18.8
Zone Asia, Oceania and Africa	18.7
Nestlé Waters	9.7
Nestlé Nutrition	20.8
Other businesses ^(a)	19.1

(a) Mainly Nespresso, Nestlé Professional, Nestlé Health Science and Nestlé Skin Health (renamed following the integration of Galderma as from July 2014).

Group results

In 2014 Nestlé's organic growth was 4.5%, composed of 2.3% real internal growth and 2.2% pricing. Sales were CHF 91.6 billion, down 0.6%, impacted by negative foreign exchange of -5.5%. Acquisitions, net of divestitures, added 0.4% to sales.

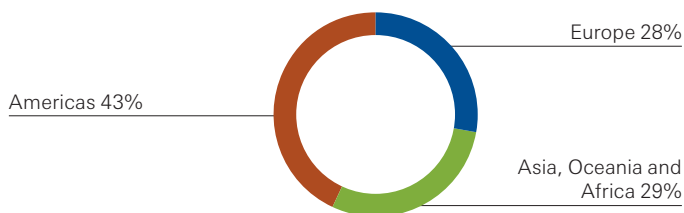
The Group's trading operating profit was CHF 14.0 billion, representing a margin of 15.3%, up 10 basis points, and up 30 basis points in constant currencies. The cost of goods sold fell by 30 basis points as a percentage of sales, driven by product mix and pricing actions and savings created by Nestlé Continuous Excellence which more than offset increases in raw material costs. Distribution costs were up by 10 basis points. Total marketing and administration expenses rose by 10 basis points as we increased consumer facing marketing support for our brands.

Net profit rose CHF 4.4 billion to CHF 14.5 billion. The increase also reflects the profit realised on the disposal of part of the stake in L'Oréal and the revaluation gain on the 50% of Galderma already held when the Group brought its ownership from 50% to 100%. Reported earnings per share were CHF 4.54, up 44.6%. Underlying earnings per share in constant currencies were up 4.4%.

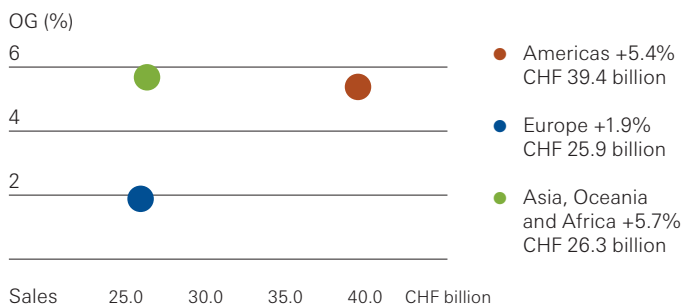
The Group's operating cash flow remained strong at CHF 14.7 billion.

Geographic sales

as % of total sales



Geographic sales and organic growth



Each region includes sales of the Zones, Nestlé Waters, Nestlé Nutrition, Nespresso, Nestlé Professional, Nestlé Health Science and Nestlé Skin Health.

Sales by geographic areas

	Differences 2014/2013 (in %)		in CHF millions 2014
	in CHF	in local currency	
By principal markets			
United States	+0.7%	+1.8%	23 489
Greater China Region	+0.3%	+1.6%	6 638
France	-1.3%	+0.1%	5 507
Brazil	+0.0%	+10.6%	5 117
Germany	+0.6%	+2.0%	3 340
United Kingdom	+5.8%	+1.7%	2 987
Mexico	-6.9%	-1.8%	2 960
Philippines	+3.3%	+9.4%	2 489
Italy	+0.5%	+1.9%	2 108
Canada	-5.0%	+2.9%	1 962
Spain	+0.7%	+2.1%	1 856
Russia	-6.5%	+13.4%	1 731
Australia	-8.6%	-0.8%	1 622
Switzerland	+3.5%	+3.5%	1 566
Japan	-5.0%	+4.1%	1 491
Rest of the world	-1.2%	(a)	26 749
By continent			
Europe	-0.6%	(a)	25 903
United States and Canada	+0.8%	(a)	25 601
Asia	+1.5%	(a)	20 801
Latin America and Caribbean	-5.0%	(a)	13 836
Africa	+0.7%	(a)	3 421
Oceania	-7.7%	(a)	2 050
Total	-0.6%	(a)	91 612

(a) Not applicable.

Business review

The Nestlé Group's organic growth was broad-based, 5.4% in the Americas, 1.9% in Europe and 5.7% in Asia, Oceania and Africa. Our business in developed markets grew 1.1%, achieving sales of CHF 51.4 billion. Our emerging markets business grew 8.9%, delivering sales of CHF 40.2 billion. Real internal growth was 2.3% in the Americas, 2.4% in Europe and 2.4% in Asia, Oceania and Africa.

