

AMT Training
Wilmington Professional



Nestlé
PIB 2018

Company Overview

NESN SW Sfr **↓ 76.18** -0.32 E76.18 /76.20E 3085 x 3838
 At 13:55 d Vol 2,692,446 0 76.28E H 76.48E L 76.00E Val 205.098M
NESN SW Equity Security Description: Equity

1) Profile **2) Issue Info** **3) Ratios** **4) Revenue & EPS** **5) Industry Info**

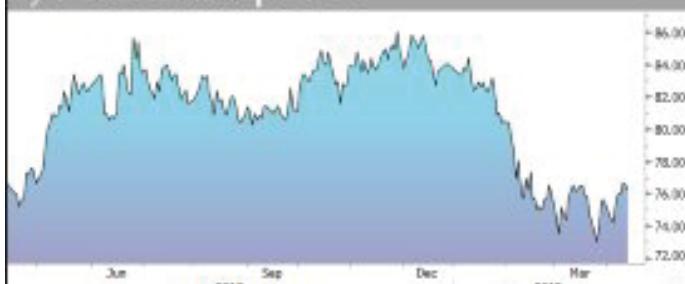
NESTLE SA-REG

FIGIBBG000CPBD63

Classification Packaged Food

Nestle S.A. is a multinational packaged food company, that manufactures and markets a wide range of food products. The Company's product line includes milk, chocolate, confectionery, bottled water, coffee, creamer, food seasoning and pet foods. ... More

8) Price Chart | GP »



Px/Chg 1D (CHF) 76.18/-0.42%

52 Wk H (11/28/17) 86.40

52 Wk L (03/26/18) 73.00

YTD Change/% -7.62/-9.09%

Mkt Cap (CHF) 237,084.3M

Shrs Out/Float 3,112.2M/3,092.0M

No short interest information available from exchange.

9) Estimates | EE »

Date (C) 07/26/18

P/E 32.79

Est P/E 12/18 19.95

T12M EPS (CHF) 2.32

Est EPS 3.82

Est PEG 1.77

12) Dividend | DVD »

Ind Gross Yield 3.08%

5Y Net Growth 3.36%

Cash 04/16/18 2.35

Round Lot 1

13) Corporate Info

www.nestle.com

Vevey, Switzerland

Empls 323,000 (12/31/17)

15) Management | MGMT »

Ulf Mark Schneider

Chief Executive Officer

Francois-Xavier Roger

Exec VP/CFO

Stefan Palzer

Exec VP/CTO

12M Tot Ret -0.61%

Beta vs SMI 0.82

21) Depositary Receipts

Active Receipts 2

Share Price Graph



Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.

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Historical Prices

NESN SW Sfr **↓ 76.16** -0.34 E76.16 / 76.18E 2591x5548
 ... At 13:55 d Vol 2,693,404 0 76.28E H 76.48E L 76.00E Val 205.171M

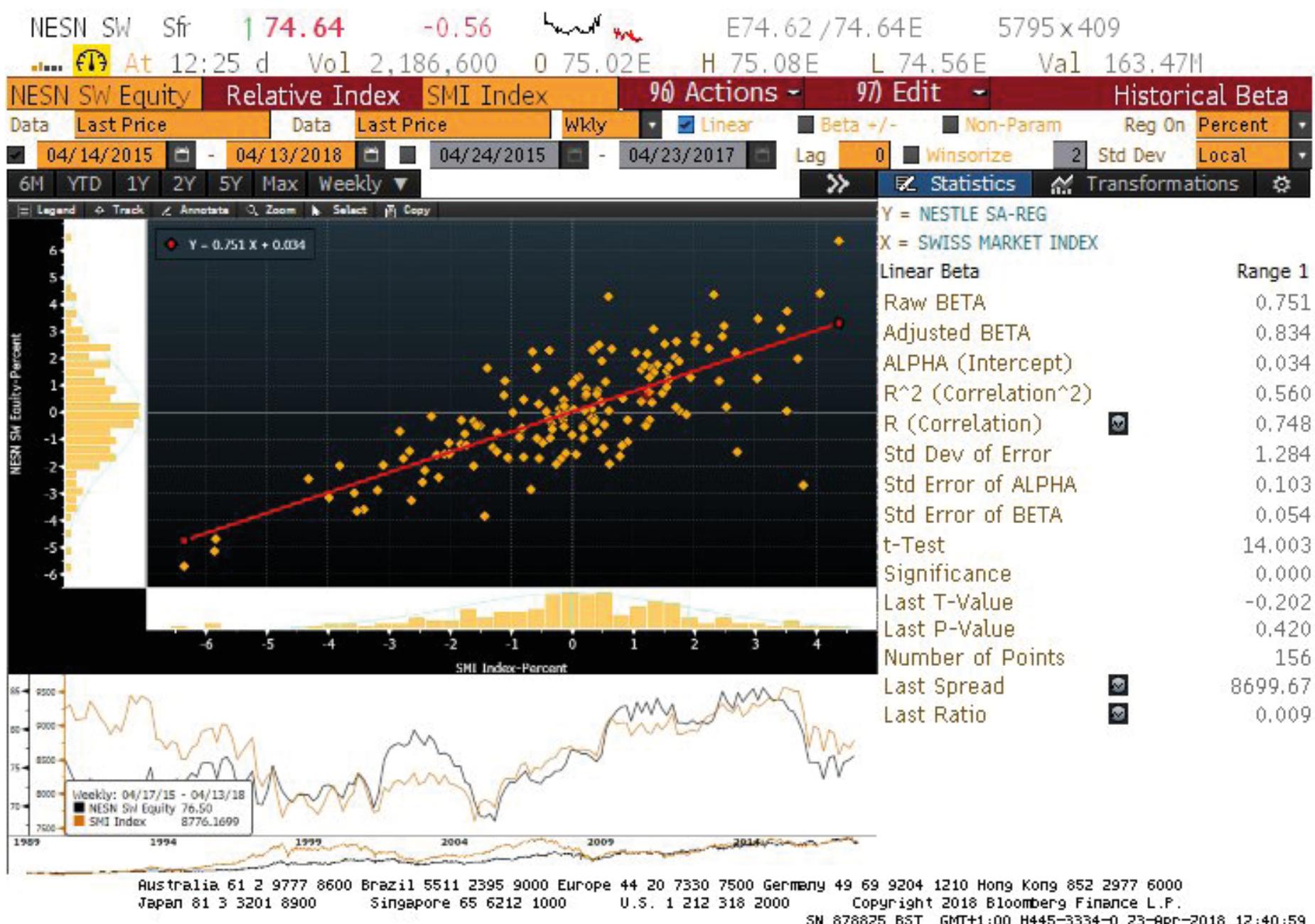
NESN SW Equity			90 Export		91 Settings		Page 1/6		Historical Price Table			
Nestle SA									High	86.00	on	11/28/17
Range	04/13/2017 - 04/12/2018		Period	Daily				Low	73.00	on	03/26/18	
Market	Last Price		Currency	CHF				Average	81.0526		5,341,391	
View	Price Table							Net Chg	-.47		-0.61%	
	Date	Last Price	Volume	Date	Last Price	Volume	Date	Last Price	Volume			
Fr	04/13/18			Fr	03/23/18	73.70	6,272,413	Fr	03/02/18	73.50	6,862,104	
Th	04/12/18	76.18	2,692,773	Th	03/22/18	74.10	7,016,083	Th	03/01/18	74.48	5,589,529	
We	04/11/18	76.50	5,711,458	We	03/21/18	74.70	6,251,272	We	02/28/18	75.28	5,774,201	
Tu	04/10/18	76.70	5,937,132	Tu	03/20/18	75.80	4,645,239	Tu	02/27/18	75.92	4,203,311	
Mo	04/09/18	76.00	4,369,837	Mo	03/19/18	75.90	5,865,813	Mo	02/26/18	76.52	4,829,941	
Fr	04/06/18	75.98	6,196,485	Fr	03/16/18	76.50	15,468,018	Fr	02/23/18	75.76	4,651,874	
Th	04/05/18	75.62	7,443,409	Th	03/15/18	76.44	4,534,977	Th	02/22/18	75.60	6,517,886	
We	04/04/18	74.20	7,773,692	We	03/14/18	76.26	5,039,252	We	02/21/18	75.04	4,903,355	
Tu	04/03/18	74.38	6,119,349	Tu	03/13/18	76.16	5,254,380	Tu	02/20/18	75.20	5,591,354	
Mo	04/02/18			Mo	03/12/18	76.50	3,552,331	Mo	02/19/18	74.96	5,351,908	
Fr	03/30/18			Fr	03/09/18	76.26	5,291,903	Fr	02/16/18	75.74	8,705,092	
Th	03/29/18	75.62	5,858,154	Th	03/08/18	75.64	5,292,685	Th	02/15/18	75.70	10,948,657	
We	03/28/18	75.58	8,785,373	We	03/07/18	74.34	6,198,866	We	02/14/18	77.32	6,443,443	
Tu	03/27/18	74.00	6,715,755	Tu	03/06/18	74.76	5,543,278	Tu	02/13/18	76.18	4,469,849	
Mo	03/26/18	L 73.00	6,762,283	Mo	03/05/18	75.12	5,578,196	Mo	02/12/18	76.94	5,569,793	

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000

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Beta



Ownership

All Shareholders - Nestle SA:

Investor Name	Pos	% O/S	Pos Chg	% Pos Chg	Val (\$MM)	Val Chg. (\$MM)	Investment Style	Equity Assets (\$MM)	Turnover	City Name	Country	Filing Date	Filing Type
1 BlackRock Institutional Trust Company, N.A.	120,798,463	3.88	0	0.00	9,396.55	0.00	Index	2,255,007.36	Low	San Francisco	United States	06-Apr-2018	Other Substantial/Declarative
2 Capital World Investors	93,456,320	3.00	0	0.00	7,269.69	0.00	Core Value	705,631.70	Low	Los Angeles	United States	06-Apr-2018	Other Substantial/Declarative
3 Norges Bank Investment Management (NBIM)	82,527,956	2.65	82,527,956	100.00	5,923.23	5,923.24	Core Value	622,376.32	Low	Oslo	Norway	31-Dec-2016	Aggregate MFs
4 The Vanguard Group, Inc.	80,643,002	2.59	2,156,294	2.75	6,376.89	170.51	Index	3,187,007.09	Low	Malvern	United States	31-Mar-2018	Aggregate MFs
5 UBS Asset Management (Switzerland)	47,671,798	1.53	1,154,401	2.48	3,769.68	91.28	Core Value	156,090.96	Low	Zurich	Switzerland	31-Mar-2018	Aggregate MFs
6 MFS Investment Management	46,297,320	1.49	-631,254	-1.35	3,690.45	-50.32	Core Growth	338,202.79	Low	Boston	United States	28-Feb-2018	Aggregate MFs
7 Capital Research Global Investors	39,792,838	1.28	1,219,136	3.16	3,146.64	96.40	Core Value	647,957.16	Low	Los Angeles	United States	31-Mar-2018	Aggregate MFs
8 Credit Suisse Asset Management	37,990,917	1.22	-2,519,619	-6.22	3,004.15	-199.24	Core Value	86,525.02	Low	Zurich	Switzerland	28-Feb-2018	Aggregate MFs
9 Zürcher Kantonalbank (Asset Management)	23,004,532	0.74	367,396	1.62	1,978.63	31.60	Growth	34,343.92	Low	Zurich	Switzerland	31-Dec-2017	Aggregate MFs
10 Pictet Asset Management Ltd.	16,566,380	0.53	-24,509	-0.15	1,320.54	-1.95	Core Growth	92,805.46	Low	London	England	28-Feb-2018	Aggregate MFs
11 Deutsche Asset Management Investment GmbH	15,664,284	0.50	124,796	0.80	1,238.66	9.87	GARP	143,550.99	Low	Frankfurt	Germany	31-Mar-2018	Aggregate MFs
12 First Eagle Investment Management, L.L.C.	13,367,738	0.43	253,083	1.93	1,065.57	20.17	Core Value	76,027.43	Low	New York	United States	28-Feb-2018	Aggregate MFs
13 Fidelity Management & Research Company	12,556,465	0.40	-4,024,406	-24.27	1,000.90	-320.79	GARP	1,214,035.18	Low	Boston	United States	28-Feb-2018	Aggregate MFs
14 BlackRock Advisors (UK) Limited	11,431,760	0.37	-83,434	-0.72	903.97	-6.60	Index	148,883.42	Low	London	England	31-Mar-2018	Aggregate MFs
15 CPP Investment Board	10,459,000	0.34	18,100	21.04	801.45	139.31	Core Value	96,825.55	Low	Toronto	Canada	31-Mar-2018	Aggregate MFs
16 Capital International Investors	10,282,851	0.33	-427,430	-3.99	813.12	-33.80	Core Value	127,968.94	Low	Los Angeles	United States	31-Mar-2018	Aggregate MFs
17 BlackRock Investment Management (UK) Ltd.	9,824,862	0.32	-64,487	-0.65	783.16	-5.14	Core Growth	317,816.09	Low	London	England	28-Feb-2018	Aggregate MFs
18 APG Asset Management	9,088,625	0.29	502,214	5.85	696.44	38.48	Core Growth	156,893.89	Low	Heerlen	Netherlands	31-Mar-2017	Aggregate MFs
19 State Street Global Advisors (UK) Ltd.	8,833,581	0.28	1,791,388	25.44	698.52	141.66	Index	91,423.37	Low	London	England	31-Mar-2018	Aggregate MFs
20 Flossbach von Storch AG	8,820,356	0.28	-181,715	-2.02	749.60	-15.42	Core Growth	16,541.45	Low	Cologne	Germany	31-Aug-2017	Aggregate MFs
21 Geode Capital Management, L.L.C.	8,193,927	0.26	442,118	5.70	653.15	35.24	Index	342,341.82	Low	Boston	United States	28-Feb-2018	Aggregate MFs
22 California Public Employees' Retirement System	8,190,129	0.26	-2,139,157	-20.71	713.36	-186.32	Index	143,716.59	Low	Sacramento	United States	30-Jun-2017	Shareholder Report
23 Caisse de Dépot et Placement du Québec	7,818,446	0.25	-225,969	-2.81	561.15	-16.22	GARP	88,197.91	Low	Montreal	Canada	31-Dec-2016	Aggregate MFs
24 Fidelity International	7,759,014	0.25	-8,389	-0.11	618.49	-0.67	Core Growth	138,157.24	Low	London	England	28-Feb-2018	Aggregate MFs
25 Schroder Investment Management Ltd. (SIM)	7,333,045	0.24	153,928	2.14	584.53	12.27	Core Growth	162,070.31	Low	London	England	28-Feb-2018	Aggregate MFs
26 MFS International (U.K.) Limited	7,120,307	0.23	11,609	0.16	567.57	0.93	Index	16,070.25	Low	London	England	31-Mar-2018	Aggregate MFs
27 T. Rowe Price Associates, Inc.	6,821,393	0.22	103,630	1.54	539.41	8.19	GARP	67,761.54	Low	Baltimore	United States	31-Mar-2018	Aggregate MFs
28 Union Investment Privatfonds GmbH	6,637,178	0.21	748,945	12.72	570.87	64.42	Core Growth	56,474.51	Low	Frankfurt	Germany	31-Dec-2017	Aggregate MFs
29 JPMorgan Asset Management U.K. Limited	6,420,646	0.21	238,057	3.85	511.80	18.98	Core Growth	135,970.40	Low	London	England	28-Feb-2018	Aggregate MFs
30 Nuveen LLC	6,318,388	0.20	-313,429	-4.73	499.63	-24.78	GARP	321,733.43	Low	New York	United States	31-Mar-2018	Aggregate MFs
31 Artisan Partners Limited Partnership	5,903,818	0.19	-106,110	-1.77	466.85	-8.39	Core Growth	97,302.56	Low	Milwaukee	United States	31-Mar-2018	Aggregate MFs
32 BlackRock Investment Management, LLC	5,772,792	0.19	-186,036	-3.12	498.55	-16.07	Deep Value	118,750.10	Low	Princeton	United States	31-Jan-2018	Aggregate MFs
33 Florida State Board of Administration	5,590,668	0.18	5,590,668	100.00	428.40	Index	76,115.56	Low	Tallahassee	United States	31-Mar-2018	Aggregate MFs	
34 Fundsmith LLP	5,463,102	0.18	1,279,005	30.57	435.47	101.95	Core Growth	18,455.32	Low	London	England	28-Feb-2018	Aggregate MFs
35 Northern Cross LLC	5,414,680	0.17	-590,619	-9.83	465.72	-50.80	Core Value	32,966.08	Low	Boston	United States	31-Dec-2017	Aggregate MFs
36 T. Rowe Price International (UK) Ltd.	5,346,792	0.17	-287,698	-5.11	422.80	-22.75	GARP	62,999.83	Low	London	England	31-Mar-2018	Aggregate MFs
37 Janus Henderson Investors	4,968,101	0.16	-1,253,558	-20.15	396.02	-99.92	Core Growth	223,391.91	Moderate	Singapore	Singapore	28-Feb-2018	Aggregate MFs
38 MFS International Singapore Pte. Ltd	4,448,817	0.14	84,387	1.93	354.62	6.73	Core Growth	10,171.74	Low	Edinburgh	Scotland	31-Dec-2017	Aggregate MFs
39 Baillie Gifford & Co	4,448,601	0.14	430,522	10.71	382.63	37.03	Core Growth	150,178.17	Low	Frankfurt	Germany	31-Mar-2018	Aggregate MFs
40 Charles Schwab Investment Management, Inc.	4,296,763	0.14	382,526	9.77	339.77	30.25	Index	163,794.07	Low	San Francisco	United States	31-Mar-2018	Aggregate MFs
41 BlackRock Asset Management Deutschland AG	4,295,428	0.14	252,843	6.25	339.66	19.99	Index	57,993.01	Low	Munich	Germany	31-Mar-2018	Aggregate MFs
42 UBS Asset Management (UK) Ltd.	4,230,195	0.14	-67,245	-1.56	334.51	-5.32	Core Value	74,041.63	Low	London	England	31-Mar-2018	Aggregate MFs
43 Tweedy, Browne Company LLC	4,144,465	0.13	-43,125	-1.03	356.47	-3.71	Deep Value	13,463.55	Low	Stamford	United States	31-Dec-2017	Aggregate MFs
44 State Street Global Advisors (US)	4,024,919	0.13	17,824	0.44	320.83	1.42	Index	1,299,623.12	Low	Boston	United States	28-Feb-2018	Aggregate MFs
45 International Value Advisers, LLC	3,779,798	0.12	0	0.00	325.10	0.00	Core Value	9,850.87	Low	New York	United States	31-Dec-2017	Aggregate MFs
46 PGM Vermögensbeheer B.V.	3,668,591	0.12	146,991	4.17	263.30	10.55	GARP	57,998.85	Low	Zeist	Netherlands	31-Dec-2016	Aggregate MFs
47 Swisscanto Fondselitung AG	3,254,613	0.10	30,601	0.95	281.07	2.64	GARP	5,485.05	Moderate	Zurich	Switzerland	31-Jan-2018	Aggregate MFs
48 Deka Investment GmbH	3,171,667	0.10	197,483	6.64	272.80	16.99	Core Growth	47,159.93	Low	Frankfurt	Germany	31-Dec-2017	Aggregate MFs
49 CI Investments Inc.	3,038,574	0.10	-219,615	-6.74	261.35	-18.89	Core Value	36,725.64	Moderate	Toronto	Canada	31-Dec-2017	Aggregate MFs
50 Assenagon Asset Management S.A.	2,900,788	0.09	-844,196	-22.54	231.23	-67.29	Index	14,755.86	High	Munich	Germany	28-Feb-2018	Aggregate MFs
51 Investec Asset Management (Pty) Ltd.	2,802,119	0.09	14,109	0.51	241.01	1.21	Growth	11,359.31	Low	Cape Town	South Africa	31-Dec-2017	Aggregate MFs
52 WCM Investment Management	2,801,161	0.09	1,035	0.04	223.29	0.08	Growth	13,130.65	Low	Laguna Beach	United States	28-Feb-2018	Aggregate MFs
53 Principal Global Investors (Equity)	2,586,612	0.08	-4,222	-0.16	206.18	-0.34	Core Growth	126,482.33	Low	Des Moines	United States	28-Feb-2018	Aggregate MFs
54 Troy Asset Management Limited	2,571,600	0.08	0	0.00	204.99	0.00	GARP	7,087.60	Low	London	England	28-Feb-2018	Aggregate MFs
55 Waddell & Reed Investment Management Company	2,515,500	0.08	65,300	2.67	216.36	5.62	Core Growth	60,290.60	Low	Overland Park	United States	31-Dec-2017	Aggregate MFs
56 Thorburn Investment Management, Inc.	2,504,944	0.08	200,967	8.72	199.67	16.02	Core Value	29,893.49	Low	Santa Fe	United States	28-Feb-2018	Aggregate MFs
57 Newton Investment Management Ltd.	2,325,563	0.07	766	0.03	185.38	0.06	Core Growth	51,447.06	Low	London	England	28-Feb-2018	Aggregate MFs
58 Manulife Asset Management (US) LLC	2,314,795	0.07	-63,165	-2.66	183.04	-4.99	Core Growth	122,225.14	Low	Boston	United States	31-Mar-2018	Aggregate MFs
59 Deutsche Asset Management Americas	2,284,241	0.07	-260,117	-10.22	180.64	-20.57	Core Growth	94,942.18	Moderate	New York	United States	31-Mar-2018	Aggregate MFs
60 Besserman Trust Company, N.A. (US)	2,215,187	0.07	-167,769	-7.04	191.31	-14.49	Growth	32,725.71	Low	New York	United States	31-Jan-2018	Aggregate MFs
61 Standard Life Investments Ltd.	2,208,410	0.07	-105,958	-4.58	176.04	-8.45	Core Growth	85,042.52	Low	Edinburgh	Scotland	28-Feb-2018	Aggregate MFs
62 Wellington Management Company, LLP	2,114,058	0.07	250,169	13.42	168.52	19.94	Core Value	512,686.35	Low	Boston	United States	28-Feb-2018	Aggregate MFs
63 Legal & General Investment Management Ltd.	2,092,765	0.07	26,022	1.26	166.82	2.07	Index	221,436.77	Low	Stockholm	Sweden	31-Jan-2018	Aggregate MFs
64 Swedbank Robur Fonder AB	2,090,687	0.07	34,627	1.68	180.56	2.99	Core Growth	84,430.17	Low	Stockholm	Sweden	31-Dec-2017	Aggregate MFs
65 Greystone Managed Investments Inc.	2,067,029	0.07	2,067,029	0.00	177.79	177.79	Growth	9,503.30	Moderate	Regina	Canada	31-Dec-2017	Aggregate MFs
66 MacKenzie Financial Corporation	2,039,416	0.07	-96,718	-4.53	161.27	-7.65	Core Growth	62,007.40	Low	Toronto	United States	31-Dec-2017	Aggregate MFs
67 Fiduciary Management, Inc.	2,030,000	0.07	-50,000	-2.40	174.80	-4.30	Core Value	20,788.71	Low	Milwaukee	United States	31-Dec-2017	Aggregate MFs
68 Walter Scott & Partners Ltd.	2,004,196	0.06	0	0.00	159.76	0.00	Core Growth	35,106.59	Low	Edinburgh	Scotland	28-Feb-2018	Aggregate MFs
69 Epoch Investment Partners, Inc.	1,978,273	0.06	-162,871	-10.64	117.64	-14.01	Growth	39,211.30	Low	New York	United States	31-Mar-2018	Aggregate MFs
70 Dimensional Fund Advisors, L.P.	1,938,665	0.06	184,000	15.59	108.76	14.67	Core Growth	416,278.90	Low	Austin	United States	31-Mar-2018	Aggregate MFs
71 Union Bancaire Privée	1,934,996	0.06	-267	-0.01	154.24	-0.02	Core Growth	4,071.92	High	Geneva	Switzerland	28-Feb-2018	Aggregate MFs
72 Aberdeen Asset Investments Limited	1,906,694	0.06	61,015	-3.10	151.99	-4.86	Core Growth	93,330.98	Low	London	England	28-Feb-2018	Aggregate MFs
73 Morgan Stanley Investment Management Ltd. (UK)	1,880,445	0.06	-478,195	-20.27	149.89	-38.12	Core Value	30,745.04	Low	London	England	28-Feb-2018	Aggregate MFs
74 Canndiam Belgium S.A.	1,877,129	0.06	31,598	2.52	101.78	2.50	Index	48,436.20	Low	Melbourne	Australia	31-Mar-2018	Aggregate MFs
75 AllianceBernstein Management, Inc.	1,829,477	0.06	6,175	0.34	145.83	0.49	Core Growth	116,871.85	Low	Chicago	United States	28-Feb-2018	Aggregate MFs
76 Vontobel Asset Management, Inc.	1,819,372	0.06	-55,354	-2.95	143.								