In 2014 we created Nestlé Skin Health, complementing Nestlé Health Science, further expanding our existing food and beverage business in line with our strategic ambition to be the world's recognised leading Nutrition, Health and Wellness company. We also established Nestlé Business Excellence at Executive Board level, aggregating business support services. This allows us to better leverage our scale, decrease structural costs, increase the quality of support services and free up resources to deliver growth and to allow our markets to focus on generating demand.

Zone Americas

Sales of CHF 27.3 billion, 5.0% organic growth, 1.1% real internal growth; 18.8% trading operating profit margin, +60 basis points.

The Zone's organic growth was supported by double-digit growth for *Nescafé Dolce Gusto* and strong performances in ambient dairy and petcare. In North America growth improved towards the end of the year while in Latin America good growth was helped by pricing, reflecting inflationary pressures.

Our performance in North America was affected by the frozen category. Projects are underway to reposition *Lean Cuisine*, *Hot Pockets* and *Stouffers*. They address all elements of the marketing mix, reflecting trends such as organic and ethnic, enhancing the brands' relevance to consumers. We are taking the same approach in frozen pizza where our *California Pizza Kitchen* did well. In ice cream the super premium segment performed well with *Gelato*, and snacks returned to growth, although the premium segment was subdued. In confectionery the successful roll-out of *Butterfinger* Peanut Butter Cups continued. Innovations like *Natural Bliss* and seasonal renovations of flavours helped *Coffee-mate* deliver good growth. Innovation also ensured the petcare business in North America continued to grow with *Dog Chow*, *Pro Plan* and *Tidy Cats* Lightweight cat litter as highlights. The launch of *Beyond* natural pet food gained momentum.

Latin America delivered good organic growth despite a worsening of the macroeconomic situation towards the end of the year. Although consumer sentiment varied across the region, most markets did well. All Brazil's categories grew, with *Ninho* in growing-up milks, *KitKat* in confectionery, *Nesfit* in biscuits and *Nescau* in cocoa and malt beverages making strong contributions. In Mexico the changes in fiscal legislation, pricing and subdued consumer demand affected the market. *Nescafé Dolce Gusto* delivered double-digit growth across the region, while *Dog Chow* and *Pro Plan* drove sales in the petcare business.

Despite higher input costs the Zone's trading operating profit margin improved by 60 basis points to 18.8%, reflecting operational and structural efficiencies and lower other trading expenses.

Zone Europe

Sales of CHF 15.2 billion, 1.5% organic growth, 2.2% real internal growth; 15.3% trading operating profit margin, +30 basis points.

Relative to the market this was good growth, driven by innovation and premiumisation. The European trading environment continued to be volatile and intense, with deflationary pressure increasing during the year and consumer confidence very fragile, reducing the flexibility to price.

Good performances in France, Switzerland, Austria and the Netherlands, and a recovery in Spain and Portugal supported the growth in Western Europe. The Great Britain region, Germany, Italy and Greece were more challenged. There were strong performances from petcare and *Nescafé Dolce Gusto* across Western Europe and we saw good growth from innovations in several categories. Highlights included *Nescafé Gold* and *Azzera* premium soluble coffee, *Fresh Up* and *Buitoni Fiesta* in frozen pizza, *Maggi* snacking noodles in ambient culinary and the launch of premium chocolate tablets *Les Recettes de l'Atelier* in France.


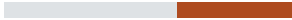
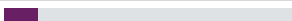
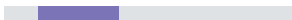

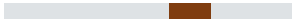
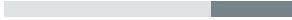

In Central and Eastern Europe, Russia and Ukraine drove the growth in a deteriorating economic environment. Petcare, *Nescafé Dolce Gusto*, soluble coffee, particularly *Gold Blend*, and confectionery with *KitKat* were the highlights. The ongoing roll-out of *Papyrus* cooking papers in ambient culinary also continued to do well.

Petcare delivered broad-based growth across the Zone, further strengthening its positions, in particular through the premium category with *Felix*, *Purina ONE* and *Gourmet*, and our snacks range.

The Zone's trading operating profit margin was 15.3%, up 30 basis points, reflecting our achievements in leveraging our real internal growth and continuous improvement in efficiencies.


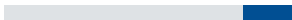

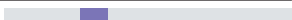

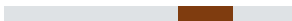
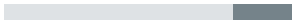

Zone Americas ^(a)

In millions of CHF

	2013	2014			RIG (%)	OG (%)
United States and Canada	16 701	16 396		60.1%		
Latin America and Caribbean	11 657	10 881		39.9%		
Powdered and Liquid Beverages	3 447	3 190		11.7%		
Milk products and Ice cream	7 939	7 676		28.1%		
Prepared dishes and cooking aids	5 196	4 745		17.4%		
Confectionery	4 186	3 972		14.6%		
PetCare	7 590	7 694		28.2%		
Total sales	28 358	27 277		100.0%	+1.1%	+5.0%
Trading operating profit	5 162	5 117		18.8%		
Capital expenditure	1 019	1 039		3.8%		

Zone Europe ^(a)