131	Federated Investment Management Company	703,425	0.02	-1,849	-0.26	56.07	-0.15	Core Growth	26,976.03	Moderate	Pittsburgh	United States	28-Feb-2018	Aggregate MFs
132	Capfi Delen Asset Management	687,620	0.02	0	0.00	57.84	0.00	Growth	13,637.26	Low	Hasselt	Belgium	31-Oct-2017	Aggregate MFs
133	Fortuna Investment AG	684,480	0.02	-10,000	-1.44	59.11	-0.86	Specialty	543.96	Low	Adliswil	Switzerland	31-Jan-2018	Aggregate MFs
134	Aberdeen Asset Managers Ltd.	675,388	0.02	24,000	3.68	53.84	1.91	Core Growth	47,453.07	Low	London	England	28-Feb-2018	Aggregate MFs
135	LKB Expert Fondsleitung AG	670,300	0.02	-20,700	-3.00	48.99	-1.51	Core Growth	1,120.84	Low	Switzerland	Switzerland	31-Jan-2017	Aggregate MFs
136	Unigestion	664,043	0.02	13	0.00	52.93	0.00	Core Value	6,273.23	Moderate	Geneva	Switzerland	28-Feb-2018	Aggregate MFs
137	Lazard Asset Management, L.L.C.	660,699	0.02	-1,610	-0.24	52.25	-0.13	Core Value	106,822.81	Low	New York	United States	31-Mar-2018	Aggregate MFs
138	BI Asset Management Fondenmaergerselskab A/S	655,499	0.02	-223,624	-25.44	52.25	-17.83	Core Value	3,909.27	Moderate	Copenhagen	Denmark	28-Feb-2018	Aggregate MFs
139	Russell Investments Limited	651,531	0.02	7,209	1.12	51.93	0.57	Core Value	11,499.23	Moderate	London	England	28-Feb-2018	Aggregate MFs
140	State Street Global Advisors (France) S.A.	651,392	0.02	-17,540	-2.62	51.92	-1.40	Index	3,659.03	Low	La Défense	France	28-Feb-2018	Aggregate MFs
141	Tredje AP Fonden	649,070	0.02	649,070	100.00	56.53	56.53	Core Growth	16,676.29	Moderate	Stockholm	Sweden	30-Jun-2017	Aggregate MFs
142	AGF Investments Inc.	648,310	0.02	785	0.12	55.76	0.07	GARP	13,341.36	Low	Toronto	Canada	31-Dec-2017	Aggregate MFs
143	AEGON Investment Management B.V.	638,063	0.02	-48,057	-7.00	54.88	-4.13	Core Growth	5,725.07	Low	The Hague	Netherlands	31-Dec-2017	Aggregate MFs
144	KBC Asset Management N.V.	636,746	0.02	187,656	41.79	55.46	16.34	Core Value	15,575.46	Low	Brussels	Belgium	30-Jun-2017	Aggregate MFs
145	Mondrian Investment Partners Ltd.	633,657	0.02	70,265	12.47	54.72	6.07	Deep Value	20,742.55	Low	London	England	31-Jan-2018	Aggregate MFs
146	TD Asset Management Inc.	619,609	0.02	45,808	7.98	53.29	3.94	GARP	71,039.99	Low	Toronto	Canada	31-Dec-2017	Aggregate MFs
147	Handelsbanken Asset Management	601,112	0.02	25,400	4.41	47.92	2.02	Core Growth	44,408.26	Low	Stockholm	Sweden	28-Feb-2018	Aggregate MFs
148	Voya Investment Management LLC	591,884	0.02	-33,107	-5.30	50.91	-2.85	Core Growth	54,528.95	Low	New York	United States	31-Dec-2017	Aggregate MFs
149	Manning & Napier Advisors, LLC	579,426	0.02	-64,087	-9.96	45.82	-5.07	Core Value	12,880.16	Low	Fairport	United States	31-Mar-2018	Aggregate MFs
150	AXA Investment Managers UK Ltd.	578,591	0.02	4,600	0.80	49.76	0.40	Core Value	26,234.59	Low	London	England	31-Dec-2017	Aggregate MFs
151	RobecoSAM AG	575,242	0.02	-35,652	-5.84	45.85	-2.84	Specialty	3,376.73	Low	Zurich	Switzerland	28-Feb-2018	Aggregate MFs
152	Lyxor Asset Management	566,712	0.02	-1,777,607	-75.83	44.81	-140.57	Index	60,507.42	Moderate	Paris	France	31-Mar-2018	Aggregate MFs
153	Banque Cantonale Vaudoise	566,180	0.02	71,262	14.40	47.44	5.97	Core Growth	1,894.63	Low	Switzerland	Switzerland	30-Sep-2017	Aggregate MFs
154	Allianz Global Investors GmbH	562,343	0.02	2,220	0.40	44.83	0.18	GARP	118,071.43	Low	Frankfurt	Germany	28-Feb-2018	Aggregate MFs
155	Union Investment Luxembourg S.A.	540,617	0.02	331,959	159.09	46.50	28.55	Core Value	11,341.73	Low	Luxembourg	Luxembourg	31-Dec-2017	Aggregate MFs
156	Jarislowsky Fraser, Ltd.	531,600	0.02	0	0.00	42.37	0.00	Core Value	18,520.66	Low	Montreal	Canada	28-Feb-2018	Aggregate MFs
157	McKinley Capital Management, LLC	523,051	0.02	8,955	1.74	41.69	0.71	Growth	9,355.35	Moderate	Anchorage	Alaska	28-Feb-2018	Aggregate MFs
158	Lofton Asset Management Ltd.	516,032	0.02	490,782	1,943.69	41.13	39.12	Hedge Fund	978.06	Moderate	London	England	31-Mar-2018	Aggregate MFs
159	BMO Asset Management Inc.	515,461	0.02	-219,153	-29.83	40.76	-17.33	GARP	50,761.52	Low	Toronto	Canada	31-Mar-2018	Aggregate MFs
160	SunAmerica Asset Management, LLC	511,041	0.02	-12,445	-2.38	40.74	-0.99	Growth	44,285.11	Low	Jersey City	United States	28-Feb-2018	Aggregate MFs
161	Lombard Odier Asset Management (Europe) Ltd	510,000	0.02	0	0.00	44.04	0.00	Core Value	2,892.31	Low	London	England	31-Jan-2018	Aggregate MFs
162	Anima SGR S.p.A.	502,360	0.02	-1,665,213	-76.82	39.72	-131.68	Core Growth	16,456.52	Moderate	Milan	Italy	31-Mar-2018	Aggregate MFs
163	Arca SGR S.p.A.	489,486	0.02	808	0.17	39.02	0.06	Core Growth	6,709.42	Moderate	Milan	Italy	28-Feb-2018	Aggregate MFs
164	Fideuram Asset Management (Ireland) dac	488,601	0.02	113,115	30.12	38.95	9.02	GARP	9,735.34	Low	Dublin	Ireland	28-Feb-2018	Aggregate MFs
165	AXA Investment Managers Paris	488,377	0.02	24,550	5.29	38.93	1.96	Core Growth	10,202.13	Low	Puteaux	France	31-Mar-2018	Aggregate MFs
166	Nomura Asset Management Co., Ltd.	487,931	0.02	-950	-0.19	42.14	-0.08	Core Growth	162,912.11	Low	Chuo-ku (Tokyo)	Japan	31-Jan-2018	Aggregate MFs
167	Neue Aargauer Bank AG	476,600	0.02	0	0.00	32.05	0.00	Core Value	306.38	Low	Aarau	Switzerland	30-Nov-2016	Aggregate MFs
168	Alliance Trust Plc.	475,381	0.02	475,381	100.00	36.43	36.43	Core Growth	11,834.18	Low	Dundee	Scotland	31-Mar-2017	Aggregate MFs
169	Vanguard Capital	473,771	0.02	315,256	198.63	39.87	26.52	Core Value	2,561.20	Low	Del Mar	United States	31-Oct-2017	Aggregate MFs
170	FOCAM AG	463,000	0.01	0	0.00	36.91	0.00	Hedge Fund	665.14	Low	Frankfurt	Germany	28-Feb-2018	Aggregate MFs
171	Azimut Capital Management Sgr SpA	462,000	0.01	254,500	122.65	40.24	22.17	Hedge Fund	4,544.88	Low	Milan	Italy	30-Jun-2017	Aggregate MFs
172	zCapital AG	460,000	0.01	23,000	5.26	36.67	1.83	Core Growth	1,348.28	Low	Zug	Switzerland	28-Feb-2018	Aggregate MFs
173	American Century Investment Management, Inc.	459,782	0.01	65,069	16.49	39.55	5.60	Core Growth	135,487.34	Low	Kansas City	United States	31-Dec-2017	Aggregate MFs
174	Berner Kantonalbank AG	457,533	0.01	-26,646	-5.50	39.35	-2.29	Core Value	811.79	Low	Montreal	Canada	31-Dec-2017	Aggregate MFs
175	General American Investors Company, Inc.	450,000	0.01	0	0.00	34.67	0.00	Growth	1,094.62	Low	New York	United States	30-Apr-2017	Aggregate MFs
176	Capital International, Inc.	445,284	0.01	32,955	7.99	38.30	2.83	Core Growth	12,266.57	Moderate	Los Angeles	United States	31-Dec-2017	Aggregate MFs
177	HSBC Global Asset Management (France) S.A.	437,945	0.01	-84	-0.02	34.91	-0.01	Core Value	9,073.60	Low	Puteaux	France	28-Feb-2018	Aggregate MFs
178	Capital International Sarl	436,089	0.01	-18,298	-4.03	34.76	-1.46	Core Value	4,928.34	Low	Geneva	Switzerland	28-Feb-2018	Aggregate MFs
179	AQR Capital Management, LLC	427,028	0.01	228,344	114.93	36.73	19.64	Hedge Fund	11,845.19	Low	Greenwich	United States	31-Dec-2017	Aggregate MFs
180	Metzler Asset Management GmbH	425,957	0.01	-1,737	-0.41	33.95	-0.14	Core Growth	3,636.59	Low	Frankfurt	Germany	28-Feb-2018	Aggregate MFs
181	Capital Guardian Trust Company	419,007	0.01	349,011	498.62	36.04	30.02	GARP	14,093.40	Moderate	Los Angeles	United States	31-Dec-2017	Aggregate MFs
182	AMF Pensjonsforskrift AB	417,246	0.01	16,874	4.21	33.26	1.35	Growth	30,222.25	Low	Stockholm	Sweden	28-Feb-2018	Aggregate MFs
183	Quantitative Management Associates LLC	416,299	0.01	-30,442	-6.81	33.18	-2.43	Index	75,801.13	Low	Newark	New Jersey	31-Jan-2018	Aggregate MFs
184	Lombard Odier Asset Management (USA) Corp.	416,000	0.01	-4,500	-1.07	35.93	-0.39	Hedge Fund	1,292.44	High	New York	United States	31-Jan-2018	Aggregate MFs
185	BNP Paribas Asset Management Nederland N.V.	411,500	0.01	38,000	10.17	32.54	3.00	Core Growth	5,498.83	Moderate	Netherlands	United States	31-Mar-2018	Aggregate MFs
186	Gabelli Funds, LLC	397,600	0.01	-650	-0.16	34.20	-0.06	Core Value	35,565.75	Low	Rye	United States	31-Dec-2017	Aggregate MFs
187	Vontobel Asset Management AG	391,215	0.01	62,970	19.18	30.94	4.98	Hedge Fund	1,025.20	Moderate	Zurich	Switzerland	31-Mar-2018	Aggregate MFs
188	Lombard Odier Darier Hentsch & Cie	390,367	0.01	8,591	2.25	33.71	0.74	Core Growth	9,133.28	Moderate	Geneva	Switzerland	31-Jan-2018	Aggregate MFs
189	Northern Trust Investments, Inc.	381,023	0.01	-3,230	-0.84	30.13	-0.26	Index	258,065.27	Low	Chicago	United States	31-Mar-2018	Aggregate MFs
190	Desjardins Global Asset Management	372,242	0.01	1,118	0.30	29.67	0.09	Core Value	4,638.54	Low	Montreal	Canada	28-Feb-2018	Aggregate MFs
191	Swiss Life Asset Management	371,043	0.01	-28,601	-7.16	31.79	-2.45	Index	1,111.67	Low	Zurich	Switzerland	30-Nov-2017	Aggregate MFs
192	Invesco Advisers, Inc.	366,443	0.01	0	0.00	29.21	0.00	GARP	188,954.08	Low	Atlanta	United States	28-Feb-2018	Aggregate MFs
193	Pyrford International Limited	362,337	0.01	15,081	4.34	31.04	1.29	Core Value	1,450.03	Low	London	England	30-Nov-2017	Aggregate MFs
194	Swiss Rock Asset Management AG	362,277	0.01	-2,320	-0.64	31.16	-0.20	Deep Value	406.36	Low	Zurich	Switzerland	31-Dec-2017	Aggregate MFs
195	Santander Asset Management	361,834	0.01	-17,323	-4.57	31.12	-1.49	Core Growth	18,968.79	Low	Madrid	Spain	30-Jun-2017	Aggregate MFs
196	AZ FUND Management SA	361,750	0.01	33,250	10.12	31.51	2.90	GARP	7,274.67	Low	Luxembourg	Luxembourg	31-Mar-2018	Aggregate MFs
197	Acadian Asset Management LLC	358,421	0.01	-25,935	-6.75	28.34	-2.05	Deep Value	33,649.01	Moderate	Boston	United States	31-Dec-2017	Aggregate MFs
198	St. James's Place Wealth Management Plc	357,141	0.01	-2,892	-0.80	28.14	-0.23	GARP	9,696.87	Low	Gloucester	United Kingdom	30-Sep-2016	Aggregate MFs
199	THEAM	353,351	0.01	33	0.01	27.94	0.00	Core Growth	1,090.57	Low	Paris	France	31-Mar-2018	Aggregate MFs
200	Baloise Asset Management	352,457	0.01	11,693	3.43	28.10	0.93	Core Growth	10,907.43	Low	Stuttgart	Germany	28-Feb-2018	Aggregate MFs
201	JP Morgan Asset Management	351,318	0.01	-4,128	-1.16	27.78	-0.33	GARP	347,179.94	Low	New York	United States	31-Mar-2018	Aggregate MFs
202	OppenheimerFunds, Inc.	344,473	0.01	-431,594	-55.61	27.24	-34.13	GARP	170,902.07	Low	New York	United States	31-Mar-2018	Aggregate MFs
203	BlackRock Asset Management Canada Limited	338,897	0.01	49,120	16.95	26.80	3.88	Index	37,703.05	Low	Toronto	Canada	31-Mar-2018	Aggregate MFs
204	Xact Kapitalforvaltning AB	336,930	0.01	9,818	-2.83	26.86	-0.78	Core Value	5,425.92	Low	Stockholm	Sweden	28-Feb-2018	Aggregate MFs
205	ARISAI Partners (Asia) Pte. Ltd.	331,272	0.01	-537	-0.16	28.49	-0.05	Core Value	4,834.07	Low	Singapore	Singapore	31-Dec-2017	Aggregate MFs
206	La Banque Postale Asset Management	327,068	0.01	-92,950	-22.67	27.38	-8.03	Core Growth	43,117.59	Low	Chiyoda-ku (Tokyo)	Japan	30-Nov-2017	Aggregate MFs
207	Lord, Abbett & Co., LLC	31												

272	Ibercasa Gestión S.G.I.C., S.A.	164,537	0.01	0	0.00	14.15	0.00	Growth	3,183.38	Moderate	Zaragoza	Spain	31-Dec-2017	Aggregate MFs
273	PIMCO (US)	162,444	0.01	7,369	4.75	13.97	0.63	Yield	38,776.77	Moderate	Newport Beach	United States	31-Dec-2017	Aggregate MFs
274	IndexIQ Advisors LLC	160,101	0.01	28,667	21.81	12.66	2.27	GARP	4,036.92	High	Rye Brook	United States	31-Mar-2018	Aggregate MFs
275	Hartz, Regehr & Partner GmbH	160,000	0.01	0	0.00	12.75	0.00		522.15	Low	Munich	Germany	28-Feb-2018	Aggregate MFs
276	The L.T. Funds	160,000	0.01	92,500	137.04	12.26	7.09	Core Growth	330.54		Geneva	Switzerland	31-Mar-2017	Aggregate MFs
277	Riverfront Investment Group, LLC	159,339	0.01	42,909	36.85	12.60	3.39	Core Growth	5,396.68	Low	Richmond	United States	31-Mar-2018	Aggregate MFs
278	BOCI-Prudential Asset Management Ltd.	156,533	0.01	27,382	21.20	13.11	2.29	Core Value	3,472.05	Low	Central (Hong Kong)	Hong Kong SAR	30-Sep-2017	Aggregate MFs
279	La Financière de l'Echiquier	155,000	0.00	-45,000	-22.50	11.88	-3.45	GARP	4,270.18	Low	Paris	France	31-Mar-2017	Aggregate MFs
280	DJE Kapital AG	151,700	0.00	-101,770	-40.15	12.09	-8.11	GARP	6,251.37	Moderate	Pullach	Germany	28-Feb-2018	Aggregate MFs
281	State Street Global Advisors Ltd. (Canada)	151,271	0.00	-3,150	-2.04	11.96	-0.25	Index	5,590.55	Low	Montreal	Canada	31-Mar-2018	Aggregate MFs
282	Aberdeen Asset Management (Asia) Ltd.	149,254	0.00	-42,999	-22.37	12.79	-3.68	GARP	34,084.93	Low	Singapore	Singapore	30-Nov-2017	Aggregate MFs
283	RWC Partners Limited	148,934	0.00	-13,131	-8.10	11.87	-1.05	Equity Hedge	5,857.06	Moderate	London	England	28-Feb-2018	Aggregate MFs
284	Första AP-Fonden	146,319	0.00	-137,107	-48.37	10.50	-9.84	GARP	12,824.30	Low	Stockholm	Sweden	31-Dec-2016	Aggregate MFs
285	FIM Asset Management Ltd.	143,800	0.00	2,800	1.99	11.46	0.22	GARP	1,080.44	High	Helsinki	Finland	28-Feb-2018	Aggregate MFs
286	Hoofbosch Investment Fund	143,000	0.00	0	0.00	12.30	0.00		181.68	Low	Netherlands	United States	31-Dec-2017	Aggregate MFs
287	Canada Life Investments	142,810	0.00	41,937	41.57	12.28	3.61	Core Growth	3,156.15	Low	London	England	31-Dec-2017	Aggregate MFs
288	Rouvier Associés	139,717	0.00	-96,625	-40.88	12.17	-8.42		719.21	Low	Paris	France	30-Jun-2017	Aggregate MFs
289	Gutmann Kapitalanlage Aktiengesellschaft	137,486	0.00	-26,729	-16.28	10.54	-2.05	Core Value	770.95	Low	Vienna	Austria	31-Mar-2017	Aggregate MFs
290	Mapfre Inversión Dos, S.G.I.C., S.A.	135,714	0.00	4,381	3.34	11.67	0.38	Yield	767.74	Low	Madrid	Spain	31-Dec-2017	Aggregate MFs
291	Sal. Oppenheim jr. & Cie AG & Co. KGaA (Asset Management)	135,596	0.00	-4,372	-3.12	10.81	-0.35		1,067.97	Low	Koeln	Germany	28-Feb-2018	Aggregate MFs
292	Hypowiss Privatbank AG	134,451	0.00	4,844	3.74	11.56	0.42	Core Growth	559.91	Low	Zurich	Switzerland	31-Dec-2017	Aggregate MFs
293	Carmignac Gestion	134,256	0.00	-101,416	-43.03	11.25	-8.50	Growth	25,936.64	Low	Paris	France	30-Sep-2017	Aggregate MFs
294	Strategic Global Advisors, LLC	133,786	0.00	0	0.00	11.55	0.00	Index	1,382.68	Low	Newport Beach	United States	31-Jan-2018	Aggregate MFs
295	Noitenstein La Roche Privatbank AG	132,670	0.00	-9,000	-6.35	11.22	-0.76		656.93	Low	Switzerland	Switzerland	31-Jul-2017	Aggregate MFs
296	IAM Independent Asset Management S.A.	131,855	0.00	-12,400	-8.60	11.34	-1.07	Income Value	433.33	Low	Geneva	Switzerland	31-Dec-2017	Aggregate MFs
297	Thompson, Siegel & Walmsley LLC	130,093	0.00	0	0.00	11.19	0.00	Core Value	10,696.62	Moderate	Richmond	United States	31-Dec-2017	Aggregate MFs
298	AG2R La Mondiale Gestion d'Actifs SA	130,000	0.00	-48,770	-27.28	11.18	-4.19		7,692.58	Low	Paris	France	31-Dec-2017	Aggregate MFs
299	Siemens Funds Invest GmbH	129,401	0.00	-4,470	-3.34	10.31	-0.36	Core Growth	946.97	Moderate	Munich	Germany	28-Feb-2018	Aggregate MFs
300	Adelphi Capital LLP	127,647	0.00	0	0.00	10.17	0.00	Hedge Fund	1,010.56	Low	London	England	28-Feb-2018	Aggregate MFs
301	Epsilon SGR SpA	127,528	0.00	-2,504	-1.93	10.17	-0.20	Core Value	2,253.69	Low	Milan	Italy	28-Feb-2018	Aggregate MFs
302	Frankfurter Bankengesellschaft (Schweiz) AG	127,005	0.00	9,950	8.50	10.12	0.79	Growth	221.37	Low	Zurich	Switzerland	28-Feb-2018	Aggregate MFs
303	Caixabank Asset Management SGII, S.A.U.	125,308	0.00	-10,687	-7.86	10.78	-0.92	Core Growth	13,488.93	Low	Madrid	Spain	31-Dec-2017	Aggregate MFs
304	Industrial Alliance Investment Management Inc.	124,319	0.00	0	0.00	9.91	0.00	Core Value	5,582.29	Low	Quebec City	Canada	28-Feb-2018	Aggregate MFs
305	Universal-Investment-Gesellschaft mbH	123,350	0.00	-133,025	-51.89	10.65	-11.49	Core Growth	4,860.20	Low	Frankfurt	Germany	31-Jan-2018	Aggregate MFs
306	Bering Asset Management Ltd.	123,341	0.00	532	0.43	9.83	0.04	GARP	8,060.24	Low	London	England	28-Feb-2018	Aggregate MFs
307	First Pacific Advisors, LLC	122,330	0.00	4,780	4.07	10.52	0.41	GARP	16,118.83	Low	Los Angeles	United States	31-Dec-2017	Aggregate MFs
308	State Street Global Advisors (Japan) Co., Ltd.	122,100	0.00	122,100	100.00	8.21	8.21	Index	4,100.19	Low	Minato-ku (Tokyo)	Japan	30-Nov-2016	Aggregate MFs
309	Ampega Investment GmbH	119,854	0.00	7,310	-5.75	9.55	-0.58	GARP	1,602.46	Low	Cologne	Germany	28-Feb-2018	Aggregate MFs
310	Cornerstone Capital Management Holdings LLC	118,650	0.00	218	0.18	10.25	0.02	Core Growth	15,943.87	Moderate	New York	United States	31-Jan-2018	Aggregate MFs
311	Asset Management One Co., Ltd.	118,496	0.00	-959	-0.80	10.06	-0.08	Growth	84,897.60	Low	Chiyoda-ku (Tokyo)	Japan	31-Aug-2017	Aggregate MFs
312	Dimensional Fund Advisors, Ltd.	117,170	0.00	0	0.00	9.34	0.00	Core Growth	6,797.40	Low	London	England	28-Feb-2018	Aggregate MFs
313	Quoniam Asset Management GmbH	114,018	0.00	10,036	9.65	9.81	0.86	Yield	1,354.87	Low	Frankfurt	Germany	31-Dec-2017	Aggregate MFs
314	Wells Capital Management Inc.	113,249	0.00	-251	-0.22	9.03	-0.02	Core Value	68,020.05	Low	San Francisco	United States	28-Feb-2018	Aggregate MFs
315	Raiffeisen Kapitalanlage-Gesellschaft mbH	113,200	0.00	-44,867	-28.38	9.02	-3.58	Core Value	6,231.81	Moderate	Vienna	Austria	28-Feb-2018	Aggregate MFs
316	London & Capital Asset Management Ltd.	113,100	0.00	17,146	17.87	9.02	1.37	Hedge Fund	252.39	Moderate	London	England	28-Feb-2018	Aggregate MFs
317	PNC Capital Advisors, LLC	112,113	0.00	0	0.00	9.68	0.00	Core Value	11,760.82	Low	Baltimore	United States	31-Jan-2018	Aggregate MFs
318	Manulife Asset Management Limited	112,098	0.00	-697	-0.62	9.60	-0.06	Core Growth	38,014.12	Low	Toronto	Canada	30-Nov-2017	Aggregate MFs
319	Closer Brothers Asset Management	111,697	0.00	0	0.00	8.90	0.00	GARP	6,049.51	Low	London	England	28-Feb-2018	Aggregate MFs
320	BMO Global Asset Management	111,538	0.00	-679	-0.61	8.82	-0.05	Growth	17,147.95	Moderate	London	England	31-Mar-2018	Aggregate MFs
321	Hexavest Inc.	111,249	0.00	-9,423	-7.81	8.87	-0.75	Core Value	9,037.32	Moderate	Montreal	Canada	28-Feb-2018	Aggregate MFs
322	INVESSCO Asset Management Deutschland GmbH	106,961	0.00	1,450	1.37	8.53	0.12	Core Value	13,221.89	Low	Frankfurt	Germany	28-Feb-2018	Aggregate MFs
323	Sarasin & Partners LLP	104,599	0.00	-1,416	-1.34	8.27	-0.11	Core Growth	10,223.52	Low	London	England	31-Mar-2018	Aggregate MFs
324	Pioneer Investments Austria GmbH	103,700	0.00	300	0.29	7.95	0.02	Core Growth	1,702.33	Low	Vienna	Austria	31-Mar-2017	Aggregate MFs
325	Julius Baer International Ltd.	97,875	0.00	204	0.21	8.42	0.02	GARP	436.37	Moderate	London	England	31-Dec-2017	Aggregate MFs
326	Allianz Global Investors Asia Pacific Limited	97,517	0.00	6,053	6.62	8.17	0.51	Growth	8,970.42	Low	Central (Hong Kong)	Hong Kong SAR	30-Sep-2017	Aggregate MFs
327	Oddo BHF Asset Management S.A.S	97,399	0.00	0	0.00	7.76	0.00	Core Growth	9,464.00	Low	Paris	France	28-Feb-2018	Aggregate MFs
328	Mirabaud Asset Management AG	97,000	0.00	15,000	18.29	8.34	1.29		1,234.82	Low	Zurich	Switzerland	31-Dec-2017	Aggregate MFs
329	AXA Rosenberg Investment Management Ltd.	94,800	0.00	800	0.85	7.56	0.06	Core Value	3,355.47	Moderate	London	England	28-Feb-2018	Aggregate MFs
330	Frankfurt-Trust Investment-Gesellschaft mbH	94,760	0.00	5,771	6.49	7.55	0.46	Core Growth	5,174.66	Low	Frankfurt	Germany	28-Feb-2018	Aggregate MFs
331	Franklin Templeton Investment Management Ltd.	93,914	0.00	-52,236	-35.74	8.08	-4.49	Core Value	9,724.14	Low	Edinburgh	Scotland	31-Dec-2017	Aggregate MFs
332	AJO, LP	93,887	0.00	32,128	52.02	7.47	2.56	Deep Value	24,760.72	Moderate	Philadelphia	United States	31-Aug-2016	Aggregate MFs
333	Piguet Galland & Cie SA	92,000	0.00	92,000	100.00	6.19	6.19	Hedge Fund	64.16	Low	Strassen	Luxembourg	30-Sep-2017	Aggregate MFs
334	Putnam Investment Management, L.L.C.	90,905	0.00	-37	-0.04	7.25	0.00	Core Growth	50,496.04	Low	Boston	United States	28-Feb-2018	Aggregate MFs
335	Schafer Cullen Capital Management, Inc.	89,345	0.00	-8,265	-8.47	7.68	-0.71	Deep Value	11,826.91	Low	New York	United States	31-Dec-2017	13F
336	IPConcept (Luxembourg) S.A.	89,330	0.00	0	0.00	7.48	0.00	Core Value	1,244.24	Low	luxembourg	Luxembourg	30-Sep-2017	Aggregate MFs
337	E.Öhman J'r Fonder AB	88,299	0.00	-7,164	-7.50	7.59	-0.62	Growth	5,745.82	Low	Stockholm	Sweden	31-Dec-2017	Aggregate MFs
338	Barrow, Hanley, Mewhinney & Strauss, LLC	87,943	0.00	256	0.29	7.01	0.02	Income Value	77,835.09	Low	Dallas	United States	28-Feb-2018	Aggregate MFs
339	LBB-Invest	86,510	0.00	-8,600	-9.04	6.90	-0.69	Core Growth	3,403.97	Low	Berlin	Germany	28-Feb-2018	Aggregate MFs
340	Addenda Capital, Inc.	86,313	0.00	33,156	62.37	7.42	2.85	Hedge Fund	1,858.65	Low	Montreal	Canada	31-Dec-2017	Aggregate MFs
341	St. James Investment Company, LLC	86,000	0.00	0	0.00	7.40	0.00	Yield	937.79	Moderate	Dallas	United States	31-Dec-2017	Aggregate MFs
342	Patrimony 1873 S.A.	84,500	0.00	3,500	4.32	6.74	0.28		375.46	Low	Lugano	Luxembourg	28-Feb-2018	Aggregate MFs
344	Nykredit Bank AS	82,422	0.00	-3,593	-4.18	6.57	-0.29	Core Growth	695.33	Low	St. Helier	Jersey	28-Feb-2018	Aggregate MFs
345	ERSTE-SPARINVEST Kapitalanlagegesellschaft mbH	80,200	0.00	-2,300	-2.79	6.39	-0.18	Core Growth	6,179.57	Moderate	Vienna	Austria	28-Feb-2018	Aggregate MFs
346	SIA Funds AG	79,208	0.00	24,230	44.07	6.81	2.08	Core Value	230.88	Low	Zurich	Switzerland	31-Dec-2017	Aggregate MFs
347	Aktia Asset Management Oy Ab	79,100	0.00	0	0.00	6.65	0.00	Core Growth	1,789.15	Low	Salzburg	Austria	31-Oct-2017	Aggregate MFs
348	Operador Valmex de Sociedades de Inversión S.A. de C.V.	78,100	0.00	0	0.00	6.23	0.00		685.51	Low	Col Polanco MexicoMexico	Mexico	28-Feb-2018	Aggregate MFs
349	KBI Global Investors Ltd	77,807	0.00	-663	-8.84	6.69	-0.06	Growth	3,499.76	Moderate	Dublin	Ireland	31-Dec-2017	Aggregate MFs
350	Ravel Capital Management SA	77,60												