In millions of CHF

	2013	2014			RIG (%)	OG (%)
Western	12 722	12 610		83.1%		
Eastern and Central	2 845	2 565		16.9%		
Powdered and Liquid Beverages	4 067	4 027		26.6%		
Milk products and Ice cream	1 587	1 455		9.6%		
Prepared dishes and cooking aids	3 879	3 737		24.6%		
Confectionery	3 061	2 915		19.2%		
PetCare	2 973	3 041		20.0%		
Total sales	15 567	15 175		100.0%	+2.2%	+1.5%
Trading operating profit	2 331	2 327		15.3%		
Capital expenditure	964	747		4.9%		

(a) 2013 comparatives have been restated following the transfer of responsibility for Nestea RTD businesses in geographic Zones to Nestlé Waters effective as from 1 January 2014.

Zone Asia, Oceania and Africa

Sales of CHF 18.3 billion, 2.6% organic growth, -0.3% real internal growth; 18.7% trading operating profit margin, -20 basis points.

The slower growth in the Zone was due to our largest market China and to Oceania. In China we needed to adapt our portfolio to reconnect with the fast-changing expectations of the Chinese consumer. Therefore, in addition to correcting trade stocks throughout the year, we focused on innovation, on reformulation and on re-launches, particularly in coffee, ready-to-drink and confectionery. We continued to see good performances in ambient culinary, ice cream and ready-to-drink coffee. In Oceania we are focused on developing new trade channels.

Strong growth continued in most other emerging markets, in particular the Philippines, South Asia, the Indochina region, Turkey and many markets in Africa. We introduced new premium noodles in Singapore and Malaysia. In the Philippines the new fortified *Bear Brand* milk powders were well received. Maggi created a new breakfast option for the Indian market, *Maggi Oats Noodles*, and *Nestlé Milo Activ-Go* was launched in parts of South East Asia. It was also rolled out in Africa, helping to deliver good growth across the continent.

Strong innovation in products and business models drove performance in Japan with the coffee systems *Nescafé Dolce Gusto* and *Nescafé Gold Blend Barista* doing well and *KitKat* maintaining its growth momentum.

The Zone's trading operating profit margin was 18.7%, down 20 basis points, mainly due to slower growth, input cost increases and some exceptional items.

Nestlé Waters

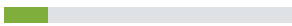

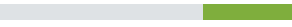


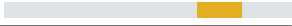
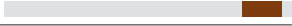


Sales of CHF 7.4 billion, 5.4% organic growth, 6.3% real internal growth; 9.7% trading operating profit margin, +50 basis points.

Nestlé Waters delivered solid broad-based organic and real internal growth in all three geographies. *Nestlé Pure Life* continued to be a growth engine, particularly in the emerging markets but also in North America and the United Kingdom. *Perrier* and *S.Pellegrino*, our premium international brands, continued to demonstrate our ability to create value in the category. Complementing these performances, strong local brands also delivered good growth, especially *Buxton* in the United Kingdom, *Erikli* in Turkey, *La Vie* in Vietnam and *Yunnan Shan Quan* in China.

The trading operating profit margin was 9.7%, up 50 basis points, mainly driven by solid growth on the back of contained structural costs. Lower input costs were partly offset by higher distribution costs.

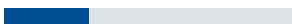

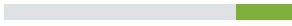

Zone Asia, Oceania and Africa ^(a)

In millions of CHF

	2013	2014		RIG (%)	OG (%)
Oceania and Japan	3050	2802		15.3%	
Other Asian markets	10274	9860		54.0%	
Africa and Middle East	5527	5610		30.7%	
Powdered and Liquid Beverages	5868	5733		31.4%	
Milk products and Ice cream	6814	6547		35.8%	
Prepared dishes and cooking aids	2835	2888		15.8%	
Confectionery	2659	2500		13.7%	
PetCare	675	604		3.3%	
Total sales	18851	18272		100.0%	-0.3%
Trading operating profit	3562	3408		18.7%	
Capital expenditure	1280	697		3.8%	

Nestlé Waters ^(a)

In millions of CHF

	2013	2014		RIG (%)	OG (%)
Europe	2205	2190		29.6%	
United States and Canada	3702	3780		51.2%	
Other regions	1350	1420		19.2%	
Total sales	7257	7390		100.0%	+6.3%
Trading operating profit	665	714		9.7%	
Capital expenditure	377	308		4.2%	

(a) 2013 comparatives have been restated following the transfer of responsibility for Nestea RTD businesses in geographic Zones to Nestlé Waters effective as from 1 January 2014

Nestlé Nutrition

Sales of CHF 9.6 billion, 7.7% organic growth, 3.6% real internal growth; 20.8% trading operating profit margin, +80 basis points.