407	Ersel Asset Management SGR S.p.A.	53,900	0.00	0	0.00	4.29	0.00	Core Growth	654.60	Low	Torino	Italy	28-Feb-2018	Aggregate MFs
408	La Française AM	53,500	0.00	0	0.00	4.50	0.00	GARP	1,808.34	Low	Paris	France	31-Oct-2017	Aggregate MFs
409	Neuberger Berman Breton Hill ULC	53,342	0.00	1,849	3.59	4.25	0.15	Hedge Fund	1,283.23	Low	Toronto	Canada	28-Feb-2018	Aggregate MFs
410	VI Vorsorgestein AG	53,250	0.00	450	0.85	4.58	0.04		271.21	Low	Hinwil	Switzerland	31-Dec-2017	Aggregate MFs
411	Pictet Mahoney Asset Management	52,926	0.00	27,906	111.53	4.55	2.40	Growth	2,847.08	Moderate	Toronto	Canada	31-Dec-2017	Aggregate MFs
412	Mandarin Gestion	52,922	0.00	-840	-1.56	4.22	-0.07		3,369.60	Moderate	Paris	France	28-Feb-2018	Aggregate MFs
413	Capital Research & Management Company (Fixed Income)	52,362	0.00	0	0.00	4.14	0.00	Growth	38,277.05	Moderate	Los Angeles	United States	31-Mar-2018	Aggregate MFs
414	E. Gutwiler & Cie, Banquiers	52,102	0.00	1,174	2.31	3.74	0.08		90.84	Low	Switzerland	Switzerland	31-Dec-2016	Aggregate MFs
415	Sentinel Asset Management, Inc.	52,000	0.00	0	0.00	4.17	0.00	Core Value	4,429.97	Low	Montpellier	United States	31-Jul-2016	Aggregate MFs
416	Citadel Asset Management	51,500	0.00	-3,000	-5.50	4.49	-0.26	Core Value	459.93	Moderate	Claremont	South Africa	30-Jun-2017	Aggregate MFs
417	FII Investments (Japan) Limited	51,381	0.00	1,640	3.30	4.34	0.14	GARP	15,830.50	Low	Minato-ku (Tokyo)	Japan	31-Jul-2017	Aggregate MFs
418	EARNEST Partners, LLC	51,141	0.00	0	0.00	4.08	0.00	Core Value	11,730.54	Low	Atlanta	United States	28-Feb-2018	Aggregate MFs
419	Gudme Raaschou Fondsmæglerselskab A/S	51,000	0.00	21,500	72.88	4.44	1.87	Growth	431.67	Low	Copenhagen	Denmark	30-Jun-2017	Aggregate MFs
420	Lazard Asset Management Limited	50,760	0.00	16,120	46.54	4.05	1.28	Core Value	15,145.10	Low	London	England	28-Feb-2018	Aggregate MFs
421	March Asset Management, S.G.I.I.C., S.A.U.	50,353	0.00	-798	-1.56	4.33	-0.07	Core Growth	2,172.05	Low	Madrid	Spain	31-Dec-2017	Aggregate MFs
422	Julius Baer Gestión, S.G.I.I.C., S.A.	49,998	0.00	1,766	3.66	4.30	0.15	Index	1,566.73	Low	Madrid	Spain	28-Feb-2018	Aggregate MFs
423	ThinkCapital Asset Management B.V.	49,393	0.00	2,003	4.23	3.94	0.16	Core Value	4,295.40	Low	Bethesda	United States	31-Jan-2018	Aggregate MFs
424	Eika Kapitalforvaltning AS	49,211	0.00	0	0.00	4.25	0.00	Core Value	3,295.40	Low	Singapore	Singapore	28-Feb-2018	Aggregate MFs
425	Calvert Research and Management	48,865	0.00	461	0.95	3.90	0.04	Core Value	1,125.71	Low	Singapore	Singapore	30-Jun-2017	Aggregate MFs
426	Morgan Stanley Investment Management (Singapore)	48,430	0.00	-277	-0.57	3.86	-0.02	Core Growth	431.59	High	Vienna	Austria	31-Aug-2017	Aggregate MFs
427	Amundi Austria GmbH	47,787	0.00	47,787	100.00	4.06	4.06	Core Sector Specific	60,091.17	Low	New York	United States	31-Dec-2017	Aggregate MFs
428	Cohen & Steers Capital Management, Inc.	47,654	0.00	0	0.00	4.10	0.00	Core Growth	18,634.47	Low	New York	United States	31-Jan-2018	Aggregate MFs
429	Brown Brothers Harriman & Company	46,812	0.00	0	0.00	4.04	0.00	Core Growth	4,320.04	Low	Sydney	Australia	28-Feb-2018	Aggregate MFs
430	Lazard Asset Management Pacific Company	46,419	0.00	-1,832	-3.80	3.70	-0.15	Core Value	791.88	Low	Madrid	Spain	31-Dec-2017	Aggregate MFs
431	Crédit Suisse Gestión S.G.I.I.C., S.A.	46,106	0.00	-2,499	-5.14	3.31	-0.18	Growth	298.58	Low	New York	United States	28-Feb-2018	Aggregate MFs
432	Centerstone Investors, LLC	45,841	0.00	8,917	24.15	3.94	0.77	Core Value	6,917.08	Low	Singapore	Singapore	28-Feb-2018	Aggregate MFs
433	UOB Asset Management Ltd.	44,900	0.00	12,800	39.88	3.91	1.11	Core Value	1,125.71	Low	Southampton	England	28-Feb-2018	Aggregate MFs
434	Old Mutual Investment Management Limited	44,674	0.00	-15,182	-25.36	3.56	-1.21	Deep Value	9,938.13	Low	Lugano	Switzerland	28-Feb-2018	Aggregate MFs
435	Cornèr Banca S.A.	44,500	0.00	1,500	3.49	3.55	0.12	GARP	225.56	Low	Geneva	Switzerland	31-Jan-2018	Aggregate MFs
436	UniCredit Bank AG	44,051	0.00	0	0.00	3.80	0.00	Core Growth	1,831.92	Moderate	Munich	Germany	31-Jan-2018	Aggregate MFs
437	BBGI Group S.A.	44,000	0.00	-7,900	-15.22	3.16	-0.57	Aggres. Gr.	22,445.83	Low	Geneva	Switzerland	31-Dec-2017	Aggregate MFs
438	MEAG Munich ERGO Kapitalanlagegesellschaft mbH	43,418	0.00	-4,526	-9.44	3.73	-0.39	Core Value	4,540.04	Moderate	Toronto	Canada	28-Feb-2018	Aggregate MFs
439	RBC Global Asset Management Inc.	43,307	0.00	578	1.35	3.42	0.05	Core Value	66,726.80	Low	Toronto	Canada	31-Mar-2018	Aggregate MFs
440	AGF International Advisors Company Ltd.	43,188	0.00	380	0.89	3.71	0.03	Core Value	803.51	Low	Dublin	Ireland	31-Dec-2017	Aggregate MFs
441	Principal Management Corporation	43,091	0.00	3,040	7.59	3.43	0.24	Growth	14,149.17	Moderate	Des Moines	United States	28-Feb-2018	Aggregate MFs
442	Ringelstein & Partner Vermögensbetreuung GmbH	43,000	0.00	0	0.00	3.43	0.00	Core Growth	79.11	Low	Essen	Germany	31-Dec-2017	Aggregate MFs
443	De Purty Pictet Turrettini & Cie, Ltd.	42,900	0.00	0	0.00	3.69	0.00	Growth	366.30	Low	Geneva	Switzerland	31-Dec-2017	Aggregate MFs
444	Fred Alger Management, Inc.	42,500	0.00	0	0.00	3.39	0.00	Specialty	22,445.83	Moderate	Geneva	Switzerland	28-Feb-2018	Aggregate MFs
445	Middlefield Capital Corporation	42,500	0.00	0	0.00	3.39	0.00	Growth	947.43	Low	Paris	France	31-Dec-2017	Aggregate MFs
446	CM-CIC Asset Management	42,013	0.00	0	0.00	3.61	0.00	Core Value	10,106.24	Moderate	London	England	30-Sep-2016	Aggregate MFs
447	Mirabaud Asset Management Limited	41,806	0.00	-40,952	-49.48	3.29	-3.23	Core Growth	1,221.02	Low	Hamburg	Germany	30-Sep-2017	Aggregate MFs
448	Warburg Invest Kapitalanlagegesellschaft mbH	41,327	0.00	1,200	2.99	3.29	0.10	Core Value	14,149.17	Moderate	Des Moines	United States	31-Dec-2017	Aggregate MFs
449	Belgravia Capital, S.G.I.I.C., S.A.	41,001	0.00	-70,099	-63.10	3.44	-5.87	Core Growth	686.22	Moderate	Madrid	Spain	30-Sep-2017	Aggregate MFs
450	Gardner Russo & Gardner	41,000	0.00	0	0.00	3.53	0.00	Core Value	14,504.08	Low	Lancaster	United States	31-Dec-2017	Aggregate MFs
451	Michael Pintarelli Finanzdienstleistungen AG	40,900	0.00	10,000	32.36	3.52	0.86	Growth	213.67	Low	Wuppertal	Germany	31-Dec-2017	Aggregate MFs
452	Prospector Partners, LLC	40,600	0.00	-100	-0.25	3.24	-0.01	Hedge Fund	1,375.76	Low	Guilford	United States	28-Feb-2018	Aggregate MFs
453	ENISO Partners AG	40,230	0.00	4,650	13.07	3.21	0.37	Core Value	104.75	High	Zurich	Switzerland	28-Feb-2018	Aggregate MFs
454	Mirabaud & Cie Banquiers Privés	40,200	0.00	0	0.00	3.46	0.00	Core Growth	357.53	Low	Geneva	Switzerland	31-Dec-2017	Aggregate MFs
455	Columbia Threadneedle Investments (UK)	39,971	0.00	-4,446	-10.01	3.45	-0.38	Core Growth	110,241.48	Low	London	England	31-Jan-2018	Aggregate MFs
456	Russell Investments Canada Limited	39,453	0.00	2,695	7.33	3.39	0.23	Core Value	1,060.06	Moderate	Toronto	Canada	31-Dec-2017	Aggregate MFs
457	Renta 4 Gestora, S.G.I.I.C., S.A.	39,452	0.00	507	1.30	3.39	0.04	GARP	1,025.38	Moderate	Madrid	Spain	31-Dec-2017	Aggregate MFs
458	Bruellen Wealth Management	39,305	0.00	-18,965	-32.55	2.82	-1.36	Growth	139.75	Low	Geneva	Switzerland	31-Dec-2017	Aggregate MFs
459	Sentry Investments Inc.	38,554	0.00	6,074	18.70	3.32	0.52	Core Value	11,185.37	Low	Toronto	Canada	31-Dec-2017	Aggregate MFs
460	Sella Gestión SGR SpA	38,500	0.00	1,250	3.36	3.32	0.11	GARP	475.00	Low	Milan	Italy	31-Jan-2018	Aggregate MFs
461	IKC Fonder AB	38,314	0.00	0	0.00	3.05	0.00	Core Value	693.88	Moderate	Malmö	Sweden	28-Feb-2018	Aggregate MFs
462	Chickasaw Capital Management, L.L.C.	38,250	0.00	0	0.00	3.29	0.00	Core Value	4,803.92	Low	Memphis	United States	31-Dec-2017	Aggregate MFs
463	Invesco Wealth & Investment Limited	37,946	0.00	-24,500	-39.23	3.22	-2.08	Growth	9,474.41	Low	London	England	31-Aug-2017	Aggregate MFs
464	Premier Asset Management Ltd	37,946	0.00	0	0.00	3.02	0.00	Growth	6,648.58	Low	Guildford	England	28-Feb-2018	Aggregate MFs
465	First Asset Investment Management, Inc.	37,857	0.00	421	1.12	2.99	0.03	Income Value	137,150.40	Low	Toronto	Canada	31-Mar-2018	Aggregate MFs
466	Winton Capital Management Ltd.	37,639	0.00	-1,027	-2.66	3.00	-0.08	Hedge Fund	3,769.80	High	London	England	31-Dec-2017	Aggregate MFs
467	CPR Asset Management	37,581	0.00	5,556	17.35	3.00	0.44	Core Growth	12,180.69	Low	Paris	France	28-Feb-2018	Aggregate MFs
468	Marathon Asset Management LLP	37,152	0.00	-3,331	-8.23	2.96	-0.27	Core Value	20,400.63	Low	London	England	28-Feb-2018	Aggregate MFs
469	Etoile Gestión S.A.	37,131	0.00	0	0.00	2.96	0.00	Core Value	2,482.85	Low	Paris	France	28-Feb-2018	Aggregate MFs
470	KBL Richelieu Gestion	37,000	0.00	0	0.00	3.20	0.00	Deep Value	781.56	Moderate	Paris	France	31-Jan-2018	Aggregate MFs
471	Alm, Brand Asset Management	36,804	0.00	0	0.00	3.18	0.00	GARP	283.33	Low	Copenhagen	Denmark	31-Jan-2018	Aggregate MFs
472	UBS Gestión, S.G.I.I.C., S.A.	36,726	0.00	0	0.00	3.16	0.00	Growth	861.95	Low	Madrid	Spain	31-Dec-2017	Aggregate MFs
473	Franklin Advisers, Inc.	36,710	0.00	36,710	100.00	3.20	3.20	Income Value	137,150.40	Low	San Mateo	United States	31-Dec-2017	Aggregate MFs
474	Architas Multi-Manager Limited	36,698	0.00	-9,258	-23.61	2.37	-0.73	GARP	1,205.90	Low	Geneva	Switzerland	31-Jan-2018	Aggregate MFs
475	Wells Fargo Funds Management, LLC	36,537	0.00	0	0.00	2.35	0.00	Core Value	600.58	Low	Frankfurt	Germany	28-Feb-2018	Aggregate MFs
476	Dierickx, Leys & Cie	36,000	0.00	0	0.00	2.64	0.00	Core Value	1,170.09	Low	Fort Lauderdale	United States	31-Dec-2017	Aggregate MFs
477	Hamburger Sparkasse AG	36,000	0.00	36,000	100.00	3.08	3.08	Growth	260.40	Moderate	Hamburg	Germany	31-May-2017	Aggregate MFs
478	Banca Popolare di Sondro (Suisse) S.A.	35,000	0.00	8,000	29.63	3.01	0.69	Core Growth	149.21	Low	Lugano	Switzerland	31-Dec-2017	Aggregate MFs
479	Huber, Reuss & Kollegen Vermögensverwaltung GmbH	35,000	0.00	9,500	37.25	3.05	0.83	Core Value	195.89	Low	Munich	Germany	30-Jun-2017	Aggregate MFs
480	Eastspring Investments (Singapore) Limited	34,744	0.00	0	0.00	2.77	0.00	Core Value	32,558.36	Low	Singapore	Singapore	28-Feb-2018	Aggregate MFs
481	Optigestion S.A.	34,650	0.00	7,000	25.32	2.98	0.60	Growth	137.28	Low	Paris	France	31-Dec-2017	Aggregate MFs
482	Deutsche Bank (Suisse) SA	34,508	0.00	0	0.00	2.98	0.00	GARP	1,205.90	Low	Geneva	Switzerland	31-Jan-2018	Aggregate MFs
483	Bethmann Bank A.G.	34,330	0.00	610	1.81	2.74	0.05	Core Value	600.58	Low	Frankfurt	Germany	28-Feb-2018	Aggregate MFs
484	Templeton Investment Counsel, L.L.C.	34,183	0.00	-836	-2.39	2.72	-0.07	Core Value	62,295.40	Low	Fort Lauderdale	United States	31-Dec-2017	Aggregate MFs
485	Trustteam Finance	34,000	0.0											

546	Barclays Wealth	22,861	0.00	5,371	30.71	1.82	0.43	Core Value	5,258.66	Low	London	England	31-Aug-2016	Aggregate MFs
547	Merchants S.G.I.I.C., S.A.	22,734	0.00	2,638	13.13	1.81	0.21	Growth	202.20	Low	Barcelona	Spain	28-Feb-2018	Aggregate MFs
548	Global Index Advisors, Inc.	22,350	0.00	-1,796	-7.44	1.95	-0.16	Index	754.48	Low	Marietta	United States	30-Jun-2017	Aggregate MFs
549	BPI Gestão de Activos - S.G.F.I.M., S.A.	22,194	0.00	0	0.00	1.77	0.00	Core Growth	1,150.62	Low	Lisbon	Portugal	28-Feb-2018	Aggregate MFs
550	EFG Private Bank Limited	22,042	0.00	0	0.00	1.90	0.00	GARP	837.41	Moderate	London	England	31-Dec-2017	Aggregate MFs
551	Kairos Partners SGR S.p.A.	22,000	0.00	22,000	100.00	1.89	1.89	GARP	1,960.74	Moderate	Milan	Italy	31-Dec-2017	Aggregate MFs
552	Gesnotre, S.A.	21,892	0.00	10,564	93.26	1.88	0.91	Core Growth	317.64	Low	Madrid	Spain	31-Dec-2017	Aggregate MFs
553	HSBC Global Asset Management (Hong Kong) Limited	21,651	0.00	2,308	11.93	1.58	0.17	Core Value	16,670.29	Low	Central (Hong Kong)	Hong Kong SAR	31-Jan-2017	Aggregate MFs
554	Palatine Asset Management	21,500	0.00	0	0.00	1.86	0.00	GARP	2,307.61	Moderate	Paris	France	31-Jan-2018	Aggregate MFs
555	Dr. Hellerich & Co. GmbH	21,450	0.00	-3,770	-14.95	1.87	-0.33	Growth	75.32	Moderate	Munich	Germany	30-Jun-2017	Aggregate MFs
556	Columbia Threadneedle Investments (US)	21,060	0.00	41	0.20	1.68	0.00	Core Growth	219,241.52	Low	Boston	United States	28-Feb-2018	Aggregate MFs
557	Oudart Gestion	21,000	0.00	0	0.00	1.81	0.00	Growth	252.82	Low	Paris	France	31-Jan-2018	Aggregate MFs
558	antea Vermögensverwaltung GmbH	20,770	0.00	0	0.00	1.79	0.00	GARP	192.86	Moderate	Hamburg	Germany	31-Dec-2017	Aggregate MFs
559	Pharus Management S.A.	20,738	0.00	4,947	31.33	1.65	0.39	Core Value	508.33	Moderate	Mendrisio	Switzerland	28-Feb-2018	Aggregate MFs
560	Parametric Portfolio Associates LLC	20,641	0.00	-290	-1.39	1.78	-0.02	Index	107,738.86	Low	Seattle	United States	31-Dec-2017	13F
561	Michel & Cortesi Asset Management AG	20,500	0.00	0	0.00	1.76	0.00	Core Growth	23.86	Moderate	Zurich	Switzerland	31-Dec-2017	Aggregate MFs
562	Investintech SGR S.p.A.	20,400	0.00	6,400	45.71	1.75	0.55	GARP	200.44	Low	Milan	Italy	31-Dec-2017	Aggregate MFs
563	Acacia Inversion S.G.I.I.C., S.A.U.	20,221	0.00	-2,320	-10.29	1.55	-0.18	GARP	199.62	Low	Bilbao	Spain	31-Mar-2017	Aggregate MFs
564	Mansarts	20,200	0.00	0	0.00	1.59	0.00	GARP	201.01	Low	Paris	France	30-Sep-2016	Aggregate MFs
565	Aberdeen Islamic Asset Management Sdn Bhd	20,100	0.00	3,300	19.64	1.73	0.28	Core Value	65.86	High	Kuala Lumpur	Malaysia	31-Dec-2017	Aggregate MFs
566	LaRoute GmbH	20,000	0.00	-14,000	-41.18	1.70	-1.19	GARP	69.21	High	Munich	Germany	31-Aug-2017	Aggregate MFs
567	Osiris Asset Management AG	20,000	0.00	0	0.00	1.59	0.00	GARP	63.99	Moderate	Vaduz	Liechtenstein	28-Feb-2018	Aggregate MFs
568	Äländsbankens Asset Management Ab	20,000	0.00	0	0.00	1.59	0.00	GARP	547.63	Moderate	Mariehamn	Finland	28-Feb-2018	Aggregate MFs
569	Popular Gestión Privada S.G.I.I.C., S.A.	19,883	0.00	0	0.00	1.71	0.00	GARP	494.53	Low	Madrid	Spain	31-Dec-2017	Aggregate MFs
570	Reichmuth & Co.	19,750	0.00	0	0.00	1.57	0.00	Core Value	221.69	Low	Switzerland	Switzerland	28-Feb-2018	Aggregate MFs
571	JPMorgan Asset Management (Taiwan) Limited	19,495	0.00	-21,033	-51.90	1.70	-1.83	GARP	2,578.31	Low	Taipei	Taiwan, R.O.C.	30-Jun-2017	Aggregate MFs
572	Aperfa SGR	18,948	0.00	-2,229	-10.53	1.51	-0.18	Core Value	42.38	Low	Milan	Italy	31-Aug-2016	Aggregate MFs
573	Société d'Administration et de Gestion Atlantas Saga	18,800	0.00	0	0.00	1.58	0.00	Core Growth	601.89	Low	Geneva	Switzerland	30-Sep-2017	Aggregate MFs
574	Swiss Asset Partners Wealth Management Ltd	18,500	0.00	0	0.00	1.59	0.00	Core Value	19.45	Low	Zurich	Switzerland	31-Dec-2017	Aggregate MFs
575	Barclays Wealth Managers France S.A.	18,000	0.00	-12,000	-40.00	1.39	-0.92	Core Value	981.57	Low	Paris	France	30-Apr-2017	Aggregate MFs
576	Compass Asset Management SA	17,988	0.00	0	0.00	1.55	0.00	Hedge Fund	99.99	Moderate	Lugano	Switzerland	31-Jan-2018	Aggregate MFs
577	Mediolanum Gestione Fondi SGR p.a.	17,838	0.00	17,838	100.00	1.53	1.53	Core Growth	3,988.07	Low	Milan	Italy	31-Dec-2017	Aggregate MFs
578	Samsung Asset Management Co., Ltd.	17,753	0.00	2,793	18.67	1.40	0.22	Core Value	11,757.98	Low	Seoul	Korea, Rep. (South)	31-Mar-2018	Aggregate MFs
579	Banque SYZ S.A.	17,550	0.00	0	0.00	1.51	0.00	GARP	741.69	Moderate	Geneva	Switzerland	31-Dec-2017	Aggregate MFs
580	EFG Bank (Luxembourg) S.A.	17,500	0.00	2,500	16.67	1.26	0.18	Growth	46.70	Low	Luxembourg	Luxembourg	31-Dec-2016	Aggregate MFs
581	Kredietrust Luxembourg S.A.	17,270	0.00	0	0.00	1.38	0.00	Core Growth	658.08	Moderate	Luxembourg	Luxembourg	28-Feb-2018	Aggregate MFs
582	Conventum Asset Management S.A.	17,200	0.00	-81,216	-82.52	1.23	-5.83	Core Value	79.64	Low	Luxembourg	Luxembourg	31-Dec-2016	Aggregate MFs
583	Fiduream Investment SGR S.p.A.	17,108	0.00	-66,799	-79.61	1.36	-5.32	Core Value	6,423.49	Moderate	Milan	Italy	28-Feb-2018	Aggregate MFs
584	Vanneck Limited	17,000	0.00	0	0.00	1.36	0.00	VC/Private	55.71	Low	London	England	28-Feb-2018	Aggregate MFs
585	Westwood Management Corp. (Texas)	16,943	0.00	0	0.00	1.46	0.00	Core Value	14,211.90	Low	Dallas	United States	31-Dec-2017	Aggregate MFs
586	Riverfield Ltd.	16,750	0.00	0	0.00	1.34	0.00	Yield	70.70	Low	Zollikon	Switzerland	28-Feb-2018	Aggregate MFs
587	Polen Capital Management, LLC	16,445	0.00	2,083	14.50	1.42	0.18	GARP	13,464.67	Low	Boca Raton	United States	31-Jan-2018	Aggregate MFs
588	Gestión Santander Mexico S.A. de C.V.	16,440	0.00	2,870	21.15	1.31	0.23	Core Growth	1,754.55	Moderate	Mexico City	Mexico	28-Feb-2018	Aggregate MFs
589	SG Kleinwort Hambros Bank Limited	16,320	0.00	0	0.00	1.30	0.00	GARP	422.77	Moderate	London	England	28-Feb-2018	Aggregate MFs
590	Meiji Yasuda Asset Management Company Ltd.	16,300	0.00	100	0.62	1.20	0.01	Core Growth	2,143.76	Low	Minato-ku (Tokyo)	Japan	28-Feb-2018	Aggregate MFs
591	Manulife Asset Management (Europe) Limited	16,183	0.00	-8,775	-35.16	1.41	-0.76	Growth	1,330.72	Moderate	London	England	30-Jun-2017	Aggregate MFs
592	The Royal Bank of Scotland Plc (London)	15,975	0.00	15,975	100.00	1.37	1.37	Core Value	161.48	High	London	England	30-Nov-2017	Aggregate MFs
593	Candriam S.A. (France)	15,960	0.00	712	4.67	1.27	0.06	Growth	4,169.16	Low	Paris	France	28-Feb-2018	Aggregate MFs
594	Raiffeisen Vermögensverwaltungsbank AG	15,900	0.00	6,700	72.83	1.37	0.58	Core Value	112.30	Moderate	Vienna	Austria	31-Jan-2018	Aggregate MFs
595	ABN AMRO Investment Solutions (AIAIS)	15,807	0.00	9,008	132.49	1.37	0.78	Growth	10,310.98	Low	Paris	France	31-Jan-2018	Aggregate MFs
596	Banque Degroof Petercam Luxembourg S.A.	15,800	0.00	0	0.00	1.38	0.00	Core Growth	615.94	Low	Luxembourg	Luxembourg	30-Jun-2017	Aggregate MFs
597	Albrecht & Cie, Vermögensverwaltung AG	15,700	0.00	0	0.00	1.33	0.00	GARP	40.49	Low	Cologne	Germany	31-Aug-2017	Aggregate MFs
598	Novo Banco Gestão, SGIC, S.A.	15,695	0.00	0	0.00	1.35	0.00	Growth	366.51	Low	Madrid	Spain	31-Dec-2017	Aggregate MFs
599	First State Investments (Singapore)	15,310	0.00	0	0.00	1.31	0.00	GARP	8,154.51	Low	Singapore	Singapore	30-Nov-2017	Aggregate MFs
600	Sit Investment Associates, Inc.	15,295	0.00	825	5.70	1.32	0.07	Growth	4,262.40	Low	Minneapolis	United States	31-Dec-2017	Aggregate MFs
601	Martin Currie Investment Management Ltd.	15,169	0.00	-8,276	-35.30	1.21	-0.66	Core Growth	2,817.82	Low	Edinburgh	Scotland	28-Feb-2018	Aggregate MFs
602	Cholet Dupont Asset Management	15,110	0.00	-1,970	-11.53	1.20	-0.16	Core Growth	229.96	Low	Paris	France	28-Feb-2018	Aggregate MFs
603	UBS Asset Management (Canada) Inc.	15,011	0.00	-382	-2.48	1.29	-0.03	Core Growth	802.92	Low	Toronto	Canada	31-Dec-2017	Aggregate MFs
604	OTEA capital SAS	15,000	0.00	0	0.00	1.20	0.00	Growth	64.52	Low	Paris	France	28-Feb-2018	Aggregate MFs
605	Oberbandscheid & Cie Vermögensverwaltungsgesellschaft mbH	15,000	0.00	-2,000	-11.76	1.30	-0.17	Core Value	52.83	Low	Kleve	Germany	31-Jan-2018	Aggregate MFs
606	Aviva Investors France S.A.	14,689	0.00	-477	-3.15	1.17	-0.04	Core Growth	5,765.07	Low	Paris	France	28-Feb-2018	Aggregate MFs
607	ARVEST Funds AG	14,000	0.00	0	0.00	1.20	0.00	Yield	34.49	Low	Pfäffikon	Switzerland	31-Dec-2017	Aggregate MFs
608	Symphonica SGR Spa	14,000	0.00	-7,000	-33.33	1.21	-0.60	Momentum	915.43	Moderate	Milan	Italy	31-Jan-2018	Aggregate MFs
609	Münsterländerische Bank Thie & Co. KG	13,900	0.00	0	0.00	1.20	0.00	GARP	80.99	Moderate	Münster	Germany	31-Dec-2017	Aggregate MFs
610	Banleone Bank AG	13,659	0.00	920	7.22	1.09	0.07	Yield	219.43	High	Zug	Switzerland	28-Feb-2018	Aggregate MFs
611	Church House Investments Limited	13,500	0.00	5,500	68.75	1.08	0.44	Core Value	450.65	Low	Mayfair	England	28-Feb-2018	Aggregate MFs
612	NORD/LB Asset Management AG	13,426	0.00	-1,000	-6.93	1.12	-0.08	GARP	426.04	Low	Hanover	Germany	30-Sep-2017	Aggregate MFs
613	Banque Pictet & Cie S.A.	13,215	0.00	-220	-1.64	1.15	-0.02	Growth	5,168.54	Low	Geneva	Switzerland	30-Jun-2017	Aggregate MFs
614	Freiburger Vermögensmanagement GmbH	13,150	0.00	0	0.00	1.14	0.00	Deep Value	112.04	Low	Freiburg	Germany	31-Jan-2018	Aggregate MFs
615	Keren Finance	13,042	0.00	-958	-6.84	1.12	-0.08	GARP	530.94	Moderate	Balzers	Liechtenstein	28-Feb-2018	Aggregate MFs
616	Matrix Capital Management Trust reg.	13,000	0.00	2,000	18.18	1.12	0.17	Core Value	29.31	Low	Holte	Denmark	31-Dec-2017	Aggregate MFs
617	augmentum finanz GmbH	13,000	0.00	0	0.00	1.12	0.00	GARP	72.66	High	Hamburg	Germany	31-Jan-2018	Aggregate MFs
618	JPMorgan Private Bank (United States)	12,995	0.00	12,995	100.00	1.04	1.04	Core Value	107,518.03	Low	New York	United States	28-Feb-2018	Aggregate MFs
619	Generali Investments CEE, a.s.	12,967	0.00	1,936	17.55	1.03	0.15	Core Value	271.60	Low	Prague	Czech Republic	31-Aug-2016	Aggregate MFs
620	Hérêmes Quality Asset Management AG	12,930	0.00	0	0.00	1.11	0.00	Core Value	47.07	Moderate	Pfäffikon	Switzerland	31-Dec-2017	Aggregate MFs
622	Sabadell Asset Management, S.A., S.G.I.I.C., Sociedad	12,808	0.00	0	0.00	1.02	0.00	Growth	6,024.42	Low	Sant Cugat del Vallès	Spain	28-Feb-2018	Aggregate MFs
623	Aylett & Company (Pty) Ltd	12,800	0.00	0	0.00	1.10	0.00	Core Growth	324.42	High	Central (Hong Kong)	South Africa	31-Dec-2017	Aggregate MFs
624	Crux Asset Management Limited	12,500	0.00	0	0.00	1.00	0.00	Growth	3,275.08	Low	Mayfair	England	28-Feb-2018	Aggregate MFs
625	EMC Gestion de Fortune S.A.	12,500	0.00	0	0.00	1.08	0.00	Core Value	66.76					

677	Riedweg & Hrovat AG	8,300	0.00	-3,600	-30.25	0.71	-0.31	Core Value	74.68	Moderate	London	Switzerland	31-Dec-2017	Aggregate MFs
678	Highest Asset Management Inc.	8,280	0.00	5,256	173.81	0.71	0.45	GARP	2,878.93	Moderate	Canada	Canada	31-Dec-2017	Aggregate MFs
679	NNIP Advisors B.V.	8,259	0.00	-260,439	-96.93	0.71	-0.22	Core Growth	25,645.36	Moderate	The Hague	Netherlands	31-Dec-2017	Aggregate MFs
680	Evi Fund Management Company Ltd.	8,231	0.00	262	3.29	0.66	0.02	Aggres. Gr.	3,269.19	Moderate	Helsinki	Finland	28-Feb-2018	Aggregate MFs
681	Rieder Fischer Partners AG	8,134	0.00	1,198	17.27	0.58	0.09	Income Value	169.43	Low	Zurich	Switzerland	31-Dec-2016	Aggregate MFs
682	Grossböttcher, Schmitz, Lomparski & Partner International Sàrl	8,100	0.00	600	8.00	0.68	0.05	GARP	92.41	Low	Luxembourg	Luxembourg	30-Sep-2017	Aggregate MFs
683	Capital International Ltd.	8,056	0.00	343	4.45	0.54	0.02	GARP	2,135.40	Moderate	London	England	30-Nov-2016	Aggregate MFs
684	Franzen Gerber & Westphalen Asset Management GmbH	8,000	0.00	3,000	60.00	0.61	0.23	Core Growth	42.92	Moderate	Kronberg	Germany	31-Mar-2017	Aggregate MFs
685	KB-Vermögensverwaltung GmbH	8,000	0.00	0	0.00	0.64	0.00	Core Value	22.67	Moderate	Munich	Germany	28-Feb-2018	Aggregate MFs
686	NHP Asset Management AG	8,000	0.00	0	0.00	0.64	0.00	Core Value	17.64	Low	Zurich	Switzerland	28-Feb-2018	Aggregate MFs
687	Pensofinanza S.A.	8,000	0.00	-2,000	-20.00	0.68	-0.17	Deep Value	21.16	Low	New York	United States	31-May-2017	Aggregate MFs
688	Tocqueville Asset Management LP	8,000	0.00	0	0.00	0.69	0.00	GARP	9,489.43	Low	London	England	31-Dec-2017	13F
689	BNP Paribas Asset Management UK Limited	7,867	0.00	322	4.27	0.68	0.03	Core Value	8,190.01	Low	Boston	United States	31-Jan-2018	Aggregate MFs
690	Woodley Farra Manion Portfolio Management, Inc.	7,828	0.00	0	0.00	0.67	0.00	Core Value	909.29	Low	Indianapolis	United States	31-Dec-2017	13F
691	SYZ & CO Asset Management LLP	7,700	0.00	-1,900	-19.79	0.67	-0.17	Core Value	1,957.11	Low	London	England	30-Jun-2017	Aggregate MFs
692	Do Investment AG	7,600	0.00	0	0.00	0.66	0.00	Core Value	121.94	Low	Munich	Germany	30-Jun-2017	Aggregate MFs
693	KIRIX Vermögensverwaltung AG	7,600	0.00	0	0.00	0.65	0.00	Core Value	115.77	Low	Kassel	Germany	31-Dec-2017	Aggregate MFs
695	Wiesbadener Volksbank eG	7,500	0.00	0	0.00	0.50	0.00	Core Growth	6,651.07	Low	Boston	United States	30-Nov-2016	Aggregate MFs
696	Gescooperativo, S.A., S.G.I.I.C.	7,439	0.00	0	0.00	0.64	0.00	Core Value	36.13	High	Geneva	Switzerland	31-Dec-2017	Aggregate MFs
697	Banque Morval S.A.	7,307	0.00	607	9.06	0.58	0.05	Core Growth	967.07	Low	Madrid	Spain	28-Feb-2018	Aggregate MFs
699	Connor, Clark & Lunn Investment Management Ltd.	7,200	0.00	7,000	35,500.00	0.62	0.60	Core Value	18,897.26	Low	Vancouver	Canada	30-Nov-2017	Aggregate MFs
700	Pictet Asset Management (Japan) Ltd.	7,198	0.00	5,698	379.87	0.62	0.49	Aggres. Gr.	381.50	Low	Lisbon	Portugal	28-Feb-2018	Aggregate MFs
701	White Lighthouse Investment Management Inc.	7,175	0.00	-260	-3.50	0.57	-0.02	Core Growth	174.41	Low	Lexington	United States	31-Mar-2017	13F
702	Allianz Global Investors U.S. LLC	7,174	0.00	-21,014	-74.55	0.57	-1.68	Core Growth	48,576.96	Low	San Diego	United States	28-Feb-2018	Aggregate MFs
703	Socilia Administradora General de Fondos Chile S.A.	7,157	0.00	-4,430	-38.23	0.57	-0.35	Core Value	120.50	Moderate	Santiago	Chile	31-Mar-2018	Aggregate MFs
704	Rothschild Asset Management, Inc.	7,146	0.00	7,146	100.00	0.57	0.57	Deep Value	11,743.99	Low	New York	United States	28-Feb-2018	Aggregate MFs
705	Baumann and Partners S.A.	7,080	0.00	0	0.00	0.61	0.00	Hedge Fund	144.84	Low	Luxembourg	Luxembourg	31-Jan-2018	Aggregate MFs
706	Emso Asset Management Limited	7,034	0.00	-5,021	-41.65	0.59	-0.42	Hedge Fund	416.27	Moderate	London	England	31-Oct-2017	Aggregate MFs
707	Bordier & Cie	7,000	0.00	-1,000	-12.50	0.60	-0.09	Core Value	33.15	Low	Geneva	Switzerland	31-May-2017	Aggregate MFs
708	LB(Swiss) Investment AG	7,000	0.00	0	0.00	0.60	0.00	Core Value	106.78	Moderate	Zurich	Switzerland	31-Dec-2017	Aggregate MFs
709	Luxgest Asset Management	7,000	0.00	0	0.00	0.59	0.00	Core Value	36.98	High	Luxembourg	Luxembourg	31-Aug-2017	Aggregate MFs
710	Stonebridge Capital Management, Inc.	7,000	0.00	0	0.00	0.55	0.00	Core Growth	268.83	Low	Los Angeles	United States	31-Mar-2018	13F
711	ValueFocus Equity Management AG	7,000	0.00	0	0.00	0.59	0.00	Core Value	14.53	Low	Vienna	Austria	31-Jul-2017	Aggregate MFs
712	Ziel Invest GmbH	7,000	0.00	0	0.00	0.60	0.00	Yield	49.58	Low	Richmond	United States	31-Jan-2018	Aggregate MFs
713	Kanawha Capital Management, LLC	6,950	0.00	0	0.00	0.56	0.00	Core Value	661.82	Low	Marseille	France	31-Mar-2018	Aggregate MFs
714	Zarif Gestion	6,936	0.00	0	0.00	0.53	0.00	Core Value	25.07	Low	Boston	United States	31-Mar-2017	Aggregate MFs
715	MK Luxinvest S.A.	6,869	0.00	4,699	216.54	0.58	0.39	Core Value	48.24	Moderate	Düsseldorf	Luxembourg	30-Sep-2017	Aggregate MFs
716	Apo Asset Management GmbH	6,800	0.00	1,700	33.33	0.54	0.14	Core Value	804.61	Moderate	Paris	France	28-Feb-2018	Aggregate MFs
717	BayernInvest Kapitalanlagegesellschaft mbH	6,655	0.00	0	0.00	0.57	0.00	Core Value	646.37	Low	Munich	Germany	31-Jan-2018	Aggregate MFs
718	1875 Finance SA	6,624	0.00	900	15.72	0.48	0.06	Core Value	18.68	Low	Geneva	Switzerland	31-Dec-2016	Aggregate MFs
719	Guggenheim Investments	6,621	0.00	6,621	100.00	0.52	0.52	Core Value	45,221.64	Low	Rockville	United States	31-Mar-2018	Aggregate MFs
720	TOP Vermögen AG	6,600	0.00	0	0.00	0.51	0.00	Core Value	30.17	Low	Stamberg	Germany	31-Mar-2017	Aggregate MFs
721	Butterfield Bank (Cayman) Limited	6,560	0.00	360	5.81	0.52	0.03	Core Value	21.82	Low	Grand Cayman	Cayman Islands	28-Feb-2018	Aggregate MFs
722	COLLEGIUM Vermögensverwaltungen AG	6,511	0.00	-2,489	-27.66	0.56	-0.21	Core Value	30.71	Low	Osnabrück	Germany	31-Jan-2018	Aggregate MFs
723	Anthilia Capital Partners SGR Spa	6,500	0.00	-1,000	-13.33	0.52	-0.08	Core Value	116.30	Low	Milan	Italy	28-Feb-2018	Aggregate MFs
724	Döbelin & Maurer Vermögensverwaltung und Finanzberatung AG	6,500	0.00	0	0.00	0.52	0.00	Core Value	12.14	Low	Luxembourg	Luxembourg	28-Feb-2018	Aggregate MFs
725	H. Hentsch Asset Management SA	6,500	0.00	0	0.00	0.52	0.00	Core Value	9.15	Low	Reykjavík	Iceland	28-Feb-2018	Aggregate MFs
726	Steinrih hf.	6,500	0.00	0	0.00	0.47	0.00	Core Growth	723.96	Low	Boston	United States	31-Dec-2016	Aggregate MFs
727	Trillium Asset Management, LLC	6,500	0.00	0	0.00	0.47	0.00	Core Value	2,135.88	Low	Paris	France	31-Dec-2017	Aggregate MFs
728	Messieurs Hottinguer & Cie Gestion Privée S.A.	6,400	0.00	0	0.00	0.55	0.00	Core Value	1,867.99	Moderate	Charlotte	United States	31-Mar-2018	Aggregate MFs
729	Horizon Investments, LLC	6,379	0.00	4,201	192.88	0.50	0.33	GARP	657.23	Low	Madrid	Spain	31-Dec-2017	Aggregate MFs
730	BNP Paribas Investment Partners España SA SGIC	6,363	0.00	0	0.00	0.55	0.00	Core Value	258.90	Low	Capellen	Luxembourg	28-Feb-2018	Aggregate MFs
731	Lemanik Asset Management S.A.	6,335	0.00	250	4.11	0.50	0.02	Core Growth	2,129.72	Moderate	Luxembourg	Luxembourg	31-Dec-2016	Aggregate MFs
732	BG Fund Management Luxembourg S.A.	6,307	0.00	0	0.00	0.50	0.00	Core Value	19.60	Moderate	Vienna	Austria	31-Aug-2017	Aggregate MFs
733	Euram Capital Bank AG	6,250	0.00	6,250	100.00	0.53	0.53	Core Growth	1,147.74	Low	Paris	France	31-Oct-2016	Aggregate MFs
734	Société Générale Gestion	6,201	0.00	0	0.00	0.45	0.00	GARP	57.75	Low	Oslo	Norway	31-Dec-2017	Aggregate MFs
735	Fondsvorvaltning A/S	6,175	0.00	-290	-4.49	0.53	-0.02	Core Value	2,679.26	High	Hamburg	Germany	31-May-2017	Aggregate MFs
736	Deutsche Asset Management (Japan) Ltd.	6,000	0.00	-21,000	-77.78	0.51	-1.79	Aggres. Gr.	174.26	Moderate	Chiyoda-ku (Tokyo)	Japan	31-May-2017	Aggregate MFs
737	MB Fund Advisory GmbH	6,000	0.00	0	0.00	0.48	0.00	Core Value	131.73	Low	Limburg	Germany	28-Feb-2018	Aggregate MFs
738	NBC Asset Management Mutual Funds Management Company S.A.	6,000	0.00	-6,000	-50.00	0.50	-0.50	Core Value	142.31	Moderate	Athens	Greece	30-Sep-2017	Aggregate MFs
739	Fenimore Asset Management, Inc.	5,800	0.00	0	0.00	0.46	0.00	Deep Value	2,719.32	Low	Cobleskill	United States	31-Mar-2018	13F
740	Deutsche Investment Management Americas, Inc.	5,764	0.00	631	12.29	0.46	0.05	Core Value	18,389.50	Moderate	New York	United States	28-Feb-2018	Aggregate MFs
741	UBS Asset Management (Australia) Ltd.	5,685	0.00	368	6.92	0.45	0.03	GARP	835.50	Low	Sydney	Australia	31-Mar-2018	Aggregate MFs
742	Danske Invest Management Company S.A.	5,615	0.00	-875	-13.48	0.48	-0.08	Core Value	225.09	Moderate	Luxembourg	Luxembourg	31-Jan-2018	Aggregate MFs
744	Family Finance Fincasa	5,600	0.00	82	1.48	0.45	0.01	GARP	7,197.02	Low	San Diego	United States	31-Mar-2017	Aggregate MFs
745	Bruno Walter Finance SA	5,500	0.00	0	0.00	0.47	0.00	Core Growth	99.13	Low	Switzerland	Switzerland	31-Dec-2017	Aggregate MFs
746	Jackson Square Partners, LLC	5,470	0.00	0	0.00	0.44	0.00	Core Growth	24,181.58	Low	San Francisco	United States	28-Feb-2018	Aggregate MFs
747	Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A.	5,400	0.00	0	0.00	0.47	0.00	Core Value	260.04	Moderate	Warsaw	Poland	30-Jun-2017	Aggregate MFs
748	Bellevue Asset Management AG	5,285	0.00	1,785	51.00	0.40	0.14	Growth	5,956.31	Low	Kuesnacht (Zürich)	Switzerland	31-Mar-2017	Aggregate MFs
749	LRI Invest S.A.	5,200	0.00	2,750	112.24	0.37	0.20	GARP	168.58	Low	Munsbach	Luxembourg	31-Dec-2016	Aggregate MFs
750	Julius Baer Portfolio Managers Limited	5,180	0.00	-4,950	-49.86	0.41	-0.39	Hedge Fund	145.83	Low	London	England	28-Feb-2018	Aggregate MFs
751	Purpose Investments Inc.	5,070	0.00	-203	-3.85	0.43	-0.02	Core Value	252.29	Moderate	Paris	France	31-Aug-2017	Aggregate MFs
752	Gesurius Asset Management S.G.I.I.C., S.A.	5,060	0.00	-1,145	-18.45	0.44	-0.10	Core Value	379.59	Low	Barcelona	Spain	31-Dec-2017	Aggregate MFs
753	smart-invest GmbH	5,030	0.00	0	0.00	0.36	0.00	Hedge Fund	79.74	Low	Stuttgart	Germany	31-Dec-2016	Aggregate MFs
754	Abbreca Capital, LLC	5,000	0.00	0	0.00	0.43	0.00	Growth	231.17	Low	Sausalito	United States	31-Dec-2017	13F
755	ActivGest S.A.	5,000	0.00	2,200	-30.56	0.40	-0.18	Core Value	75.29	Low	Cologny	Switzerland	28-Feb-2018	Aggregate MFs
756	Aramea Asset Management AG	5,000	0.00	-5,000	-50.00	0.43	-0.43	Deep Value	2,679.26	High	Hamburg	Germany	31-Dec-2017	Aggregate MFs
757	Avalor Investment AG	5,000	0.00	0	0.00	0.43	0.00	Core Value	22.60	High	Zurich	Switzerland	30-Jun-2017	Aggregate MFs
758	Bayerische Vermögen AG	5,000	0.00	3,000	150.00	0.44	0.26	Core Value	47.68	Moderate	Traunstein	Germany	30-Jun-2017	Aggregate MFs
759	Böhmer & Schilcher Finanzdienstleistungen GmbH	5,000	0.00	0	0.00	0.40</								