Our infant nutrition business saw a very strong performance in many Asian markets including China. Growth was double-digit across Asia, despite political unrest in parts of the Middle East that hindered the distribution of products there. Growth in Latin America was solid, while in Europe and North America, the environment was more challenging. Infant formula's growth was driven by strong sales of *NAN* and our premium brands *S-26* and *Illuma* which benefited from the roll-out of successful innovation. In baby food, infant cereals saw a steady recovery in the United States and *Gerber Organic* fruit purée pouches for infants, combining good nutrition with convenience, were a highlight for meals and drinks.

We divested our Performance Nutrition business *PowerBar* during the year.

The trading operating profit margin rose 80 basis points to 20.8%, despite the impact of higher input costs. The improvement was driven by the effects of portfolio management, the good performance in Wyeth Nutrition and efficiencies.

Other businesses

Sales of CHF 13.9 billion, 7.1% organic growth, 5.6% real internal growth; 19.1% trading operating profit margin, +140 basis points.

The growth for Nestlé Professional was driven by the emerging markets, particularly China, the Philippines, the Indochina region, Middle East and Russia whilst Western Europe and North America continued to face challenges in the out-of-home environment. The strategic growth drivers; beverage solutions and desserts solutions, continued to perform well.

Nespresso grew in all regions, further expanding its presence around the world. The focus on quality and investments in products, machines and services were the base for its strong results. Nespresso continued to drive the expansion of the global single-serve coffee market with the successful launch of the *VertuoLine* system in North America creating a new premium coffee segment. The roll-out of the innovative automated retail boutique, the *Nespresso Cube*, is pioneering a new way of shopping and a personalised service for consumers.

Nestlé Health Science continued to develop nutritional therapies that have proven clinical benefit and health economic value. Growth was primarily driven by strong performances in Europe and by its increasing presence in China. New innovations for *Vitaflo* in the United Kingdom, the new *Boost* bottle in Canada, and the *Meritene* range in Europe all helped deliver good growth.

Nestlé Skin Health delivered double-digit growth in line with expectations with strong performances in all geographies but particularly in the Americas and Asia. All business lines contributed to the growth. Nestlé Skin Health was further strengthened by the acquisition of the full rights to commercialise several key aesthetic dermatology products in the United States and Canada.

The trading operating profit margin of the Other businesses increased by 140 basis points to 19.1%, driven mainly by the good performance of all businesses and helped by the exceptional contribution during the first six months of Galderma's integration into Nestlé Skin Health.

Nestlé Nutrition

In millions of CHF

	2013	2014		RIG (%)	OG (%)
Europe	1742	1655			
Americas	3724	3323			
Asia, Oceania and Africa	4360	4636			
Total sales	9826	9614		+3.6%	+7.7%
Trading operating profit	1961	1997		20.8%	
Capital expenditure	430	363		3.8%	

Other businesses ^(a)

In millions of CHF

	2013	2014		RIG (%)	OG (%)
Total sales	12299	13884		+5.6%	+7.1%
Trading operating profit	2175	2654		19.1%	
Capital expenditure	642	573		4.1%	

(a) Mainly Nespresso, Nestlé Professional, Nestlé Health Science and Nestlé Skin Health (renamed following the integration of Galderma as from July 2014).

Net profit and earnings per share

Net profit rose CHF 4.4 billion to CHF 14.5 billion. The increase includes the profit realised on the disposal of part of the stake in L'Oréal and the revaluation gain on the 50% of Galderma already held when the Group brought its ownership from 50% to 100%. As a consequence, reported earnings per share were CHF 4.54, up 44.6%. Underlying earnings per share were up 4.4% in constant currencies. The underlying tax rate was 27.1%, relatively flat compared to 27.0% in 2013.

Cash flow

The Group's operating cash flow was CHF 14.7 billion compared to CHF 15.0 billion in 2013, and was again affected by the strength of the Swiss Franc in a challenging foreign exchange environment. The Group's free cash flow remained strong at CHF 14.1 billion. While this figure includes the proceeds from the partial disposal of the L'Oréal stake, it is also a reflection of our ongoing focus on capital discipline, including all elements of working capital, capital expenditure and a continuous focus on efficiencies and profitable growth.

Financial position

The Group's net debt fell from CHF 14.7 billion to CHF 12.3 billion reflecting our strong free cash flow during the year at CHF 14.1 billion more than offsetting the payment of the dividend of CHF 6.9 billion and the initial phase of the current share buy-back programme.

Return on invested capital

The Group's return on invested capital was 10.8% including goodwill, impacted partially by the integration of Galderma and it was 30.4% excluding goodwill, up 30 basis points.

Dividend

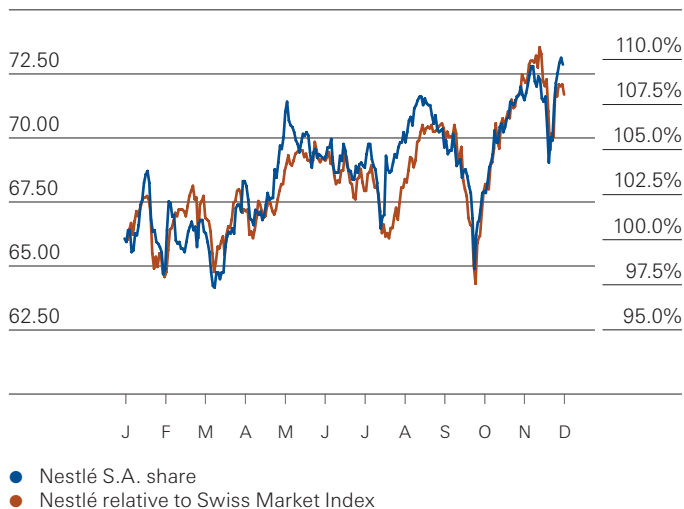
The Board of Directors is proposing a dividend of CHF 2.20 per share, up from CHF 2.15 in 2013.

Outlook

While delivering in the short term, we remain focused on our business long term, strengthening the foundations of future growth. We expect 2015 to be similar to 2014 and we aim to achieve organic growth of around 5% with improvements in margins, underlying earnings per share in constant currencies and capital efficiency.

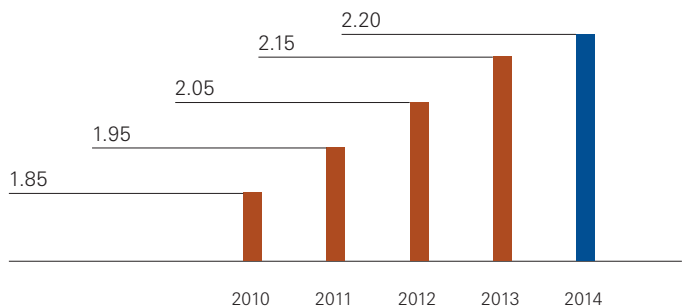
Evolution of the Nestlé S.A. share in 2014

In CHF



Dividend per share

In CHF



PRINCIPAL RISKS AND UNCERTAINTIES

Group Risk Management

The Nestlé Group Enterprise Risk Management Framework (ERM) is designed to identify, communicate, and mitigate risks in order to minimise their potential impact on the Group. Nestlé has adopted a dual approach in identifying and assessing risks. A top-down assessment is performed at Group level once a year to create a good understanding of the company's mega-risks, to allocate ownership to drive specific actions around them and take any relevant steps to address them. A bottom-up assessment occurs in parallel annually and focuses on the global risk portfolio in the businesses/corporate functions. It involves the aggregation of individual assessments by the Zones, Globally Managed Businesses and all markets. It is intended to provide a high-level risk mapping and allows Group Management to make sound decisions on the future operations of the company and ensure that any risk growing in importance within the organisation is captured and addressed in Nestlé's ERM agenda. In 2014, a total of 42 risk assessments were performed and updated.

An annual compliance risk assessment is performed in the Group Compliance Committee. Risk assessments are the responsibility of line management; this applies equally to a business, a market or a function, and any mitigating actions identified in the assessments are the responsibility of the individual line management. If Group-level intervention is required, responsibility for mitigating actions will generally be determined by the Executive Board. The results of the Group ERM are presented annually to the Executive Board and to the Audit Committee, and conclusions reported to the Board of Directors. Nestlé uses the outcome of stakeholder meetings to better understand potential gaps between internal and external perception of risks and their impact on reputation.

Factors affecting results

Nestlé's reputation is based on consumers' trust. Any major event triggered by a serious food safety or other compliance issue could have a negative effect on Nestlé's reputation or brand image. The Group has policies, processes, controls and regular monitoring (dedicated dashboard with relevant KPIs) in place to prevent such events.

The success of the Nestlé Group depends on its ability to anticipate consumer preferences and to offer high-quality, appealing products. The Group's business is subject to some seasonality, and adverse weather conditions may impact sales.

The food industry as a whole is faced with the global challenge of increasing obesity. The Group makes all its products available in a range of sizes and varieties designed to meet all needs and all occasions.

Nestlé is dependent on the sustainable supply of a number of raw materials, packaging materials and services/utilities. Any major event triggered by natural hazards (drought, flood, etc.), change in macroeconomic environment (shift in production patterns, biofuels, excessive trading, etc.), resulting in input price volatilities and/or capacity constraints, could potentially impact Nestlé's financial results. The Group has policies, processes, controls and regular monitoring in place to (if ever possible) anticipate such events and adequately mitigate against them.

Nestlé manages risks and opportunities related to climate change proactively given the impact it may have on agriculture and food production systems.

The Group's liquidities/liabilities (currency fluctuation, interest rate, derivatives, and/or hedging, pension funding obligations/retirement benefits, banking/commercial credit, and cost of capital, etc.) could be impacted by any major event in the financial markets. Again, Nestlé has the appropriate risk mitigation measures in place.

Nestlé is dependent on sustainable manufacturing/supply of finished goods for all product categories. A major event in one of Nestlé's key plants, at a key supplier, contract manufacturer, co-packer, and/or warehouse facility could potentially lead to a supply disruption and impact Nestlé's financial results. Business continuity plans are established and regularly maintained in order to mitigate against such an event.