816	T&D Asset Management Co., Ltd.	3,013	0.00	3,013	100.00	0.22	0.22	GARP	430.07	Low	Minato-ku (Tokyo) Kong)	Japan Hong Kong SAR	28-Feb-2017	Aggregate MFs
817	Schroder Investment Management (Hong Kong) Ltd.	3,005	0.00	3,005	100.00	0.26	0.26	GARP	20,637.22	Low	Admiralty (Hong Kong)	28-Feb-2017	Aggregate MFs	
818	Arclnvest AG	3,000	0.00	0	0.00	0.24	0.00	GARP	58.82	Moderate	Vaduz	Liechtenstein	28-Feb-2018	Aggregate MFs
819	Credit Suisse (Luxembourg) S.A.	3,000	0.00	0	0.00	0.24	0.00	GARP	647.97	Low	Luxembourg	Luxembourg	30-Sep-2016	Aggregate MFs
820	Hauck & Aufhäuser Privatbankiers KGaA	3,000	0.00	-2,000	-40.00	0.26	-0.17	GARP	287.75	Low	Frankfurt	Germany	30-Jun-2017	Aggregate MFs
821	PARTNERS VermögensManagement AG	3,000	0.00	0	0.00	0.22	0.00	GARP	17.46	Low	Munich	Germany	31-Dec-2016	Aggregate MFs
822	Quorus Vermögensverwaltung AG	3,000	0.00	0	0.00	0.24	0.00	GARP	68.62	High	Vaduz	Liechtenstein	28-Feb-2018	Aggregate MFs
823	Salm-Salm & Partner GmbH	3,000	0.00	3,000	100.00	0.25	0.25	GARP	20.83	Low	Wallhausen	Germany	30-Sep-2017	Aggregate MFs
824	Sparkasse Oberösterreich Kapitalanlagegesellschaft mbh	3,000	0.00	0	0.00	0.23	0.00	Growth	26.67	Low	Linz	Austria	31-Mar-2017	Aggregate MFs
825	Bank of Communications Schroder Fund Management Co., 2,979	0.00	344	13.06	0.21	0.02	Core Growth	2,809.24	Moderate	Shanghai	China	31-Dec-2016	Aggregate MFs	
826	HANSAINVEST Hanseatische Investment GmbH	2,962	0.00	0	0.00	0.25	0.00	GARP	838.08	Low	Hamburg	Germany	31-Dec-2017	Aggregate MFs
827	Douglas Wintrop Advisors, LLC	2,870	0.00	0	0.00	0.25	0.00	Income Value	1,838.26	Low	New York	United States	31-Dec-2017	13F
828	Element Investment Managers	2,812	0.00	0	0.00	0.24	0.00	Income Value	51.18	Moderate	Cape Town	South Africa	31-Dec-2017	Aggregate MFs
829	Aditya Birla Sun Life AMC Limited	2,800	0.00	0	0.00	0.22	0.00	Core Growth	12,155.69	Low	Mumbai	India	31-Mar-2018	Aggregate MFs
830	Shinhan BNP Paribas Asset Management Co., Ltd.	2,743	0.00	2,743	100.00	0.20	0.20	Core Value	799.48	Low	Seoul	Korea, Rep. (South)	31-Dec-2016	Aggregate MFs
831	Disciplined Growth Investors, Inc.	2,700	0.00	0	0.00	0.23	0.00	Growth	4,987.01	Low	Minneapolis	United States	31-Dec-2017	13F
832	Hansberger Growth Investors, LP	2,673	0.00	0	0.00	0.18	0.00	Growth	93.70	Low	Burlington	Canada	30-Nov-2016	Aggregate MFs
833	Kyobo AXA Investment Managers Co., Ltd.	2,653	0.00	260	10.87	0.23	0.02	Core Growth	578.31	Low	Korea, Rep. (South)	Korea, Rep. (South)	30-Jun-2017	Aggregate MFs
834	CATAM Asset Management AG	2,500	0.00	0	0.00	0.20	0.00	Income Value	100.26	Moderate	Schaan	Liechtenstein	28-Feb-2018	Aggregate MFs
835	Oldenburgische Landesbank AG	2,500	0.00	-1,500	-37.50	0.22	-0.13	Core Value	10.49	High	Oldenburg	Germany	31-Dec-2017	Aggregate MFs
836	Portland Investment Counsel Inc.	2,500	0.00	-300	-10.71	0.22	-0.03	Core Value	134.97	Moderate	Burlington	Canada	31-Dec-2017	Aggregate MFs
837	Controflida (Suisse) SA	2,360	0.00	-1,290	-35.34	0.17	-0.09	GARP	64.44	Low	Lugano	Switzerland	31-Dec-2016	Aggregate MFs
838	Frankfurter Bankengesellschaft (Deutschland) AG	2,340	0.00	2,340	100.00	0.17	0.17	Core Value	6.04	Low	Frankfurt	Germany	31-Jan-2017	Aggregate MFs
839	Piraeus Asset Management Mutual Funds S.A.	2,300	0.00	-400	-14.81	0.17	-0.03	Moderate	8.13	Athens	Greece	31-Dec-2016	Aggregate MFs	
840	SG 29 Haussmann	2,300	0.00	0	0.00	0.18	0.00	Fund of Funds	6.15	Low	Paris	France	30-Sep-2016	Aggregate MFs
841	SYZ Asset Management	2,300	0.00	-250	-9.80	0.20	-0.02	Hedge	896.62	Moderate	Geneva	Switzerland	31-Dec-2017	Aggregate MFs
842	PT Asset Management AG	2,265	0.00	0	0.00	0.20	0.00	Core Growth	101.25	Low	Metzingen	Germany	31-Jan-2018	Aggregate MFs
843	Fubon Asset Management Company Ltd.	2,231	0.00	-129	-5.47	0.19	-0.01	GARP	1,048.67	Low	Taipei	Taiwan, R.O.C.	31-Oct-2017	Aggregate MFs
844	PanAgora Asset Management Inc.	2,224	0.00	0	0.00	0.19	0.00	GARP	27,315.87	Low	Boston	United States	31-Dec-2017	Aggregate MFs
845	Tellsonsons Investors LLP	2,200	0.00	-11,500	-83.94	0.19	-0.99	Growth	28.12	High	London	England	31-Jan-2018	Aggregate MFs
846	Amundi Hong Kong Limited	2,145	0.00	-3,278	-60.45	0.19	-0.29	GARP	1,866.04	Moderate	Central (Hong Kong)	Hong Kong SAR	30-Jun-2017	Aggregate MFs
847	DONNER & REUSCHEL Aktiengesellschaft	2,100	0.00	0	0.00	0.18	0.00	GARP	251.64	Low	Hamburg	Germany	31-Dec-2017	Aggregate MFs
848	EdenTree Investment Management Limited	2,000	0.00	0	0.00	0.16	0.00	Yield	5,279.34	Moderate	London	England	28-Feb-2018	Aggregate MFs
849	Hoche Gestion Privée	2,000	0.00	0	0.00	0.17	0.00	GARP	78.14	Low	Paris	France	31-Dec-2017	Aggregate MFs
850	Uzès Gestion	2,000	0.00	0	0.00	0.16	0.00	GARP	191.67	Low	Paris	France	31-Aug-2016	Aggregate MFs
851	Ringturm Kapitalanlagegesellschaft mbh	1,850	0.00	0	0.00	0.14	0.00	GARP	1,566.66	Low	Vienna	Austria	31-Jan-2017	Aggregate MFs
852	Rondure Global Advisors LLC	1,800	0.00	0	0.00	0.14	0.00	Hedge Fund	1,003.95	Moderate	Salt Lake City	United States	28-Feb-2018	Aggregate MFs
853	Symphony Asset Management LLC	1,707	0.00	0	0.00	0.14	0.00	Core Value	627.14	Low	San Francisco	United States	28-Feb-2018	Aggregate MFs
854	Salient Partners, L.P.	1,700	0.00	1,700	100.00	0.13	0.13	Core Growth	10,588.92	Low	Houston	United States	31-Mar-2017	Aggregate MFs
855	Sumitomo Mitsui Trust Asset Management Co., Ltd.	1,674	0.00	-196,261	-99.15	0.14	-16.76	Core Growth	10,588.92	Low	Minato-ku (Tokyo)	Japan	31-May-2017	Aggregate MFs
856	AllianceBernstein Japan Ltd.	1,522	0.00	161	11.83	0.13	0.01	GARP	440.36	Moderate	Chiyoda-ku (Tokyo)	Japan	31-Jan-2018	Aggregate MFs
857	ClearBridge Investments, LLC	1,500	0.00	0	0.00	0.13	0.00	GARP	111,238.33	Low	New York	United States	31-May-2017	Aggregate MFs
858	DVAM Vermögensverwaltung GmbH	1,500	0.00	1,500	100.00	0.12	0.12	Core Value	3.72	High	Detmold	Germany	28-Feb-2018	Aggregate MFs
859	Freie Internationale Sparkasse S.A.	1,500	0.00	0	0.00	0.13	0.00	Moderate	72.83	Low	Luxembourg	Luxembourg	30-Nov-2017	Aggregate MFs
860	Glogerer Vermögensverwaltung AG	1,500	0.00	0	0.00	0.12	0.00	Core Value	7.12	Low	Liechtenstein	Liechtenstein	31-Jul-2016	Aggregate MFs
861	Kapital Privat Vermögensverwaltungen AG	1,500	0.00	1,500	100.00	0.12	0.12	Core Value	32.10	Low	Mainz	Germany	28-Feb-2018	Aggregate MFs
862	M.M.Warburg & CO Luxembourg S.A.	1,500	0.00	-6,500	-81.25	0.13	-0.54	Core Value	112.77	Moderate	Luxembourg	Luxembourg	30-Sep-2017	Aggregate MFs
863	Weltzia Management SGIIC S.A.	1,488	0.00	-2,176	-59.39	0.11	-0.17	Deep Value	132.28	High	Madrid	Spain	31-Mar-2017	Aggregate MFs
864	Fiera Capital Inc.	1,440	0.00	0	0.00	0.11	0.00	Core Growth	704.18	Moderate	New York	United States	28-Feb-2018	Aggregate MFs
865	Anchor Capital (Pty) Ltd	1,430	0.00	0	0.00	0.12	0.00	Hedge Fund	115.67	Moderate	Johannesburg	South Africa	31-Dec-2017	Aggregate MFs
866	CBH Compagnie Bancaire Helvétique SA	1,400	0.00	0	0.00	0.12	0.00	Growth	65.30	Low	Geneva	Switzerland	31-Jan-2018	Aggregate MFs
867	Heron Asset Management SA	1,360	0.00	-240	-15.00	0.11	-0.02	Moderate	28.72	Avg	Lugano	Switzerland	28-Feb-2018	Aggregate MFs
868	Rock Creek Group, L.P.	1,336	0.00	405	43.50	0.11	0.03	Hedge Fund	395.65	Moderate	Washington	United States	28-Feb-2018	Aggregate MFs
869	AMPLEGEST	1,300	0.00	1,300	100.00	0.10	0.10	Moderate	498.06	Low	Paris	France	28-Feb-2018	Aggregate MFs
870	Barings LLC	1,300	0.00	0	0.00	0.11	0.00	Core Value	5,026.37	High	Boston	United States	31-Dec-2017	Aggregate MFs
871	MainFirst Asset Management	1,300	0.00	0	0.00	0.11	0.00	Core Growth	2,542.75	Moderate	Frankfurt	Germany	31-Dec-2017	Aggregate MFs
872	Mega International Investment Trust Co., Ltd.	1,241	0.00	-2,968	-70.52	0.09	-0.21	GARP	158.26	Low	Taipei	Taiwan, R.O.C.	31-Dec-2016	Aggregate MFs
873	Quilevert Asset Management S.A. France	1,165	0.00	0	0.00	0.08	0.00	GARP	45.65	Low	Paris	France	31-Dec-2016	Aggregate MFs
874	Sharkey Howes & Javer Inc	1,160	0.00	0	0.00	0.10	0.00	GARP	170.42	Low	Denver	United States	31-Dec-2017	13F
875	Atlas Capital Advisors LLC	1,100	0.00	1,100	100.00	0.09	0.09	GARP	324.46	Low	San Francisco	United States	31-Mar-2018	13F
876	Kinea Investimentos Ltda.	1,081	0.00	1,081	100.00	0.09	0.09	Hedge Fund	294.86	High	São Paulo	Brazil	30-Sep-2017	Aggregate MFs
877	First Trust Advisors L.P.	1,075	0.00	430	66.67	0.09	0.03	Income Value	53,407.56	High	Wheaton	United States	31-Mar-2017	Aggregate MFs
878	Sompo Japan Nipponka Asset Management Co., Ltd.	1,075	0.00	-31	-2.80	0.09	0.00	GARP	2,028.78	Low	Chuко-ku (Tokyo)	Japan	31-Jul-2017	Aggregate MFs
879	TCV Asset Management Company LLC	1,075	0.00	-31	-2.80	0.09	0.00	Core Growth	12,812.75	Low	Los Angeles	United States	31-Jul-2017	Aggregate MFs
880	Macarupri Investment Management	1,070	0.00	-90	-7.76	0.09	-0.01	Core Value	58,370.31	Low	Philadelphia	United States	28-Feb-2018	Aggregate MFs
881	Advisory Invest GmbH	1,000	0.00	0	0.00	0.09	0.00	Core Fund	29.55	Low	Vienna	Austria	30-Nov-2017	Aggregate MFs
882	Amilton Asset Management	1,000	0.00	-10,000	-90.91	0.08	-0.77	GARP	140.08	High	Paris	France	31-Mar-2017	Aggregate MFs
883	BN & Partners Deutschland AG	1,000	0.00	0	0.00	0.09	0.00	GARP	42.13	Low	Frankfurt	Germany	31-May-2016	Aggregate MFs
884	Carrera Asset Management Co., Ltd.	1,000	0.00	0	0.00	0.09	0.00	Core Value	5.61	Low	Chuō-ku (Tokyo)	Japan	31-Dec-2017	Aggregate MFs
885	Principal Vermögensverwaltung AG	1,000	0.00	0	0.00	0.08	0.00	GARP	77.97	Low	Vaduz	Liechtenstein	28-Feb-2018	Aggregate MFs
886	Rothschild & Cie Gestion	1,000	0.00	-500	-33.33	0.08	-0.04	GARP	4,366.70	Moderate	Paris	France	31-Oct-2017	Aggregate MFs
887	SEAMARK Asset Management (2013) Ltd.	1,000	0.00	-200	-16.67	0.09	-0.02	Core Growth	6.59	Low	Halifax	Canada	31-Dec-2017	Aggregate MFs
888	Swiss Wealth Management SA	1,000	0.00	-2,000	-66.67	0.08	-0.16	Core Growth	89.09	Low	Lugano	Switzerland	28-Feb-2018	Aggregate MFs
889	Semper Constantia Invest GmbH	990	0.00	-1,560	-61.18	0.08	-0.13	GARP	106.07	Moderate	Labuan	Malaysia	28-Feb-2018	Aggregate MFs
890	Cogeni Asset Management Ltd	987	0.00	0	0.00	0.08	0.00	Growth	4,254.84	Low	London	United Kingdom	31-Dec-2017	Aggregate MFs
891	Insight Investment Management (Global) Limited	980	0.00	0	0.00	0.08	0.00	Growth	2,668.17	Low	London	United Kingdom	31-Dec-2017	Aggregate MFs
892	Credit suisse Asset Management Funds S.p.A.	960	0.00	0	0.00	0.08	0.00	Core Growth	975.31	Low	London	United Kingdom	31-Dec-2017	Aggregate MFs
893	Mar Vista Investment Partners, LLC	924	0.00	0	0.00	0.08	0.00	Growth	11,104.60	Low	Singapore	Singapore	31-Dec-2017	13F
894	QCI Asset Management Inc.	900	0.00	0	0.00	0.08	0.00	Core Growth	5,071.77	Moderate	Taipei	Taiwan, R.O.C.	31-Dec-2017	Aggregate MFs
895	INVESTCO Asset Management Limited	869	0.00	-29,560	-97.14	0.07	-2							

949	BRW AG & Co. Vermögensmanagement KG	0	0.00	-21,019	-100.00	0.00	-1.83	Core Growth	165.83	Moderate	Braunschweig	Germany	30-Jun-2017	Aggregate MFs
950	BZ Bank AG (Asset Management)	0	0.00	-43,000	-100.00	0.00	-3.70	Core Growth	100.86	Moderate	Switzerland	31-Dec-2017	Aggregate MFs	
951	Banca Finnat Eumerica S.p.A.	0	0.00	-1,180	-100.00	0.00	-0.10	Core Growth	96.39	Moderate	Rome	Italy	30-Jun-2017	Aggregate MFs
952	Banca Passadore & C. S.p.A.	0	0.00	-200	-100.00	0.00	-0.02	Core Value	37.58	High	Genova	Italy	31-Aug-2017	Aggregate MFs
953	Belvoir Capital AG	0	0.00	-10,000	-100.00	0.00	-0.86	Core Value	54.05	High	Zurich	Switzerland	31-Jan-2018	Aggregate MFs
954	Beutel, Goodman & Company Ltd.	0	0.00	-5,000	-100.00	0.00	-0.44	Core Value	18,678.32	Low	Toronto	Canada	30-Jun-2017	Aggregate MFs
955	Blackstone Alternative Investment Advisors LLC	0	0.00	-23,822	-100.00	0.00	-2.00	Hedge Fund	2,137.93	Moderate	New York	United States	30-Sep-2017	Aggregate MFs
956	CA Indosuez Wealth (Europe) S.A.	0	0.00	-14,913	-100.00	0.00	-1.07	Core Value	1,316.58	Moderate	Luxembourg	Luxembourg	31-Dec-2016	Aggregate MFs
957	CBI Quilvest S.A.	0	0.00	-20,350	-100.00	0.00	-1.46	GARP	67.97	Low	Strassen	Luxembourg	31-Dec-2016	Aggregate MFs
958	CONCEPT Vermögensmanagement GmbH & Co. KG	0	0.00	-25,000	-100.00	0.00	-2.14	Core Value	87.55	Low	Bielefeld	Germany	31-May-2017	Aggregate MFs
959	Casa4Funds Luxembourg European Asset Management S.A.	0	0.00	-1,500	-100.00	0.00	-0.13	Core Growth	246.88	Moderate	Luxembourg	Luxembourg	30-Jun-2017	Aggregate MFs
960	Causeway Capital Management LLC	0	0.00	-13,867	-100.00	0.00	-1.21	Core Value	29,828.67	Low	Los Angeles	United States	30-Jun-2017	Aggregate MFs
961	Columbia Asset Management, L.L.C.	0	0.00	-4,510	-100.00	0.00	-0.32	Core Value	347.82	High	Michigan City	United States	31-Dec-2016	13F
962	Conseil Plus Gestion (CPG)	0	0.00	-2,200	-100.00	0.00	-0.19	GARP	55.86	Moderate	Aix-en-Provence	France	31-Dec-2017	Aggregate MFs
963	Coronation Fund Managers Limited	0	0.00	-11,569	-100.00	0.00	-0.97	GARP	21,680.48	Low	Cape Town	South Africa	30-Sep-2017	Aggregate MFs
964	Counterpoint Asset Management	0	0.00	-1,836	-100.00	0.00	-0.16	Core Value	59.52	Low	Cape Town	South Africa	31-Dec-2017	Aggregate MFs
965	Couriers Investment Services Limited	0	0.00	-7,984	-100.00	0.00	-0.69	Core Value	139.15	Moderate	Henley-on-Thames	England	31-Dec-2017	Aggregate MFs
966	Cramer Rosenthal McGlynn, LLC	0	0.00	-2,914	-100.00	0.00	-0.24	Core Value	6,391.21	Moderate	New York	United States	30-Sep-2017	Aggregate MFs
967	Crédito Agrícola Gest-Sociedade Gest de Fundos de Invest.	0	0.00	-2,700	-100.00	0.00	-0.21	GARP	15.07	High	Lisbon	Portugal	31-Mar-2017	Aggregate MFs
968	Darwin Inversiones S.A.	0	0.00	-10,600	-100.00	0.00	-0.84	Core Growth	199.83	Moderate	Buenos Aires	Argentina	30-Sep-2016	Aggregate MFs
969	Delphi Fondene	0	0.00	-87,950	-100.00	0.00	-7.01	Core Growth	467.22	High	Lysaker	Norway	28-Feb-2018	Aggregate MFs
970	Denning Pryce Pty Ltd.	0	0.00	-2,978	-100.00	0.00	-0.26	Hedge Fund	172.84	Low	Sydney	Australia	30-Jun-2017	Aggregate MFs
971	Deutsche Bank AG (Germany)	0	0.00	-10,597	-100.00	0.00	-0.76	GARP	1,514.50	Low	Frankfurt	Germany	31-Dec-2016	Aggregate MFs
972	Diem Client Partner AG	0	0.00	-2,800	-100.00	0.00	-0.24	Core Growth	1.00	High	Zollikon	Switzerland	30-Jun-2017	Aggregate MFs
973	Diversified Trust Company	0	0.00	-61,640	-100.00	0.00	-4.42	Core Growth	1,245.52	Low	Memphis	United States	31-Dec-2016	13F
974	Double Dividend B.V.	0	0.00	-3,000	-100.00	0.00	-0.26	Aggres. Gr.	78.39	Moderate	Netherlands	Netherlands	30-Jun-2017	Aggregate MFs
975	Dreihaus Capital Management, LLC	0	0.00	-165,231	-100.00	0.00	-13.17	GARP	5,073.21	High	Chicago	United States	28-Feb-2018	Aggregate MFs
976	Eichler + Mehrti Finanzdienstleistungen GmbH	0	0.00	-3,100	-100.00	0.00	-0.27	Core Growth	16.10	Moderate	Düsseldorf	Germany	30-Jun-2017	Aggregate MFs
977	Elan Capital-Partners GmbH	0	0.00	-3	-100.00	0.00	0.00	Core Value	35.60	Low	Bad Homburg	Germany	28-Feb-2018	Aggregate MFs
978	Ethenea Independent Investors S.A.	0	0.00	-888,457	-100.00	0.00	-74.44	GARP	1,627.30	High	Munsbach	Luxembourg	30-Sep-2017	Aggregate MFs
979	Euro Pacific Asset Management, LLC	0	0.00	-22,000	-100.00	0.00	-1.90	Core Value	132.51	Low	San Juan	Puerto Rico	31-Jan-2018	Aggregate MFs
980	Evangelische Kreditgenossenschaft eG	0	0.00	-5,400	-100.00	0.00	-0.47	Core Value	114.94	Low	Kassel	Germany	31-Jan-2018	Aggregate MFs
981	Eyb & Wallwitz Vermögensmanagement GmbH	0	0.00	-94,000	-100.00	0.00	-7.49	GARP	240.25	Low	Munich	Germany	28-Feb-2018	Aggregate MFs
982	FMR Investment Management (U.K.) Limited	0	0.00	-568,238	-100.00	0.00	-45.30	Core Growth	13,060.27	Moderate	London	England	28-Feb-2018	Aggregate MFs
983	FPM Frankfurt Performance Management AG	0	0.00	-1,500	-100.00	0.00	-0.12	GARP	427.96	Moderate	Frankfurt	Germany	30-Sep-2016	Aggregate MFs
984	Fiducium AG	0	0.00	-5,000	-100.00	0.00	-0.42	Core Growth	694.58	Low	Bad Homburg	Germany	30-Sep-2017	Aggregate MFs
985	Finançière Galilée	0	0.00	-260	-100.00	0.00	-0.02	Core Value	1.73	Low	Strasbourg	France	31-May-2017	Aggregate MFs
986	Finlabo SIM S.p. A.	0	0.00	-39,300	-100.00	0.00	-3.13	GARP	378.20	High	Paris	France	31-Dec-2017	Aggregate MFs
987	FundLogic SAS	0	0.00	-119,519	-100.00	0.00	-10.28	Core Value	1,958.14	High	Augsburg	Germany	31-Mar-2017	Aggregate MFs
988	Furst Fugger Privatbank KG	0	0.00	-18,000	-100.00	0.00	-1.38	GARP	197.17	Moderate	London	England	31-Mar-2017	Aggregate MFs
989	GAM International Management Ltd.	0	0.00	-66,552	-100.00	0.00	-5.10	Core Value	6,503.60	High	Chiyoda-ku (Tokyo)	Japan	31-Dec-2017	Aggregate MFs
990	GCI Asset Management, Inc.	0	0.00	-140	-100.00	0.00	-0.01	GARP	6.52	Low	Grevenmacher	Luxembourg	28-Feb-2018	Aggregate MFs
991	GSAP Kapitalanlagegesellschaft S.A.	0	0.00	-5,540	-100.00	0.00	-0.44	Core Growth	248.10	Low	London	United Kingdom	31-Mar-2017	Aggregate MFs
992	Gestion Valor	0	0.00	-100	-100.00	0.00	-0.01	Core Value	770.21	Moderate	Paris	France	30-Sep-2017	Aggregate MFs
993	Hansen + Heinrich Aktiengesellschaft	0	0.00	-200	-100.00	0.00	-0.02	Core Value	29.17	Moderate	Berlin	Germany	30-Sep-2017	Aggregate MFs
994	Hauck & Aufhäuser Investment Gesellschaft S.A.	0	0.00	-3,250	-100.00	0.00	-0.26	GARP	837.23	Low	Luxembourg	Luxembourg	31-Jul-2017	Aggregate MFs
995	Heptagon Capital LLP	0	0.00	-31,000	-100.00	0.00	-2.70	GARP	536.84	Low	London	United Kingdom	30-Jun-2017	Aggregate MFs
996	Hermes Investment Management Ltd.	0	0.00	-38,051	-100.00	0.00	-2.92	GARP	13,811.00	Low	London	United Kingdom	31-Mar-2017	Aggregate MFs
997	Hirtle, Callaghan & Co., LLC	0	0.00	-219,322	-100.00	0.00	-18.86	GARP	2,415.55	Low	West	United States	31-Dec-2017	Aggregate MFs
998	ICON Advisers, Inc.	0	0.00	-10,900	-100.00	0.00	-0.84	Specialty Yield	1,627.65	Moderate	Greenwood Village	United States	31-Mar-2017	Aggregate MFs
999	Independent Franchise Partners LLP	0	0.00	-754,176	-100.00	0.00	-57.79	GARP	14,745.66	Low	London	United Kingdom	31-Mar-2017	Aggregate MFs
1000	Integrated Wealth Management	0	0.00	-426	-100.00	0.00	-0.03	Core Growth	298.24	Low	Palms Spring	United States	30-Sep-2016	13F
1001	J.P. Morgan Asset Management (Hong Kong) Ltd.	0	0.00	-231	-100.00	0.00	-0.02	GARP	21,771.36	Moderate	Central (Hong Kong)	Hong Kong SAR	31-Dec-2017	Aggregate MFs
1002	JRS Finanzmandate AG	0	0.00	-2,300	-100.00	0.00	-0.18	Core Value	23.05	High	Stadtbergen	Germany	28-Feb-2018	Aggregate MFs
1003	Joel Isaacson & Co., LLC	0	0.00	-15,040	-100.00	0.00	-1.19	Core Value	576.28	Low	New York	United States	30-Sep-2016	13F
1004	Jupiter Asset Management Ltd.	0	0.00	-50,686	-100.00	0.00	-3.88	Core Growth	31,602.82	Low	London	United Kingdom	31-Mar-2017	Aggregate MFs
1005	KBC Towarzystwo Funduszów Inwestycyjnych S.A.	0	0.00	-265	-100.00	0.00	-0.02	GARP	30.31	Moderate	Warsaw	Poland	31-Dec-2016	Aggregate MFs
1006	KGI Securities Investment Trust Company Ltd.	0	0.00	-2,102	-100.00	0.00	-0.15	Core Growth	156.70	Low	Taipei	Taiwan, R.O.C.	31-Dec-2016	Aggregate MFs
1007	Kathrein Privatbank Aktiengesellschaft	0	0.00	-4,448	-100.00	0.00	-0.39	Core Growth	201.78	High	Vienna	Austria	30-Jun-2017	Aggregate MFs
1008	Kempner Capital Management N.V.	0	0.00	-210,410	-100.00	0.00	-18.33	Growth	5,854.05	Low	Netherlands	Netherlands	30-Jun-2017	Aggregate MFs
1009	Knowledge Leaders Capital, LLC	0	0.00	-63,494	-100.00	0.00	-5.32	GARP	461.77	High	Denver	United States	30-Sep-2017	Aggregate MFs
1010	Lenox Wealth Management, Inc.	0	0.00	-500	-100.00	0.00	-0.04	Growth	320.49	Moderate	Cincinnati	United States	31-Dec-2017	13F
1011	Liontrust Asset Management PLC	0	0.00	-1	-100.00	0.00	0.00	Core Growth	10,517.22	Low	London	United Kingdom	30-Sep-2017	Aggregate MFs
1012	MRB Vermögensverwaltungen AG	0	0.00	-3,990	-100.00	0.00	-0.34	Core Value	10.84	Low	Zurich	Switzerland	31-Jul-2017	Aggregate MFs
1013	Mahrberg Wealth AG	0	0.00	-2,500	-100.00	0.00	-0.19	Core Value	59.25	High	Liechtenstein	Liechtenstein	30-Apr-2017	Aggregate MFs
1014	Margins Fund Management Limited	0	0.00	-103,791	-100.00	0.00	-9.04	Growth	684.25	High	Birmingham	England	30-Jun-2017	Aggregate MFs
1015	Maver Investment Management Ltd.	0	0.00	-41,458	-100.00	0.00	-3.57	GARP	26,636.73	Low	Calgary	Canada	31-Dec-2017	Aggregate MFs
1016	Midas Wealth Management SA	0	0.00	-14,000	-100.00	0.00	-1.17	Core Value	177.95	Moderate	Luxembourg	Luxembourg	30-Sep-2017	Aggregate MFs
1017	Mirova	0	0.00	-323,297	-100.00	0.00	-27.92	GARP	3,393.38	Low	Paris	France	31-Jan-2018	Aggregate MFs
1018	Mitton Asset Management Limited	0	0.00	-20,000	-100.00	0.00	-1.70	Hedge Fund	3,512.06	Low	London	United Kingdom	31-Aug-2017	Aggregate MFs
1019	Morgan Meighen & Associates Ltd.	0	0.00	-1,500	-100.00	0.00	-0.11	Core Growth	965.20	Low	Toronto	Canada	31-Mar-2017	Aggregate MFs
1020	NFS Capital AG	0	0.00	-4,000	-100.00	0.00	-0.35	GARP	91.38	Moderate	Ruggell	Liechtenstein	30-Jun-2017	Aggregate MFs
1021	Naventia Kapitalfondsverwaltung AB	0	0.00	-41,281	-100.00	0.00	-3.60	GARP	1,037.43	High	Stockholm	Sweden	30-Jun-2017	Aggregate MFs
1022	Nielson Capital Management Fondsmaeglerselskab A/S	0	0.00	-13,709	-100.00	0.00	-1.18	Core Value	143.25	Low	Frederiksberg	Denmark	31-Dec-2017	Aggregate MFs
1023	Ninepoint Partners LP	0	0.00	-7,900	-100.00	0.00	-0.57	Core Value	1,417.37	Moderate	Toronto	Canada	31-Dec-2016	Aggregate MFs
1024	Nuventex Asset Management, LLC	0	0.00	-45,308	-100.00	0.00	-3.95	Core Value	21,444.62	Low	Chicago	United States	30-Jun-2017	Aggregate MFs
1025	Obsidian Capital (Pty) Ltd.	0	0.00	-1,293	-100.00	0.00	-0.11	Hedge Fund	66.71	High	Johannesburg	South Africa	30-Jun-2017	Aggregate MFs
1026	Oli Asset Management	0	0.00	-1,500	-100.00	0.00	-0.13	GARP	2,724.00	Low	Paris	France	31-May-2017	Aggregate MFs
1027	PEH Wertpapier AG	0	0.00	-10,800	-100.00	0.00	-0.94	GARP	274.35	Moderate	Frankfurt	Germany	30-Jun-2017	Aggregate MFs
1028	Pacer Advisors, Inc.	0	0.00	-12,747										

Credit Rating Summary

NESN SW Sfr ↑ 76.18 -0.32 W76.168 /76.20E 1557 x 5888
.... At 13:56 d Vol 2,696,290 0 76.28E H 76.48E L 76.00E Val 205.391M

NESN Sw Equity 91 Company Tree Rating: 92 Alert Page 1/1 Credit Rating Profile

Nestle SA

1) Bloomberg Default Risk | DRSK »

DBRS

Moody's

15) Outlook

STABLE

2) Outlook

STABLE

16) LT Issuer Rating

AAL

3) Issuer Rating

Aa2

Egan-Jones Ratings Company

4) Long Term Rating

Aa2

11) LC Senior Unsecured

AA-

5) Standard & Poor's

SP !

18) FC Senior Unsecured

AA-

6) Outlook

STABLE

19) LC Commercial Paper

A1+

7) LT Foreign Issuer Credit

AA-

20) FC Commercial Paper

A1+

8) LT Local Issuer Credit

AA-

9) ST Foreign Issuer Credit

A-1+

10) ST Local Issuer Credit

A-1+

Fitch

11) Outlook

STABLE

12) LT Issuer Default Rating

AA-

13) Senior Unsecured Debt

AA-

14) ST Issuer Default Rating

F1+

Financial Filings



Good Food, Good Life

Annual Review 2017



Our purpose

Nestlé. Enhancing quality of life and contributing to a healthier future.

Nestlé is the world's largest food and beverages company and is present in 189 countries around the world.

We offer a wide portfolio of products and services for people and their pets throughout their lives. Our more than 2000 brands range from global icons like *Nescafé* and *Nespresso* to local favourites like *Ninho*.

Nestlé is based in the Swiss town of Vevey where it was founded more than 150 years ago.



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2	Letter to our shareholders
6	Our strategy
10	Innovating for a changing world
14	Connecting through our brands
26	Creating Shared Value
38	Financial review
54	Corporate Governance and Compliance
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Accompanying reports

<i>Annual Review 2017</i>
<i>Corporate Governance Report 2017</i>
<i>Compensation Report 2017</i>
<i>Financial Statements 2017</i>

Online

You can find more information about the Nestlé Group at www.nestle.com

Find out more about Creating Shared Value at www.nestle.com/csv

Our performance

Our performance is driven by our Nutrition, Health and Wellness strategy, the engine of our value creation.

Our 2017 organic sales growth was within the guided range but below our expectations. Our cost reduction initiatives delivered margin improvement ahead of expectations. On the right is a summary of the results we achieved during the year.

Group sales (in CHF)	Organic growth *	Real internal growth *
89.8 billion	2.4%	1.6%
Underlying trading operating profit* (in CHF)	Underlying trading operating profit margin*	Underlying trading operating profit margin*
14.7 billion	16.5%	+50 basis points
	Constant currency	Constant currency
Trading operating profit* (in CHF)	Trading operating profit margin*	Trading operating profit margin*
13.2 billion	14.7%	-50 basis points
		Constant currency
Earnings per share (in CHF)	Earnings per share	Underlying earnings per share*
2.32	-15.8%	+4.7%
		Constant currency
Operating cash flow (in CHF)	Free cash flow* (in CHF)	
13.5 billion	8.5 billion	
75.4% of net financial debt*		
Proposed dividend (in CHF)	Proposed dividend increase	
2.35	+2.2%	

* Financial performance measures not defined by IFRS. For further details see Financial review on page 40.

Our business

For over 150 years, Nestlé has been making products that enhance quality of life and contribute to a healthier future.

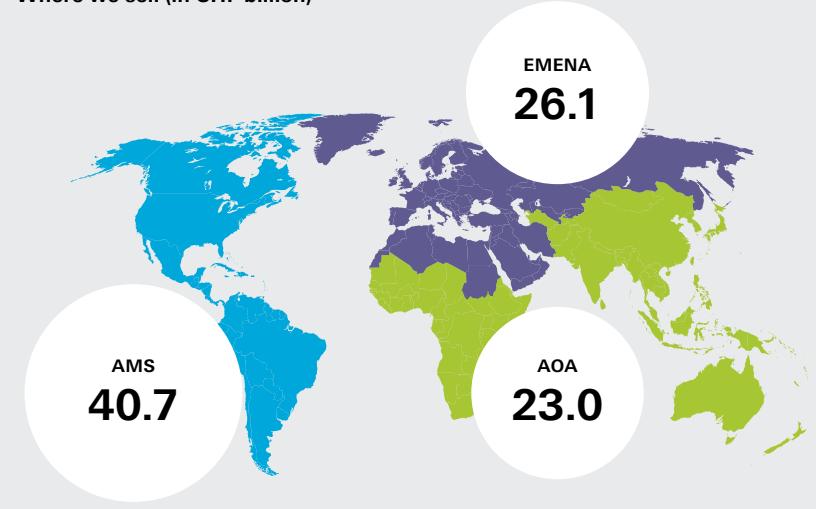
Around the world, we provide safe, quality nutrition for individuals and families. Across our seven product categories, we offer tastier and healthier choices for all life stages and all times of the day.

Through our products and services, we want to help shape a better and healthier world. We also want to inspire people to live healthier lives. This is how we ensure the long-term success of our company while contributing to society.

What we sell (in CHF billion)



Where we sell (in CHF billion)



Number of employees

323 000

Number of countries we sell in

189

Total group salaries and social welfare expenses (in CHF)

17 billion

Corporate taxes paid in 2017 (in CHF)

3.7 billion

Our commitments

Our 41 commitments featured in the Creating Shared Value chapter guide our collective efforts to meet specific objectives.

Every day, we touch the lives of billions of people: from the farmers who grow our ingredients and the families who enjoy our products; through the communities where we live and work; to the natural environment upon which we all depend.



For individuals
and families

Over 1000

new nutritious products launched that address daily needs and gaps as per children intake studies

CHF 40.1 billion

sales of products providing
Portion Guidance

174 billion

servings of fortified foods and beverages in 66 countries with higher vulnerability to micronutrient malnutrition

Over 8000

products/year renovated for nutrition or health considerations (2012–2016 average)



For our
communities

159.9 million

coffee plantlets distributed (cumulative since 2010) to farmers, against a target of 220 million by 2020

57%

of the volume of our 12 priority categories of raw materials and paper are responsibly sourced

41 867

job opportunities, traineeships or apprenticeships were provided for young people through our *Nestlé needs YOuth* initiative

431 000

farmers trained through capacity-building programmes



For the planet

33.2%

reduction in our GHG emissions (scope 1 and 2) per tonne of product since 2007

38.1%

reduction in our water withdrawal per tonne of product since 2007

253

factories achieved zero waste for disposal

25.7%

of our electricity comes from renewable sources

Dear fellow shareholders,

For over 150 years, Nestlé has built its success on a profound understanding of nutrition. That success is based on a continuous, compelling strategy that leads to sustainable value creation. It is also based on the ability to change and adapt. 2017 was no exception. It has been a year of both continuity and change. We continued to build our company for the long term, while increasing speed and efficiency to adapt to the changes around us. Competition is intensifying and consumers' expectations are shifting. Likewise, digital disruption is reshaping how consumers connect and communicate, buy products, and engage with companies. We are anticipating these changes and responding to them with a healthy sense of urgency, setting an agile course for the future.

For the year 2017, Nestlé's organic growth was 2.4%, supported by real internal growth of 1.6%. Pricing of 0.8% was consistent with the prior year. Net divestments reduced sales by 1.9% and foreign exchange had a minimal negative impact of 0.1%. Total reported sales increased by 0.4% to CHF 89.8 billion. Organic growth was 4.8% in emerging markets and 0.7% in developed markets. Underlying Trading operating profit margin was up by 50 basis points in constant currency and up 40 basis points on a reported basis to 16.4%. Based on these results, the Board of Directors is proposing the 23rd dividend increase, underlining our commitment to continuity, of 5 centimes to CHF 2.35 per share this year.

A clear path forward

Nutrition is at the heart of our company. It has been since Henri Nestlé invented the farine lactée that saved the life of a child. Our Nutrition, Health and Wellness strategy is now more relevant than ever as people around the globe want to lead healthier lives. They are more interested in the role nutrition plays in their personal health and well-being. We are well positioned to support them, providing quality, nutritious food and beverages that are both delicious and convenient. Nestlé has a broad portfolio that includes some of the world's most recognised brands. We are a leader in many of the fastest-growing food and beverages categories.

During the year, we confirmed our long-term value creation model. Our mid-term targets underscore our commitment to the right balance of top-line growth and bottom-line performance. We have set an underlying trading operating profit margin target of 17.5% to 18.5% by 2020, up from 16% in 2016. We aim to achieve mid-single digit organic growth by 2020.

Food and beverages are at the core of our business, with many different categories. To grow steadily, we are managing the categories of coffee, pet care, bottled water and infant nutrition for growth. Consumer healthcare is an additional area for growth, especially in meeting the nutritional needs of ageing populations around the world. Furthermore, we are building on our strong position in emerging markets by allocating capital for growth.

We are actively developing our portfolio to reflect new consumer tastes and lifestyles. Our aim is to have the tastiest and healthiest products in each of the categories in which we compete. We are capitalising on recent consumer trends such as organic, whole grain, reduced calorie and natural foods. We are also delivering more plant-based alternatives.

Continuous innovation is a key differentiator for Nestlé, fueling growth from within the company. Driven by our industry-leading research and development network, combined with deep consumer insights, we are speeding up meaningful innovation to bring products and services to the market quickly.

In 2017, several acquisitions helped to strengthen our positions in fast-growing categories and to give access to new business models. Responding to consumer demand for new coffee experiences, we took a majority stake in the U.S. coffee roaster and retailer Blue Bottle Coffee and acquired Chameleon Cold Brew, the number one organic cold brew brand in the United States. With the market for healthy, convenient meals growing, we acquired Sweet Earth – a California based frozen meals company offering high-quality vegetarian dishes. We also bought a minority interest in the online meal delivery platform, Freshly. In consumer healthcare, we announced the acquisition of Atrium Innovations, a global leader in nutritional health products.



Paul Bulcke, Chairman (left), and U. Mark Schneider, Chief Executive Officer (right).

Increased efficiency

To support our growth, we are increasing operating efficiency across the company. We are focusing on structural cost savings in the non-consumer facing areas, specifically in manufacturing, procurement and administrative services.

We are simplifying our manufacturing footprint and optimising our factories to utilise capacity more effectively. To leverage our size and scale in our procurement activities, we have established three global purchasing hubs. By 2020, we expect these hubs to source 60% of our requirements. Through Nestlé Business Excellence, we continue to simplify, standardise and share services and processes. We aim to increase the penetration of shared services to 50% by 2020, up from the current level of around 17%.

We are also simplifying our organisation by delayering functions and strengthening local and regional decision-making. We have reorganised our infant nutrition business, moving it from the Globally-Managed Nestlé Nutrition to a Regionally-Managed business to enhance its agility and to respect local preferences. A dedicated Strategic Business Unit has been created to retain the strengths of Nestlé's globally-aligned nutrition strategy. We continued the transformation of Zone EMENA, establishing regional category leadership teams with profit and loss responsibility for our food, confectionery and dairy businesses, while keeping the fundamental role of the respective Nestlé Markets. This model has been successful with both Nestlé Purina and Nescafé. All of these changes will help to ensure faster execution and a closer connection to local business realities.

Board engagement

Our Board of Directors is committed to the highest standards of corporate governance. It oversees management to ensure the long-term health of our company, so it can continue to deliver value over time.

During the year, the Board reconfirmed Nestlé's value creation model, delivering both top and bottom-line growth, as well as capital efficiency. It undertook a comprehensive review of the company's capital structure and priorities to support and enhance our ability to deliver on

our value creation model. As a result, we can return more capital to our shareholders. In June, the Board approved a share buyback programme of up to CHF 20 billion which is to be completed by the end of June 2020, conditional to any sizeable acquisitions.

Our Board ensured the transition to a new Chairman and CEO. At the same time, it rearticulated the company's purpose and values. Our Board's actions to create sustained value included adding four new independent directors in the past three years. The Board continued its refreshment by selecting strong candidates for election. It also expanded the mission of our Nomination and Sustainability Committee to review all aspects of our non-financial performance and it strengthened risk oversight by our Audit Committee.

The Board visited Germany on its annual visit to a major market, where it received a strategic briefing on the food business. Special presentations during the year also included Nestlé's Group strategy, a broader view on M&A, a review of consumer trends, our business in Zone AOA including China, as well as our Nestlé Health Science and Nestlé Skin Health businesses. The Board also reviewed the company's shareholder base, its exposure to cybersecurity risks, its capital investment strategy and capital investment plan, and its annual risk and compliance reports.

Active engagement with our shareholders and other stakeholders allowed the Board to take into account their views on our performance, governance and long-term strategy.

At the 2017 Annual General Meeting, the shareholders elected Paul Bulcke as Chairman of the Board of Directors, following his 37 years of service to Nestlé, including nine years as CEO. They further elected Nestlé CEO U. Mark Schneider and Ursula M. Burns, Chairman of the Board of Xerox Corporation, as new members of the Board. The Board thanked Peter Brabeck-Letmathe, who did not stand for re-election, for his almost 50 years of service to Nestlé and named him Chairman Emeritus.

There were also changes in the Executive Board. Stefan Palzer has been appointed Chief Technology Officer as of 1 January 2018.

Chief Technology Officer Stefan Catsicas decided to pursue entrepreneurial and venture capital activities outside of Nestlé. He will continue as an advisor in science and technology. Deputy Executive Vice President Heiko Schipper decided to pursue interests outside the company as of 31 December 2017. He will not be replaced on the Executive Board following the reorganisation of the Nutrition business.

Value for shareholders and society

Amid many changes, two important dimensions do not change – our purpose and our values. Our purpose is to enhance quality of life and contribute to a healthier future. Our values, rooted in respect, guide our decisions and actions. We believe that business can have a positive impact on society. By doing so, we create shared value. This ensures the long-term success of our business and continued value for our shareholders, while also contributing to society.

Since 2013, Nestlé has been actively involved in supporting young people through initiatives like *Nestlé Needs YOuth*. We firmly believe that young people are our future. They will be our leaders, employees, suppliers and farmers. In 2017, we extended our *Nestlé needs YOuth* initiative globally to encompass our entire value chain and set out an ambition to help 10 million young people have access to economic opportunities by 2030.

In recognition of our work in contributing to the United Nations Sustainable Development Goals (SDGs) through our Creating Shared Value approach, Nestlé received the Concordia Leadership Award. We have also renewed our commitment to the UN Global Compact. It promotes the principle of public-private collaborations in support of the SDGs. These efforts, among others, show that business has a vital role to play in building a better, more sustainable world for everyone.

2017 was an exciting year – one of both continuity and change. Continuity in building on the strong Nutrition, Health and Wellness strategy of our company; change to increase our speed and efficiency, and to simplify the way we work. Nestlé has the people and the leadership across the globe to guide the company through these changes and ensure our long-term success.

We want to thank our 323 000 employees for their ongoing dedication to Nestlé. It is their hard work and commitment to excellence that drives our company day to day.

We thank you, our shareholders, for your continuing support. We value your ongoing trust in our company and our people, and your confidence in our leadership setting a solid, stable course for the future. Nestlé has a strong foundation, a clear path forward and a bright future.



Paul Bulcke
Chairman

U. Mark Schneider
Chief Executive Officer

Our strategy

Through enhancing quality of life and contributing to a healthier future, we aim to deliver sustainable, industry-leading financial performance and earn trust. For over 150 years, we have built a successful business through understanding and anticipating consumer needs, and adapting to succeed in an evolving marketplace. Based on a compelling strategy, our company delivers dependable value over the short term and long term.



Nestlé has many enduring strengths that keep us at the top of our industry. We have great brands that people love. We have a unique global footprint, a size and scale that we use to our advantage, and the capacity to invest for the long term. In 2017, we reconfirmed our value creation model. Through the right balance of sustainable growth and efficiency, as well as capital efficiency, we will continue to create long-term value for our shareholders and for society as a whole.

Building on our Nutrition, Health and Wellness strategy

Nestlé's success is built on its Nutrition, Health and Wellness strategy. Our founder, Henri Nestlé, believed that good nutrition was the key to a healthy life. Today, food and beverages remain core to our strategy. Our aim is to provide the tastiest and healthiest choices, at all times of the day and for all stages of life, delivered in a convenient and time-saving manner. We also offer consumer healthcare products to help people meet their health and wellness goals. This is what we mean by 'Good food, Good life'.

Understanding and serving the consumer

Nestlé's portfolio is well-positioned for growth. The key to our long-term success continues to be understanding and serving the consumer. By identifying consumer trends early and acting quickly to capture them, we remain at the forefront of the fast-moving consumer goods industry.

People today know the importance of good nutrition and of managing their health more proactively. They want products with simple, understandable ingredients, natural or organic, and ideally locally produced. Likewise, many people do not have the time to prepare and cook meals, so they are looking for food and beverages that are convenient too.

Nestlé has the largest research and development network in the food and beverages industry, continually innovating and renovating our portfolio to meet changing consumer demands. We also work with leading-edge partners around the world, including start-ups, academic institutions and public organisations. They help strengthen our own capabilities by generating ideas, accessing skills and developing new technologies, so we can remain at the forefront of consumer trends.

We are focusing on products with nutrition, health and wellness benefits. This includes delivering products with simpler ingredients, as well as more premium, organic, natural and fortified foods and beverages. Nestlé also offers a range of affordably-priced, high-quality, nutritious products. Many of our foods and beverages, especially those for children, include added micronutrients such as iron, iodine, vitamin A and zinc to support good health and well-being.

Accelerating growth

At Nestlé, we believe that long-term value creation is the result of both growth and operating efficiency. We achieve sustainable top-line growth by investing selectively in high-growth categories and geographies. The target, set in 2017, is mid-single digit organic growth by 2020. We aim to achieve this by refocusing our base businesses, active portfolio management and prudent investment behind our high-growth categories.

We are managing our coffee, petcare, infant nutrition and bottled water categories with an emphasis on growth. Nestlé has a significant global market share in these categories. We have some of the world's leading brands, including *Nescafé*, *Purina*, *Gerber* and *Nestlé Pure Life*. Furthermore, we have science and technology-based competitive advantages across these categories. Nestlé is also pursuing growth opportunities in consumer healthcare to complement our focus on these key food and beverages categories. As a result, we are expanding our presence across the pharmacy channels in both emerging and developed markets.

The core of value creation comes from product, service and business model innovation. Strength in research and development is a key differentiator for Nestlé, helping us to respond quickly to the ever-changing world. Our innovation is broad-based across all categories, from product renovations to service delivery platforms. It starts with transforming our core portfolio to keep products, brands and services relevant, as well as creating and scaling new brands where needed.

Digital innovation presents us with further opportunities for competitive advantage in developing more personalised experiences and new delivery methods. We are connecting with younger consumers in the digital space, using both local and specialised platforms. We are fully committed to digital marketing and e-commerce platforms as avenues for growth. Hence, we are expanding these new business models, focusing strongly on our direct-to-consumer models, as well as partnering with key online retailers around the world.

Increasing efficiency

Nestlé is committed to margin expansion. We have set an underlying trading operating profit margin target of 17.5% to 18.5% by 2020, up from 16% in 2016.

Our primary driver is to reduce structural costs in non-consumer facing areas. Well-identified projects in manufacturing, procurement and general administration are expected to deliver total savings of CHF 2.0 to 2.5 billion by 2020.

We are optimising our manufacturing footprint and increasing efficiency throughout our operations. This will both increase our capacity utilisation and reduce our conversion costs. Through global procurement, we leverage Nestlé's purchasing power worldwide. We are supporting our centralised purchasing activities by establishing global procurement hubs.

Scaling up the use of shared services brings further efficiency. We aim to increase the availability and use of shared services to 50% by 2020.

Enhanced local and regional decision-making allows us to move more quickly in the market. Furthermore, we are reviewing and consolidating our real estate portfolio, and we have outsourced the management of the Nestlé pension fund.

Allocating capital prudently

Nestlé has a strong portfolio, with profitable growth platforms and leading market positions in many categories. We take a prudent and focused approach to capital allocation to ensure solid long-term growth.

We constantly review our brand portfolio and are selective in evaluating merger and acquisition opportunities. We will make acquisitions in fast-growing categories only if they are complementary to our existing portfolio, deliver the attractive returns our shareholders expect and are in line with our Nutrition, Health and Wellness strategy.

Nestlé regularly revisits its capital structure to reflect changing market conditions and strategic priorities. Our financial strategy aims at striking the right balance between growth in earnings per share, competitive shareholder returns, flexibility for external growth and access to financial markets.