The Group depends on accurate, timely information and numerical data from key software applications, without disruption, to enable day-to-day decision making.

The Group is subject to environmental regimes applying in all countries where it operates and has put controls in place to comply with legislation concerning the protection

GEOGRAPHIC DATA: FACTORIES

of the environment, including the use of natural resources, release of air emissions and waste water, and the generation, storage, handling, transportation, treatment and disposal of waste materials.

Nestlé is subject to health and safety regimes in all countries where it operates and has procedures in place to comply with legislation concerning the protection of the health and welfare of employees and contractors.

Our Group companies are party to a variety of legal proceedings arising out of the normal course of business. The relevant companies believe that there are valid defences for the claims, and such companies intend to defend any such litigation.

Nestlé has factories in 86 countries and operations in 197 countries around the world. Security, political instability, legal and regulatory, fiscal, macroeconomic, foreign trade, labour and/or infrastructure risks could potentially impact Nestlé's ability to do business in a country or region.

Events such as infectious disease could also impact the Group's ability to operate. Any of these events could lead to a supply disruption and impact Nestlé's financial results. Regular monitoring and ad hoc business continuity plans are established in order to mitigate against such events.

One of the most valuable assets of Nestlé is the Group-wide geographical and product category spreads, which represent a tremendous natural hedge.

Americas	
Argentina	7
Bolivia	1
Brazil	23
Canada	11
Chile	7
Colombia	4
Costa Rica	1
Cuba	3
Dominican Republic	2
Ecuador	2
Guatemala	3
Jamaica	1
Mexico	11
Nicaragua	1
Panama	1
Peru	1
Trinidad and Tobago	1
United States	77
Uruguay	1
Venezuela	5

The figure in black after the country denotes the number of factories.

- Local production (may represent production in several factories).
- Imports (may, in a few particular cases, represent purchases from third parties in the market concerned).

- Powdered and Liquid Beverages
- Water
- Milk products and Ice cream
- Nutrition and Health Science
- Prepared dishes and cooking aids
- Confectionery
- PetCare

Europe	
Austria	1
Belgium	1
Bulgaria	2
Czech Republic	3
Denmark	1
Finland	3
France	23
Germany	18
Greece	3
Hungary	3
Ireland	1
Italy	15
Netherlands	1
Poland	7
Portugal	3
Republic of Serbia	2
Romania	1
Russia	8
Slovak Republic	1
Spain	12
Sweden	2
Switzerland	11
Turkey	2
Ukraine	3
United Kingdom	9

Asia, Oceania and Africa	
Algeria	2
Angola	1
Australia	9
Bahrain	1
Bangladesh	1
Cameroon	1
Côte d'Ivoire	2
Democratic Republic of Congo (DRC)	1
Egypt	3
Ghana	1
Greater China Region	29
India	7
Indonesia	4
Iran	2
Iraq	1
Israel	9
Japan	3
Jordan	1
Kenya	1
Lebanon	2
Malaysia	6
Morocco	1
New Zealand	2
Nigeria	2
Pakistan	4
Papua New Guinea	1
Philippines	6
Qatar	1
Republic of Korea	1
Saudi Arabia	7
Senegal	1
Singapore	2
South Africa	8
Sri Lanka	1
Syria	1
Thailand	7
Tunisia	1
United Arab Emirates	2
Uzbekistan	2
Vietnam	5
Zimbabwe	1

Corporate Governance and Compliance

CORPORATE GOVERNANCE

For our company to be successful over the long term and create value for shareholders, it must create value for society. Our approach to Creating Shared Value is built upon a set of strong principles and values set by the Board of Directors.

In our governance, our Board of Directors plays a central role, among other things, for our long-term strategy; company values, culture and 'tone at the top'; the oversight of management and long-term performance; financial planning and audit process; risk oversight, compliance and integrity; compensation and performance goals; director nomination and evaluation; succession planning; and our engagement with shareholders and other stakeholders.

In this report, we give examples of our key strategies, critical developments in 2014 and an outlook on the future. We aim to give insights into our strategy, factors that affect our ability to create value over time and our relationship with key stakeholders.

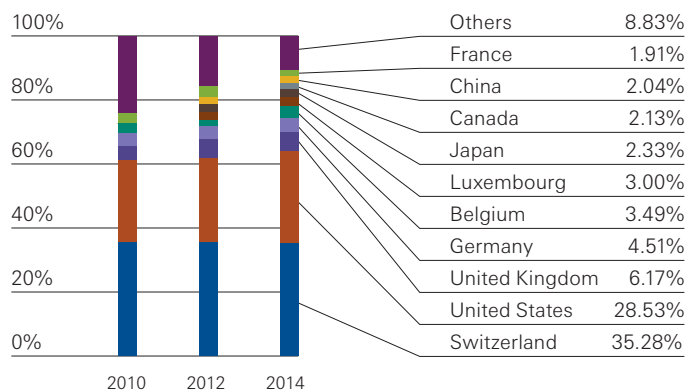
Our *Nestlé in society* report includes both our financial and nonfinancial commitments in line with the UN Global Compact and the Global Reporting Initiative. It reflects our continuous journey towards integrated reporting.

Our *Corporate Governance Report* describes how our governance ensures the effectiveness of our Board. In 2014, we were an early adopter of new Swiss governance requirements; the related revision of our Articles of Association was adopted by a strong majority of our shareholders.

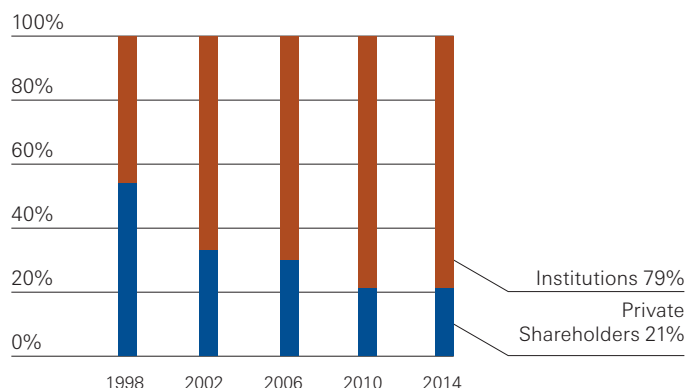
Our *Compensation Report* explains our compensation system and pay-outs and is submitted annually to a separate advisory vote of our shareholders. In 2015, we will for the first time submit the compensation of our Board of Directors and Executive Board for approval by our shareholders.

We regularly review our governance against legal requirements and best practices. We lead an intensive dialogue with investors through our periodic reports, roadshows, investor meetings, shareholder surveys, analyst and engagement calls, Chairman's Roundtables and bilateral meetings with shareholders. Our engagement follows a holistic approach that manages both their financial and governance expectations.

Distribution of share capital by geography ^(a)



Share capital by investor type, long-term evolution ^(a)



(a) Percentage derived from total number of registered shares. Registered shares represent 57.1% of the total share capital. Statistics are rounded, as at 31.12.2014.

BOARD OF DIRECTORS OF NESTLÉ S.A.

Helmut O. Maucher
Honorary Chairman

David P. Frick
Secretary to the Board

KPMG SA Geneva branch⁽¹⁾
Independent auditors

Board of Directors of Nestlé S.A. at 31 December 2014

Peter Brabeck-Letmathe^(1, 2, 4)
Chairman

Paul Bulcke^(1, 2)
Chief Executive Officer

Andreas Koopmann^(1, 2, 3, 4)
1st Vice Chairman

Chairman, Georg Fischer AG

Rolf Hänggi^(1, 2, 5)

2nd Vice Chairman

Former Chairman, Rüd,

Blass & Cie AG

Beat Hess^(1, 2)

Former Group Legal Director,
Royal Dutch Shell plc.

Daniel Borel^(1, 3)

Co-founder and Board member,
Logitech International S.A.

Steven G. Hoch^(1, 4)

Founder and CEO,

Highmount Capital

Naïna Lal Kidwai^(1, 5)

Chairperson, HSBC

Group of Companies in India

Titia de Lange⁽¹⁾

Associate Director,

Anderson Cancer Center,

The Rockefeller University

Jean-Pierre Roth^(1, 3)

Chairman, Geneva Cantonal Bank

Ann M. Veneman^(1, 4)

Former Executive Director,

UNICEF, and Secretary, U.S.

Department of Agriculture

Henri de Castries^(1, 5)

Chairman and CEO, AXA

Eva Cheng^(1, 5)

Former Corporate Executive

Vice President and Chairwoman,

Amway China



Peter Brabeck-Letmathe



Paul Bulcke



Andreas Koopmann

(1) Term expires on the date of the Annual General Meeting 2015.

(2) Chairman's and Corporate Governance Committee.

(3) Compensation Committee.

(4) Nomination Committee.

(5) Audit Committee.



Rolf Hänggi



Beat Hess



Daniel Borel



Steven G. Hoch



Naina Lal Kidwai



Titia de Lange



Jean-Pierre Roth



Ann M. Veneman



Henri de Castries



Eva Cheng

For further information on the Board of Directors, please refer to the *Corporate Governance Report 2014*.

EXECUTIVE BOARD OF NESTLÉ S.A.



For further information on the Executive Board, please refer to the *Corporate Governance Report 2014*.

COMPLIANCE

Compliance at Nestlé means we will not sacrifice our principles and values for short-term success. We follow applicable laws and our own commitments across the ten *Corporate Business Principles*, including our commitments to integrity in the *Code of Business Conduct*, to maintain sustainable trust with employees, shareholders and other stakeholders.