In June 2017, we announced a new CHF 20 billion share buyback programme to be completed by the end of June 2020. Should any sizeable acquisitions take place during this period, the share buyback programme will be adapted accordingly.

We increasingly focus capital spending on advancing our high-growth food and beverages categories. We are also building on our strong position in emerging markets and pursuing growth opportunities in consumer healthcare. We are taking actions to drive long-term growth through a mix shift towards higher-margin and high-growth categories, and an unmatched dedication to research and development.

Creating Shared Value

Creating Shared Value (CSV) is the fundamental principle of how Nestlé does business. It is our way of creating value for both shareholders and for society at the same time.

We understand that the prospects of our business are linked to the health and resilience of the society and world in which we operate. Our priorities are those areas with the greatest connection between Nestlé's business and society.

Our 41 public commitments bring to life our purpose of enhancing quality of life and contributing to a healthier future. These commitments contribute to the UN's Sustainable Development Goals. The details of our progress against them are published in this *Annual Review*.

Innovating for a changing world

At Nestlé, continuous innovation is part of our DNA. Our success is founded on over 150 years of anticipating trends and understanding consumers' needs. This approach remains fundamental to our strategy. Nestlé has the most advanced science and innovation network in the food and beverages industry. This enables us to translate our knowledge into highly-relevant products and services for our consumers.



Our understanding of the relationship between nutrition and health is continually evolving. Nestlé's researchers are looking ahead to discover how we can further enhance quality of life and contribute to a healthier future. At our different sites across the world, including the Nestlé Research Centre and the Nestlé Institute of Health Sciences, we are working to discover, develop and deploy new products and services that we aim to scale up rapidly.

To augment our own capabilities, we also collaborate with leading universities, research organisations and start-ups. Likewise, we have a number of innovation partnerships with ingredient suppliers and equipment manufacturing companies to accelerate product and technology development.

Creating tastier and healthier products

We are constantly looking for ways to improve the nutritional profile and taste of our products. Our scientific and technological solutions are inspired by nature.

In 2017, over 60% of our R&D budget was dedicated to developing more nutritious products. For our food and beverages categories, the focus remains on developing tastier and healthier offerings. We also continue to deliver specific health benefits through our products in categories like infant nutrition and health science.

Using food material science, we can increase the sensorial impact of the ingredients we use. For example, our research shows that parts of the ingredients that deliver taste are not fully released or dissolved during eating. Hence, they are not interacting with the taste buds. Applying our knowledge, we can increase the amount that dissolves in the mouth. This allows us to reduce the amount of the ingredient, while keeping the same perceived taste, and make new products that taste good and use fewer ingredients like sugar, salt and fat.

Our groundbreaking work in sugar reduction is an example of this. By structuring sugar differently, we were able to make it dissolve in the mouth quicker. This means we can use significantly less sugar in our confectionery products, while ensuring the same great taste. We have scaled up the production of this new

structured sugar, and are delivering the first confectionery product containing it in 2018.

Enhancing infant and maternal nutrition

Through our research, we know that metabolism and, to some extent, taste preferences are programmed at an early age. We also know that these dietary preferences and patterns can have an impact on health for years to come. So, providing optimal nutrition for infants and young children in the first 1000 days of life – from conception to their second birthday – is crucial.

Our focus on the first 1000 days also includes understanding the nutritional needs of mothers from conception of a child to breastfeeding. Maternal nutrition is one of our main research areas today. To this end, we are working in partnership with a number of universities around the world. In one of the largest public-private partnerships of its kind, we are looking at the impact of nutrition and lifestyle on maternal and infant health in collaboration with the EpiGen Global Research Consortium.

Food sensitivity and allergies in infants is another key area of research. A number of babies and children suffer from cow's milk protein allergy. To help their parents and doctors to better manage their dietary needs, Nestlé Health Science has developed a range of nutritional solutions (*Althéa*, *Alfaré*, *Alfamino*). It has also developed tools that enable early and accurate diagnosis of the allergy.

Breast milk is the ideal nutrition for babies. For babies that cannot be breastfed, we continue to deepen our understanding of the composition of breast milk. Our mission is to innovate and offer the next best alternative.

Human milk oligosaccharides (HMOs) are the third most abundant component of breast milk. They play a key role in an infant's healthy development and well-being, supporting the baby's immune system and promoting healthy gut microbiota. We are the first company to produce two varieties of HMOs on an industrial scale for our *NAN* infant formula range.

Understanding the microbiome

The billions of bacteria that live in our gastrointestinal tract are known as the 'human



Enhancing infant and maternal nutrition
Our researchers are focusing on the nutritional needs of both mothers and babies. Products like *NAN Optipro* provide the right amount and quality of proteins needed for babies' growth.

gut microbiome'. They make up the internal ecosystem that influences people's overall health.

As science and technology advances, we see how important the microbiome is in helping to shape people's health. That is why our interest in the human gut microbiome goes beyond infants, to include adults and the elderly. Through Nestlé Health Science, we are strengthening our collaborations with external research partners.

Nestlé Health Science's partner, Seres Therapeutics, is a leader in the field. It is exploring its microbial strains to develop therapeutics that aim to restore a healthy microbiome.

This year, Nestlé Health Science also entered a partnership with Enterome, jointly creating Microbiome Diagnostics Partners. It seeks to develop diagnostics tools to support personalised therapies in microbiome-related diseases, such as inflammatory bowel disease (IBD).

Supporting healthy ageing

Nutritional needs evolve with age as the body's ability to efficiently metabolise and absorb nutrients declines. The resulting lack of essential nutrients can then impair body functions, cause feelings of fatigue or weakness, and lead to mobility issues. To support the nutritional needs of a growing ageing population, we have substantially expanded our R&D capability.

Some of our research has already been applied to products like Nestlé Health Science's *Boost* and *Meritene* ranges. Both are designed for individuals who need extra nutrition to fill gaps in their diets. These products provide missing nutrients that can help active seniors enjoy a better quality of life.

We know that the same diet can have very different effects on different people, as we each have unique nutritional needs and a unique microbiome. Hence, we are also developing personalised programmes for individuals.

Personalising nutrition

By giving people a better understanding of their own individual nutritional status, lifestyle, environment and genetics, we can help individuals to preserve their health throughout life.

Both the Nestlé Institute of Health Sciences and the Nestlé Research Centre are working in this field to develop more personalised solutions using the 'Internet of things'. As part of this work, we have begun collaborations to harness the power of nutrition science and digital sensor technologies.

Through our expertise in systems-based technology, we are moving towards providing personalised nutrition solutions in and out-of-home. These are based on the personalised experience we already offer through our beverage systems.

We envisage a future where sensors and devices in our daily lives, such as mobile phones, wearables and 'smart' appliances, can connect with each other. The data they provide can help us to understand our nutrition and activity, and guide us towards a healthier and happier life.

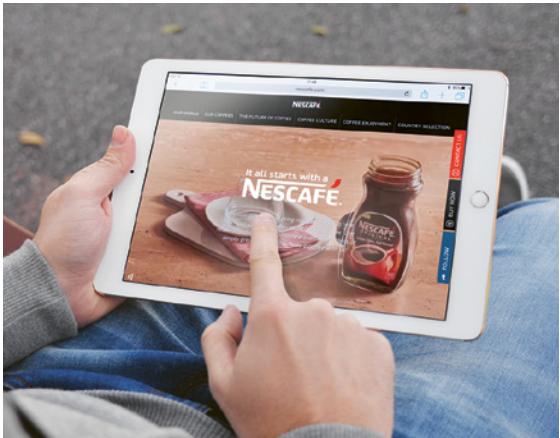
Innovating in digital

As well as researching nutrition science and food technology, we also find and develop



Supporting healthy ageing

Research shows that special nutrition may help to manage normal age-related changes. Our *Meritene* formulas contain nutrients such as dietary fibre, protein, vitamins and minerals to support the needs of active seniors.



Innovating in digital

New mobile platforms developed for our brands like *Nescafé* have brought us closer to younger consumers, and increased direct sales through 'buy-now' buttons.

new business services, and invest in new food business models to access new ideas and new paths to market. This year we partnered with the Terra Food and Agriculture Technology Accelerator, to select and coach some of the most innovative and disruptive start-ups in the food and agricultural industry.

We are developing new digital services to enhance the personal consumer experience through our brands. To this end, our Silicon Valley Innovation Outpost (SVIO) acts as a hub for sourcing and developing new digital solutions to build our brands. Here we focus on consumer data and intelligence, then identify and apply digital innovations from start-ups and emerging technology partners to support brand engagement.

Our open innovation platform Henri@Nestlé enables entrepreneurs to work as collaborative partners alongside Nestlé teams to tackle social and Nestlé business challenges. It gives us access to the fast-moving start-up mentality and entrepreneurial spirit that a global company needs to stay ahead.

These are just a few of the ways we are constantly building a deeper understanding of nutritional science, and developing products and services that enable us to fulfil our purpose: enhancing quality of life and contributing to a healthier future.

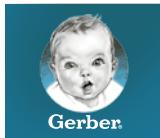
Connecting through our brands

Through our products and brands, we connect with people and their pets millions of times a day and throughout their lives. We have more than 2000 brands, ranging from global icons like *Nescafé* and *Nespresso* to local favourites like *Ninho*.

Powdered and Liquid Beverages



Nutrition and Health Science



Nestlé Skin Health



Milk products
and Ice cream



MÖVENPICK
THE ART OF SWISS ICE CREAM



PetCare



Prepared dishes
and cooking aids



Confectionery



Water



Powdered and Liquid Beverages

To suit consumer preference for unique coffee experiences, we are innovating and building our coffee portfolio – already the world's largest – by introducing new products and services, and making strategic acquisitions.

The world's leading coffee brand, *Nescafé*, is available in over 180 countries with nearly 5500 cups consumed every second. 2017 saw the largest ever renovation of *Nescafé Original*, improving both taste and aroma. In response to consumer desire for quality coffee in a portable format, we launched new premium mixes of *Nescafé Azera* and expanded the *Nescafé* ready-to-drink range. Nestlé Professional is delivering products like *Nescafé Cold Brew* to out-of-home businesses that want to reach consumers who seek more artisanal coffee experiences.

Starting in the United Kingdom, we are relaunching the *Nescafé Gold* premium range globally with improved blends, new packaging and a new global communication campaign. We are also expanding *Nescafé Gold* globally, with the introduction of new premium mixes across the ASEAN markets in 2017.

Nescafé Dolce Gusto is the leading retail coffee system brand outside of North America. It is present in more than 80 markets. Known and loved for its wide range of high-quality 'coffee shop at home' recipes, *Nescafé Dolce Gusto* extended its range of products with a limited edition – *Catuai do Brasil*.

Nespresso, a truly premium brand with unrivalled brand loyalty, launched 80 new

boutiques in 2017. With more than 600 boutiques worldwide, Nespresso is giving consumers an unmatched premium coffee experience both in boutiques and through e-commerce and digital platforms. As a new offering this year, Nespresso Explorations included two limited editions. Launched twice a year, these coffees come from unique growing regions such as Laos and Kenya.

To further enhance Nestlé's coffee portfolio in premium experiences and e-commerce, we acquired a majority stake in the super premium U.S. roaster and retailer Blue Bottle Coffee in late 2017. Blue Bottle's success is built on three key values: deliciousness, hospitality and sustainability. With 49 cafés and a further 39 to be opened in 2018, future strategic growth focuses on expanding its retail presence in the U.S. and Asia, and accelerating its online and supermarket presence. In late 2017, we also acquired Chameleon Cold Brew, a leading provider of premium crafted coffee. It is the number one organic cold brew brand and one of the top three refrigerated cold brew brands in the U.S.

In healthy on-the-go beverages for younger people, we expanded the number of portable ready-to-drink options available. These included sugar-reduced *Nesquik*, and *Milo Activ-Go* in Nigeria, India and Thailand. We want to encourage children to have healthy, active lives. In 2017, *Milo* and *Nesquik* became sponsors of FC Barcelona, supporting children's sports activities in a number of countries.



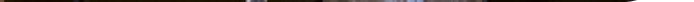
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1 Nescafé Gold

Introducing micro-grounds of roasted Arabica coffee enhances the taste of *Nescafé Gold*, while new packaging for the range has a more premium look and feel.



2 Nespresso Explorations

Limited edition varieties are launched twice yearly from unique coffee growing regions. Nespresso works with more than 70 000 farmers in 12 countries through its *AAA Sustainable Quality Program* to embed sustainability practices on farms and the surrounding landscapes.

3 Nescafé Dolce Gusto Catuai do Brasil

This limited edition is an unconventional way to discover single origin coffee. From the Brazilian region of Cerrado Minero, *Nescafé Dolce Gusto* selected a unique variety of Arabica: 'Catuai', which means 'very good' in the Native American language.

4 Blue Bottle

The U.S. premium coffee roaster, Blue Bottle Coffee, offers customers personalised online ordering, as well as café and retail experiences.



Nutrition and Health Science

Our aim is to enhance quality of life with innovative, science-proven, high-quality nutrition for mothers and infants in the first 1000 days.

This period, from conception through pregnancy and up to a child's second birthday, can have a profound impact on long-term growth and development, and is vital for setting the foundation for a healthy future. Our high-quality products are made from carefully selected ingredients to meet the specific needs of infants and young children in this critical timeframe.

Breastfeeding is the ideal nutrition for at least the first six months of life. If breastfeeding is not possible due to medical or physical conditions, infant formula is the only breast-milk substitute that is recognised by the World Health Organization (WHO). We are committed to marketing infant formulas responsibly and complying with the WHO Code as implemented by national governments, as well as our *Nestlé Policy on the Marketing of Breast Milk Substitutes*, to ensure breastfeeding is supported, promoted and encouraged around the world.

Our *Start Healthy Stay Healthy First 1000 Days* nutrition e-learning programme helps new mothers understand what to feed, how to feed and why the first 1000 days are crucial to their baby's future health.

We launched *NAN Optipro* and *Optipro Supreme* with human milk oligosaccharides (HMO) infant formulas in eight markets in 2017. HMOs are an important component of breast milk, supporting babies' overall health. These science-based products are inspired by breast milk, optimising the quality and quantity of proteins.

In response to consumer preferences for natural products, our *Gerber*, *Nido*, *illumia* and *NAN* product ranges now include organic options. We achieved this by working closely with farmers to source raw materials that meet organic standards and quality requirements.



1 Gerber Baby Food

Gerber's new range includes organic baby cereals with fruit to help satisfy the needs of growing babies. New formats include convenient pouches for on-the-go parents and caregivers.

2 illumia Organic

Launched initially in Hong Kong, *illumia Organic* is the first organic product of its kind in the region.

Nestlé Health Science (NHSc) delivers solutions designed to meet the nutritional needs of children, healthy ageing adults and patients with specific medical conditions.

Meritene Mobilis, a powder drink solution for improved mobility, was launched in European markets.

To extend our consumer healthcare portfolio, we agreed to acquire Atrium Innovations, a leading provider of over-the-counter health supplements. Atrium's largest brand, *Garden of Life*, is the number 1 brand in the natural supplement industry in the U.S.

In Asia, NHSc expanded its medical nutrition range with the launch of *Resource Thicken Up* in China, for people with swallowing difficulties after a stroke.

This year, we partnered with Enterome to develop solutions for gut diseases and continued to work with Aimimmune to develop treatments for food allergies such as peanut.

Prometheus, a subsidiary of NHSc, launched four diagnostic tests to help healthcare professionals monitor patients with persistent diarrhoea, Crohn's disease, liver fibrosis and inflammatory bowel disease.

Nestlé Skin Health aims to change the way the world thinks about skin health. In 2017, we initiated changes to the portfolio and optimised the product ranges. Important restructuring programmes were started to set the base for future success. We continued to build strategic brands in our Consumer, Aesthetic and Prescription categories.

In our Consumer business, we launched new range extensions of *Cetaphil*, our dermatologically-formulated skincare range.

In our Aesthetic business, we broadened our portfolio with new launches for *Restylane*, our leading dermal filler brand, providing new options for patients and healthcare professionals to achieve natural-looking results.

In the Prescription business, we enrolled the first patient in a clinical trial for 'Nemozilumab', a disruptive innovation in the treatment of atopic dermatitis, and we continued the global roll-out of *Epiduo Forte* for acne and *Soolantra* for rosacea.



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3 Differin Gel

Differin Gel 0.1% is the first U.S. FDA-approved prescription-strength retinoid that can be used to treat acne without a prescription. Nestlé Skin Health focuses on meeting consumers' increasing skin health needs with innovative products with scientifically-proven benefits.

4 Boost

Nestlé Health Science partnered with Ali Health to launch the consumer products *Boost Energis* and *Boost Mobilis* in China. *Boost Energis* is a high-quality protein powder that provides 20 vitamins and minerals including vitamin B2, B6 and B12.

Milk products and Ice cream

We continued to transform our portfolio to reflect changing consumer needs in dairy and dairy-free options. We introduced more value-added and alternative products such as organic, yoghurt, plant-based and lactose-free while reducing sugar and improving fortification.

Our affordable dairy ranges help meet the nutritional requirements of children in developing countries. New product launches in Asia included *Bear Brand Yogu*, a fortified ready-to-drink solution for school snacking with the goodness of milk, yoghurt and fruit juice.

With a growing need for products that address specific dietary needs, *Nido* added several new products including: *Nido FortiGrow* low lactose, tailored to the nutritional needs of school-age children who have difficulties in digesting lactose; *Nido Nature's Benefits*, the first organic proposition of the range, and *Nido GoldenStart*, a breakfast on-the-go solution in ready-to-drink format.

Consumers are looking for more plant-based dairy-free options. *Coffee Mate natural bliss* brought to market a number of all-natural plant-based innovations and flavours, including almond milk and coconut milk. In the U.S., *Coffee Mate Liquid* developed a more premium range for the brand.

Our ice cream and frozen desserts ranges include local brands such as *Dreyer's*, *Outshine*, *5Rams*, *Extrême* and *Mövenpick*, as well the premium brand *Häagen-Dazs* in North America. In 2017, *Häagen-Dazs* opened its first ever pop-up shop in Canada, while in the U.S. it launched four non-dairy products. These offer indulgent, dairy-free flavours with a creamier texture and an authentic taste.

2017 was the first full year of operation of our newly-created ice cream joint venture, Froneri. We have successfully developed the business partnership and started to realise operational and commercial synergies. Froneri is continuously investing in priority brands and further driving confectionery brand extensions into ice cream. This year, we launched a refreshing stick under the *Mövenpick* label in Switzerland, made with 100% natural ingredients. It combines a mango and passion fruit coating with an indulgent, creamy ice cream.

We know healthy cows make healthy milk. Through the *Dairy for You* programme, our agronomists work on quality assurance with more than 350 000 farmers to provide the best-quality milk. Together with farmers, we continuously improve animal welfare practices on dairy farms.



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1 Coffee Mate natural bliss almond milk

From 100% natural ingredients, *Coffee Mate natural bliss* is made with real almonds, pure cane sugar and natural vanilla flavour that includes extracts from Madagascar vanilla beans.

2 Nido Nature's Benefits

Nido Nature's Benefits is made from 100% organic whole milk. It provides the essential nutrients children need to grow.

3 Bear Brand Yoghurt

Bear Brand Yoghurt is a fortified ready-to-drink solution made with milk, yoghurt and fruit juice.

4 Häagen-Dazs non-dairy frozen dessert

Häagen-Dazs offers a range of non-dairy frozen desserts including coconut caramel flavour. It blends coconut with ribbons of caramel for the ultimate creamy non-dairy treat.

PetCare

Nestlé Purina continues to bring to market new innovations for pets and their owners that strengthen both our brands and our commitment to the best nutrition for pets.

Responding to the trend of natural products, we continue to update our portfolio through including more recognisable ingredients and simpler ingredient lists.

The most recent example of this includes the global expansion of the *Beyond* range of dog and cat foods.

In Asia, Oceania and Africa, the reposition and expansion of the *Supercoat* brand continued to show strong regional results in both dog and cat ranges.

Merrick is driving growth as Nestlé Purina's lead exclusive natural brand of dog and cat foods in the U.S. This year, *Merrick* launched the *Castor & Pollux Pristine* dog and cat subranges – the first complete line of pet food positioned around providing responsibly-sourced ingredients, animal welfare and responsible farming assurances.

In dog snacks, the successful global expansion of *Dentalife* continued in 2017. We also introduced two premium offerings in the U.S from *Beggin'* that feature real meat as the number one ingredient.

Our *Felix* cat food brand continues its successful expansion globally in both wet and dry product lines, with *Felix 'As Good as it Looks'* as the primary offering.

Production of cat food has also expanded globally with capacity investments in Poland, Russia, Hungary, Brazil, Mexico and the U.S.



1 Purina Pro Plan Veterinary Diets NeuroCare

NeuroCare is the first and only diet to nutritionally manage dogs with canine epilepsy as an accompaniment to veterinary therapy.

2 Purina One Bifensis

Bifensis is a unique nutritional formula scientifically proven to strengthen your cat's natural defences on the inside by supporting natural antibody production, and on the outside by maintaining healthy skin and coat.

Prepared dishes and cooking aids

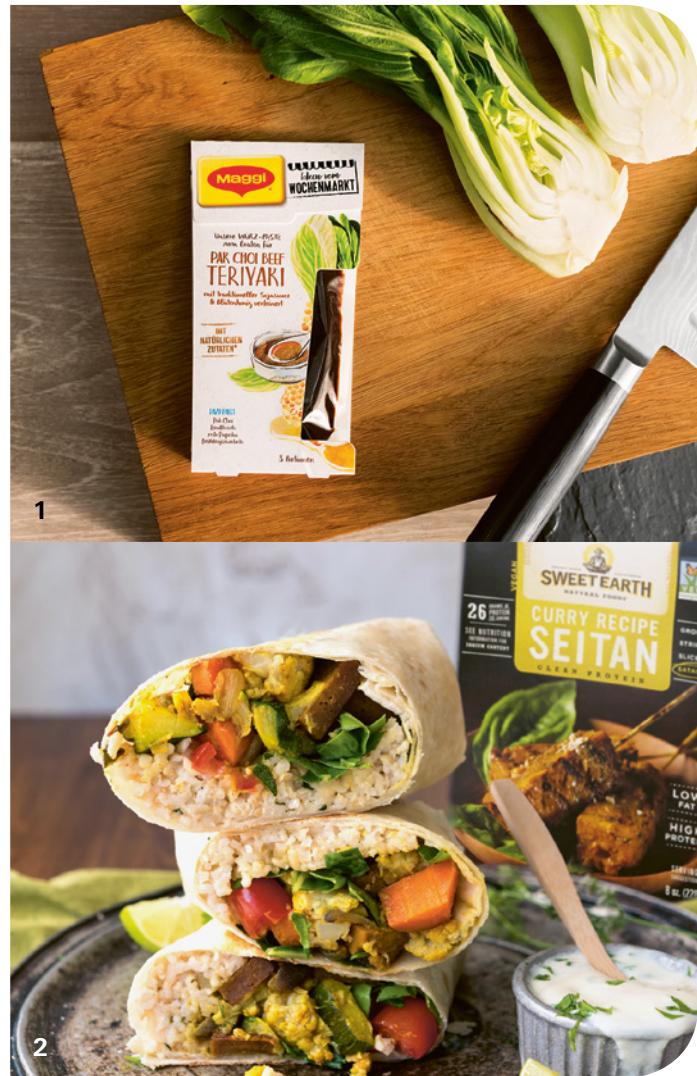
We continue to transform our food portfolio to capture the 'naturality' trend for consumers who are looking for tastier and healthier options. Our 'kitchen cupboard' approach means we are removing ingredients such as artificial colours, flavours and taste enhancers, while adding ingredients that consumers recognise and desire for better nutrition. To this end, we are bringing new products to market that include simple, transparent ingredients for main meals and dishes.

Around the world, the *Maggi* range has been improved with more natural and locally sourced ingredients. The *Naija Pot* bouillon cube was launched in Nigeria. It includes recognisable local ingredients inspired by the taste and aroma of southern Nigerian dishes. *Maggi* continues to lead the portfolio in micronutrient fortification and salt reduction, supporting our 2016 commitment to reduce sodium by 10% by 2020.

In frozen pizza, we are delivering winning taste and better nutrition through product renovations. *Di Giorno*, *CPK*, *Buitoni* and *Wagner* were relaunched with less salt, less saturated fat and simplified ingredients. For consumers looking for more artisanal, locally-crafted options, we launched *Outsiders* in the U.S.

We have also increased the number of gluten-free, high-protein and organic products in our portfolio to meet the increasing adoption of free-from diets. *Stouffer's Fit Kitchen Bowls* were launched in 2017, featuring at least 20g of protein in every meal.

Plant-based ranges offer growth opportunities as more people adopt vegetarian and flexitarian lifestyles. *Winiary Kaszotto* was launched in Poland as a meal kit with grains. For those looking for meat-free alternatives, we launched *Garden Gourmet Vegane Filet* across Europe. The acquisition of Sweet Earth brings a wide range of quality vegetarian frozen foods to the portfolio. Sweet Earth will be launching new lines in early 2018, combining Nestlé and Sweet Earth know-how on plant-based proteins and bold, global flavours.



1 Maggi Marketplace

Maggi Marketplace is a premium range of products including Pak Choi Beef Teriyaki seasoning paste. Our 'Simply Good' commitment to tastier and healthier foods means we are increasing the use of simple, recognisable ingredients, including more vegetables, herbs, spices and grains.

2 Sweet Earth

Sweet Earth's range of organic, plant-based frozen foods offers vegetarians, flexitarians and vegans a wide range of frozen meal choices in line with modern health trends.