While compliance is a leadership responsibility, line management is supported by all functions engaged in our risk- and principles-based compliance programme. A dedicated Corporate Compliance function and a cross-functional Compliance Committee define the framework, facilitate coordination and provide guidance and best practices. Under our custodian concept, our Market Heads play a critical role for compliance. Market Compliance Officers and committees ensure a consistent approach and help identify local compliance priorities.

Executive Board of Nestlé S.A. at 31 December 2014

1 Paul Bulcke
Chief Executive Officer

2 Luis Cantarell
EVP, Europe, Middle East,
North Africa

3 José Lopez
EVP, Operations

4 Laurent Freixe
EVP, United States of America,
Canada, Latin America,
Caribbean

5 Chris Johnson
EVP, Nestlé Business
Excellence

6 Patrice Bula
EVP, Strategic Business Units,
Marketing and Sales

**7 Doreswamy (Nandu)
Nandkishore**
EVP, Asia, Oceania, Africa

8 Wan Ling Martello
EVP, Chief Financial Officer
(includes Legal, Intellectual
Property, Tax, Treasury)

9 Stefan Catsicas
EVP, Innovation Technology,
Research and Development

10 Marco Settembri
EVP, Nestlé Waters

11 Peter Vogt
Deputy EVP, Human
Resources

12 Martial Rolland
Deputy EVP, Nestlé
Professional

13 Heiko Schipper
Deputy EVP, Nestlé Nutrition

14 David P. Frick
SVP, Corporate Governance,
Compliance and Corporate
Services

Yves Philippe Bloch
Corporate Secretary

EVP: Executive Vice President
SVP: Senior Vice President

The right tone at the top is reflected in our *Corporate Business Principles*, our *Management and Leadership Principles*, our *Code of Business Conduct* and our *Supplier Code*. Awareness campaigns and regular risk assessments help us in their continuous implementation. Proper consequence management is reinforced by our performance evaluation system, which includes an assessment of “how” goals were accomplished.

We monitor compliance through our corporate functions, internal and external audit, as well as our CARE programme relying on independent external auditors. 120 audits were conducted in 2014 and gaps addressed.

In 2014, we addressed 920 complaints from employees through our integrity reporting system, which complements our ombudsman system for WHO Code compliance. Our new Tell Us reporting system allowed us to address 87 complaints from suppliers and other third parties. All complaints are investigated and remedial action taken.

Our WHO Code compliance programme covers all Nestlé operations involved in the marketing of infant nutrition products. We adhere to the decisions of all governments regarding the application of the WHO Code in their countries and voluntarily apply the WHO Code in all developing countries. Our continued inclusion in the FTSE4Good index is a testimony to our commitment.

Our Human Rights compliance programme is based on the applicable UN Framework and includes risk and impact assessments performed together with the Danish Institute for Human Rights, training, monitoring and stakeholder engagement.

We continuously reinforce our compliance programme based on selected focus areas. In 2014, they included our enhanced anti-bribery programme; improved efficiency of processes and tools; the launch of ‘Tell us’; renovated and re-launched trainings; improved transparency; and a focus on new regulations.

SHAREHOLDER INFORMATION

Stock exchange listing

At 31 December 2014, Nestlé S.A. shares are listed on the SIX Swiss Exchange, Zurich (ISIN code: CH0038863350).

American Depositary Receipts (ISIN code: US6410694060) representing Nestlé S.A. shares are offered in the USA by Citibank, N.A., New York.

Registered Offices

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Avenue Nestlé 55
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tel. +41 (0)21 924 21 11

Nestlé S.A. (Share Transfer Office)
Zugerstrasse 8
CH-6330 Cham (Switzerland)
tel. +41 (0)41 785 20 20

For additional information, contact:

Nestlé S.A.
Investor Relations
Avenue Nestlé 55
CH-1800 Vevey (Switzerland)
tel. +41 (0)21 924 35 09
fax +41 (0)21 924 28 13
e-mail: ir@nestle.com

As to information concerning the share register (registrations, transfers, dividends, etc.), please contact:

Nestlé S.A. (Share Transfer Office)
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tel. +41 (0)41 785 20 20
fax +41 (0)41 785 20 24
e-mail: shareregister@nestle.com

The *Annual Report*, and its accompanying reports are available online as a PDF in English, French and German. The consolidated income statement, balance sheet and cash flow statement are also available as Excel files.

www.nestle.com

Important dates

16 April 2015
148th Annual General Meeting, Beaulieu Lausanne, Lausanne (Switzerland)

17 April 2015
2015 First quarter sales figures

17 April 2015
Last trading day with entitlement to dividend

20 April 2015
Ex-dividend date

22 April 2015
Payment of the dividend

13 August 2015
2015 Half-yearly Results

16 October 2015
2015 Nine months sales figures

18 February 2016
2015 Full Year Results

7 April 2016
149th Annual General Meeting, Beaulieu Lausanne, Lausanne (Switzerland)