Confectionery

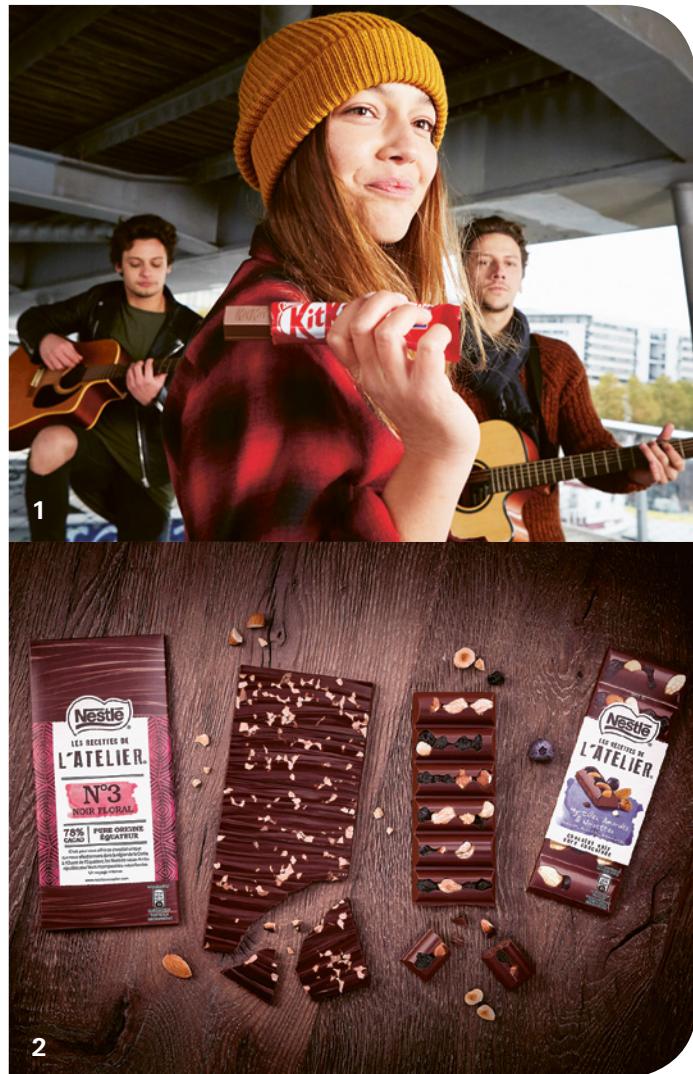
Confectionery is focused on driving both our strong local chocolate brands and our global brand *KitKat*, while building a broader portfolio of healthier on-the-go snacks. We continue to improve market share in important markets such as Brazil, Russia, the Middle East and China, while the UK has started its turnaround. In 2017, we made the strategic decision to sell our U.S. retail business. We will concentrate on *Nestlé Toll House*, the leading chocolate baking brand in the U.S.

KitKat continued its premiumisation journey with several new *KitKat Chocolatory* boutiques, enhancing the *KitKat* break experience for consumers worldwide. This provided an opportunity to launch premium retail versions inspired by the best-selling *Chocolatory* range. These complement the rich innovation and renovation agenda *KitKat* has brought across segments and markets, and helped the brand grow at twice the rate of the total chocolate market.

Our premium chocolate platform, *Les Recettes de l'Atelier*, captures artisanal flair with visible ingredients, whole nuts and natural chunks of fruit, making each piece unique. Currently sold in 15 countries, it has become the third largest premium tablet in Europe, driving growth in our local chocolate brand portfolios.

In cereal-based snacks, we are concentrating on developing healthier, on-the-go wholesome snacks. The *Fitness* brand continues to grow rapidly and leads the adult wellness biscuit market in Brazil. It is now present in more than 11 markets across Latin America and Israel.

For children, we are reformulating our popular children's snack treats like *MilkyBar*, *Galak* and *Trencito*, using milk as the first ingredient and reducing added sugar.



1 KitKat

The successful global relaunch of *KitKat*'s improved recipe with extra milk & cocoa, combined with strong added value innovations across markets, contributed to its accelerated growth. *KitKat* is our first global brand made with 100% sustainable cocoa, supplied through the *Nestlé Cocoa Plan*.

2 Les Recettes de l'Atelier

The growing trend toward premium confectionery is reflected in the success of the new super-premium chocolate tablet *Les Recettes de l'Atelier*. Launched in 2014, this premium range is Nestlé's fastest-growing confectionery brand.

Water

Nestlé Waters is leading a fast-growing category, with a unique brand portfolio including the world's largest water brand, *Nestlé Pure Life*. By addressing consumer needs, providing access to water and preserving water resources where we operate, we are enhancing quality of life through healthy hydration.

Bottled water replaced carbonated drinks as a preferred beverage in the U.S., proving that people are more concerned than ever before about what they consume.

The U.S. continued to be a focus for the development of our premium range, including the international and heritage brands *Perrier* and *S.Pellegrino*. We also increased premiumisation of local brands around the world. This includes *Poland Spring* in the U.S., *Buxton* in the UK, *Vittel* across Europe and *Eriklı* in Turkey.

In the U.S., our *Ready Refresh* direct delivery offers individuals, as well as small and large businesses, a wide variety of beverage options.

We encourage and support healthy hydration through innovations in flavoured and functional waters. Campaigns such as *Nestlé Pure Life* 'Water Buddies' inspires children to drink water, making it fun and enjoyable.

Environmental sustainability is a vital component of our business. Around the world, we are investing for the future in environmentally friendly bottling plants, including nearly CHF 230 million in the *Perrier* bottling site in France.

In 2017, three of our factories received Alliance for Water Stewardship (AWS) certification for water conservation and water stewardship. We have also strengthened our collaboration with the AWS to certify 20 factories by 2020.

In the U.S., we formed the California Water Action Collective to help protect California's water future. Across North America, Nestlé Waters sustainably manages nearly 50 spring sites, as well as over 5600 hectares of watershed as open space.



1 S.Pellegrino

S.Pellegrino is a fine-quality mineral water that flows from natural spring at the foothills of the Italian Alps. It surfaces perfectly sparkling and naturally enriched with mineral salts.

2 Nestlé Pure Life

The *Nestlé Pure Life* 'Planet of Possibilities' global campaign raises awareness of the importance of quality drinking water for future generations. It aims to make water a conscious choice for consumers today and in the future.

Creating Shared Value

We believe that our company will be successful in the long term by creating value for both our shareholders and for society as a whole. This approach, called Creating Shared Value (CSV), is the principle for how we do business. It enables us to bring our purpose to life: enhancing quality of life and contributing to a healthier future.



Further information

Find details of our management approach and governance structure, as well as performance data, case studies and additional content, in our annual *Nestlé in society – Creating Shared Value* online report and the Nestlé in society section of our corporate website (www.nestle.com/CSV).



Maximising value creation

Through our CSV approach we aim to create value not only for shareholders but also for society. Our CSV priorities are those areas of greatest intersection between Nestlé’s business and society. These include: nutrition, rural development and water.

Our aim is to have a positive impact on society while we grow our business. We enable healthier and happier lives for individuals and families, we help develop thriving and resilient communities, and finally, we steward the planet’s natural resources for future generations.

To guide us, we have developed long-term ambitions and specific commitments, against which we report our progress transparently each year. Essential to achieving our goals is a robust approach to sustainability, human rights and compliance.

Our values

Underpinning all our efforts are our values, which are rooted in respect: respect for ourselves, respect for others, respect for diversity and respect for the future. Guided by these values, we work alongside our partners and stakeholders to ensure that our approach to CSV continues to inform all our behaviours, policies and actions.

The business case for CSV

A long-term approach to business has always been part of Nestlé’s DNA. Through CSV, we integrate sustainable development into business activities. This is increasingly important to long-term investors.

CSV brings business and society together by generating economic value in a way that also produces value for society. Foods and beverages with a nutrition, health and wellness dimension perform better. Rural development programmes for farmers offer commercial differentiation to consumers, while responsible stewardship of water reduces costs and secures supplies for our businesses.

Stakeholder engagement

Engaging others on important issues lies at the heart of how we do business. We seek the advice of experts and advocates to develop our



New York, 18 September 2017 – Nestlé Chairman, Paul Bulcke, receives the Concordia Leadership Award 2017 for leading the company’s ongoing commitment to CSV and supporting the UN Sustainable Development Goals.

corporate policies and commitments, strengthen our business and target our investments.

Stakeholder convenings and CSV events provide opportunities to intensify that dialogue and increase our understanding of the intersection between business and society. They facilitate collective action, and promote trust and mutual respect. In March 2017, our Chief Executive Officer, U. Mark Schneider, participated in our stakeholder convening in London, which was attended by 66 representatives from a wide number of organisations.

Our material issues

Every two years, we invite an independent third party to conduct a formal materiality assessment. It helps us to identify the issues that matter most to our business and our stakeholders, and to better support our strategic decision-making and reporting. Issues of concern are evaluated to determine both risks and opportunities for our reputation, revenues and costs.

Our most material issues are:

- over- and undernutrition
- water stewardship
- human rights
- food and product safety
- responsible marketing and influence
- business ethics
- resource efficiency and (food) waste
- responsible sourcing and traceability
- climate change
- rural development and poverty alleviation

Nestlé. Enhancing quality of life and contributing to a healthier future.

Driven by our company purpose – enhancing quality of life and contributing to a healthier future – our 2030 ambitions align with those of the United Nations 2030 Agenda for Sustainable Development.

Focused on impact

We recognise that we live in an interconnected world in which our futures are inextricably linked. Hence, our work in our three main impact areas is supported by 41 public commitments, many of which target our efforts towards meeting our three 2030 ambitions. Having helped to shape the 17 Sustainable Development Goals (SDGs), we – and many companies like Nestlé – are now contributing towards delivering them.

Working towards our ambitions

We have integrated the SDGs into our CSV approach. In 2017, we took a number of steps to drive progress towards meeting our 2030 ambitions, as well as contributing to the 17 SDGs. These included strengthening *Nestlé for Healthier Kids*, extending our *Nestlé needs YOuth* initiative and further developing our responsible water stewardship activities.



For individuals and families

Enabling healthier and happier lives

Food is not just a source of nutrition, it also brings us together as families and friends. It is part of every culture. But food also presents one of the largest public health challenges: obesity has doubled since 1980, while hunger and malnutrition affect millions. We support individuals and their families with tastier and healthier choices, with information programmes that inspire people to live healthier lives, and through helping millions of children develop good eating habits and to enjoy exercise.

Our 2030 ambition is to help 50 million children lead healthier lives

Related CSV impact area

– Nutrition



Committed to healthier kids

We enhance quality of life and contribute to a healthier future, by offering healthier products and by helping families to eat and drink better and move more. We have developed *Nestlé for Healthier Kids* to bring together all our efforts that support parents and caregivers. This includes research, product formulation, education and lifestyle services.

Supporting the SDGs:

- | | |
|-------------------------------------|--|
| 1 No poverty | 12 Responsible consumption and production |
| 2 Zero hunger | 13 Climate action |
| 3 Good health and well-being | 14 Life below water |
| 4 Quality education | 15 Life on land |
| 5 Gender equality | 17 Partnerships for the goals |
| 10 Reduced inequalities | |



For our communities

Helping develop thriving, resilient communities

1.2 billion people live in extreme poverty, many of them in rural areas and dependant on agriculture. Our ambition is to help improve livelihoods and develop thriving communities. Our global reach allows us to improve rural development through better incomes, fostering education, respecting human rights, and supporting women and young people.

Our 2030 ambition is to improve 30 million livelihoods in communities directly connected to our business activities

Related CSV impact areas

- Rural development
- Our people, human rights and compliance



Supporting our youth

Our ambition for our global youth initiative, *Nestlé needs YOuth*, is to help 10 million young people around the world have access to economic opportunities by 2030. This global initiative combines and coordinates all our activities, and those of our partners, that support young people around the world.



For the planet

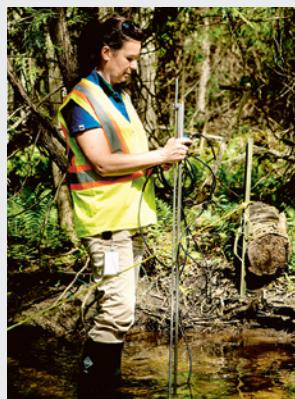
Stewarding resources for future generations

Natural resources are becoming more constrained. Biodiversity is rapidly declining and forests are still disappearing. Water is increasingly scarce. Moreover, climate change will exacerbate all the challenges that we are currently facing. In addition, one third of the food produced is either lost or wasted every year. To grow sustainably, we must use the planet's resources wisely and draw on our global influence to effect positive change.

Our 2030 ambition is to strive for zero environmental impact in our operations

Related CSV impact areas

- Water
- Environmental sustainability



Improving our environmental performance

We act on climate change by further reducing greenhouse gas (GHG) emissions along our value chain. We continue to reduce withdrawals of water per tonne of product and help increase access to safe water and sanitation. Reducing waste is a priority: we reuse and recycle wherever possible. We help the farmers we work with to adopt sustainable practices.

Supporting the SDGs:

- | | |
|-----------------------------------|---|
| 1 No poverty | 10 Reduced inequalities |
| 3 Good health and well-being | 12 Responsible consumption and production |
| 4 Quality education | 16 Peace, justice and strong institutions |
| 5 Gender equality | 17 Partnerships for the goals |
| 8 Decent work and economic growth | |

Supporting the SDGs:

- | | |
|---|---|
| 1 No poverty | 11 Sustainable cities and communities |
| 2 Zero hunger | 12 Responsible consumption and production |
| 3 Good health and well-being | 13 Climate action |
| 6 Clean water and sanitation | 14 Life below water |
| 7 Affordable and clean energy | 15 Life on land |
| 9 Industry, innovation and infrastructure | 17 Partnerships for the goals |

Enabling healthier and happier lives

Inspired by our founder, Henri Nestlé, and with nutrition at our core, we work closely with partners to offer foods and beverages that enable healthier and happier lives. We have set commitments and objectives to make our portfolio even healthier and tastier, inspire consumers to lead healthier lives, and develop and share our understanding of the connection between nutrition and health.



*Uncle Tobys, Australia's leading brand of oats, has launched *Nature's Mix*, a no-added sugar range that is naturally sweetened with dried fruit and nuts.*

Offering tastier and healthier choices

Nutrition is the area of greatest intersection between Nestlé's business and society, where we can help tackle the global public health issues of over- and undernutrition. It is important that consumers have tasty, convenient options containing the nutrients they need, so that they can maintain a healthy diet.

We are launching more nutritious foods and beverages, simplifying ingredient lists and removing artificial colours, while adding micronutrients where they are deficient in the local population.

A scientific breakthrough will allow us to reduce the total amount of sugar in confectionery by up to 40% without compromising on taste. The first products will be launched in 2018.

We have also reinforced our commitment to further reduce sodium by an average of 10% by the end of 2020, in support of the WHO recommended intake levels.

7%

reduction in sugar content of *KitKat*, which we achieved by using more milk and cocoa

174 billion

servings of fortified foods and beverages in 66 countries with higher vulnerability to micronutrient malnutrition

↗ Added value for investors

The market for healthier foods and beverages is growing. Products with a nutrition, health and wellness dimension perform better. Through our broad portfolio, covering needs from babies to old age, and our constant investment in product innovation we are well placed to seize this opportunity.

Nestlé foods and beverages with an above average NHW benefit achieve 1.8x higher growth rates than other products and are 1.5x more profitable. This is clearly an opportunity for increased financial impact. Furthermore, our health and wellness work helps us stay ahead of regulations, possibly avoiding major costs of non-compliance.



Every year, over 22 million children benefit from Nestlé Milo's programmes promoting physical activity. A new partnership with FC Barcelona signed in 2017 will inspire millions more children to participate in sport.

Inspiring people to lead healthier lives

We are committed to improving access to nutrition to help reduce non-communicable diseases. We work with partners to promote balanced diets, healthy cooking and hydration, and regular physical activity. We encourage people to lead healthier lives by providing nutritional information and portion guidance, and through responsible marketing.

Nestlé for Healthier Kids celebrated International Chefs' Day by conducting cookery workshops with Nestlé Professional chefs and children from over 50 countries. In Thailand, Milo launched a low-sugar ready-to-drink beverage, and the Milo sports programme reached over one million children in 1000 schools.

89.4%

of our foods and beverages display Guideline Daily Amount labels on the front of pack

81

countries participating in Nestlé for Healthier Kids



In 2016, we announced a new way to structure sugar particles that allows us to reduce the sugar in some of our confectionery products. We scaled up our technology in 2017 and 2018 will see our first launches.

Building, sharing and applying nutrition knowledge

Our scientists examine the link between nutrition and health across generations. From maternal and children's health to healthy ageing, we adopt a holistic approach. It focuses on nutrition and physical activity and their combined impact on metabolic health. We use our findings to improve our own foods and beverages.

Our Feeding Infants and Toddlers Study (FITS) and Kids Nutrition and Health Study (KNHS) continued to research the eating habits of infants and children. FITS in the US, for example, found that 30% of older infants and toddlers eat very few or no vegetables each day. In 2017, as a result of our research, we launched *Gerber Grabbers Strong Veggies Squeezable Puree*, a nutritious snack providing one serving of vegetable (the first ingredient) and three-quarters of a serving of fruit.

1.724 billion

Swiss francs invested in research and development

313

Our scientists shared nutrition knowledge by publishing 313 research papers

Help develop thriving, resilient communities

In addition to our own employees, we work with hundreds of partners, thousands of suppliers and millions of farmers around the world. Our collective aim is to help develop thriving and resilient communities as part of a secure, long-term supply chain. Our programmes and commitments are designed to support rural development, promote and respect human rights, and ensure fair employment and diversity.



As part of Nestlé's *Cocoa Plan*, we have developed the Child Labour Monitoring and Remediation System. Detailed in our first *Tackling Child Labour* report, it is the most comprehensive programme yet to help children working in cocoa production, according to the organisation STOP THE TRAFFIK.

Enhancing rural development and livelihoods

We have over four million farmers in our supply chain and we work directly with approximately 700 000 of them. To help secure a long-term supply of high-quality raw materials for our foods and beverages, we need to understand where and how our ingredients are produced, support the farmers who supply us and drive rural development. We include in this process our commitment to continue to improve animal welfare and, in 2017, we set new goals in this regard.

Our agripreneurship programme supports the next generation of farmers by providing essential skills training. We offer training to improve agricultural practices, develop alternative income streams and improve dietary diversity.

Through our partnership with the International Federation of the Red Cross and Red Crescent Societies (IFRC), we support access to water, sanitation and hygiene, and women's empowerment in selected areas where we source our products.

Added value for investors

Consumers increasingly want to know where their foods and beverages come from and that human rights are respected during their production. Our responsible sourcing activities, such as our *Nespresso AAA Program*, *Nescafé Plan* and *Nestlé Cocoa Plan*, help us to ensure the resilience of our supply chain and offer commercial differentiation to the consumer.

57%

of the volume of our 12 priority categories of raw materials and paper are responsibly sourced

2025

Our aim is to source all our eggs from cage-free hens for all our food products globally by 2025



Responsible sourcing in pet food: in partnership with the Thai Government and a supplier, we have developed a showcase vessel. It is used in trainings to address labour rights abuses in the seafood industry.



Nestlé with other partnering companies have offered young people over 95 000 jobs and training opportunities since 2014.

Respecting and promoting human rights in our business activities

Human rights abuses have no place in our supply chain, which is why we promote human rights at global and local levels across our business operations and value chain. We continually strive to meet the highest ethical standards, and insist that our partners and suppliers uphold the same high criteria. This requires commitment and work over time. We will always be open and transparent about our efforts to address issues, from forced labour and gender inequality to corruption.

Through our responsible sourcing activities, we take concrete actions, based on our 11 salient human rights issues identified in 2015. As part of this effort, in 2017 we published our *Labour Rights in Agricultural Supply Chains: A Roadmap*. It has enabled us to identify and prioritise 11 countries that present known higher levels of labour risks and from which we source our 12 priority commodities. Through this process, we can better target our remediation efforts on labour rights.

13

human rights impact assessments completed in countries where we have significant business operations

96 599

employees trained in human rights since 2011

Promoting fair employment and diversity

Fair employment, diversity and inclusion are integral to Nestlé's culture. We aim to provide a safe, rewarding workplace that inspires employees to fulfil their potential. We provide people with equal development opportunities and treat each other with dignity and respect.

We place a particular focus on the challenge of youth unemployment. In 2017, we announced the extension of our *Nestlé needs YOuth* initiative to our entire value chain. Its aim is to help 10 million young people around the world have access to economic opportunities by 2030. By doing so, we support the development of the communities where we live and work, while ensuring our talent pipeline. This brings diversity and new skills to the organisation and supports local innovation and entrepreneurship.

30 157

jobs and 11 710 traineeships or apprenticeships provided to young people under 30 in 2017

97%

of our markets have a health and wellness programme in place

Steward resources for future generations

We are working, with partners and stakeholders, towards our ambition to strive for zero environmental impact in our operations. We have set clear commitments and objectives to use sustainably-managed and renewable resources, operate more efficiently, aim for zero waste for disposal and improve water management. We also continue to participate actively in initiatives that reduce food loss and waste, and that preserve our forests, oceans and biodiversity.



The Nestlé Pakistan water plan was unveiled in October 2017, in collaboration with Lahore University of Management Sciences and WWF. It promotes water resources conservation, introduces sustainable agricultural techniques, and provides access to clean and safe water.

Caring for water

Water is a shared and precious resource that we need to manage sustainably. We unequivocally believe access to water is a basic human right. Everyone, everywhere in the world, has the right to clean, safe water for drinking and sanitation.

Caring for water is a key part of achieving our ambition to strive for zero environmental impact in our operations. Water is essential for our business. The ingredients we source need water to grow. We need water to run our factories and consumers use water to enjoy many of our foods and beverages.

Our initiatives continue to look for ways to further reduce withdrawals per tonne and reuse water in our operations. We also work with others on water stewardship initiatives, and increase access to safe water, sanitation and hygiene.

Added value for investors

By offering consumers more sustainable foods and beverages, we provide them with more reasons to choose our brands, generating additional revenue. We bring savings through improved operational efficiency, better resource management and less waste. Investing in climate change adaptation and mitigation, as well as responsible water stewardship, helps secure a more sustainable supply of resources for our business.

38.1%

reduction in our water withdrawals per tonne of product since 2007

20

Nestlé Waters announced that it will strengthen its collaboration with the Alliance for Water Stewardship (AWS) to certify 20 factories by 2020



Our Nescafé Dolce Gusto factory in Montes Claros, Brazil, achieved a triple-zero milestone: zero water withdrawal, zero waste for disposal and zero net GHG emissions.

Acting on climate change

Climate change is a major global challenge, with shifting weather patterns threatening food security and changes in consumption putting pressure on natural resources. Our size and scale means we can show real leadership on climate change, and find ways to further reduce the emissions of greenhouse gases (GHGs) and use more renewable energy. We have set ambitious targets to reduce GHGs, in line with the Paris Agreement on climate change.

We have doubled the amount of renewable energy we procure compared to 2016. More than 100 sites are now powered with renewable electricity, including from spent coffee grounds or wood chips. These are just some of the many initiatives that have helped us earn a place in the annual CDP Climate A List and become No.1 in the food products industry in the 2017 Dow Jones Sustainability Index.

25.7%

of our electricity now comes from renewable sources. In markets such as Germany, UK & Ireland and Brazil, we procure 100% from solar, wind and hydropower sources

33.2%

reduction in our GHG emissions (scope 1 and 2) per tonne of product since 2007



Nespresso continues to extend its global recycling scheme and invested CHF 25 million in 2017.

Safeguarding the environment

The basic ingredients of all of our food products come from plants and animals, forests, farms, and oceans. Protecting the natural environment where those ingredients grow and live is essential.

We aim to develop our business while improving our environmental performance, to ensure that a more sustainable supply of natural resources and raw ingredients goes into making our products.

We continue to play our part in helping to reduce food loss and waste. In our sites, we reduce, reuse and recycle with the ultimate goal of achieving zero waste for disposal. On an agricultural level, our team of over 1000 agronomists and other support staff provides training to help our farmers improve their methods, reduce losses and keep their land healthy and productive.

253

factories achieved zero waste for disposal in 2017

100%

Nestlé Waters joined the Natur'ALL Bottle Alliance in striving to create a fully recyclable plastic bottle made from 100% bio-based material

Our 2020 commitments

Our impact areas – individuals and families, our communities and the planet – are interconnected, and our efforts in each of these areas are supported through our 41 public commitments. These hold us publicly accountable for our performance and we report our progress against them every year.

All our public commitments are directly aligned with our corporate purpose, our 2030 ambitions and the UN SDGs. The majority of these commitments are supported by specific objectives for 2020.

The table below shows our current progress against our 2020 commitments, including those achieved by the end of 2017, as indicated by a tick. Our full online report provides more detailed information and updates on progress.

Our performance in leading indices

Although we are not driven by awards and recognition, we remain proud to have our sustainability efforts and achievements acknowledged by world-leading rating and ranking agencies:



FTSE4Good

First breast-milk substitute manufacturer to be included in the **FTSE4Good Index**, and we have retained our place for six years.



ACCESS TO
NUTRITION
INDEX™

Second out of 22 global food and beverage manufacturers in the 2016 **Access to Nutrition Index™ (ATNI)**.

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

First in the foods products sector of the 2017 **Dow Jones Sustainability Index (DJSI)** with an overall score of 89 out of 100.



DRIVING SUSTAINABLE ECONOMIES
Ceres

Topped the list of global companies in 2017 **CDP climate change**, earning a place in CDP's Climate A list.

Ranked **top scorer** within the packaged food industry at **Ceres'** Feeding Ourselves Thirsty an analysis comparing the water risk management performance of 42 global companies.



For individuals and families

Offering tastier and healthier choices

Launch more nutritious foods and beverages, especially for mothers-to-be, new mothers and children

Further decrease sugars, sodium and saturated fat

Increase vegetables, fibre-rich grains, pulses, nuts and seeds in our foods and beverages

Simplify our ingredient list and remove artificial colours

Address undernutrition through micronutrient fortification

Inspiring people to lead healthier lives

Apply and explain nutrition information on packs, at point of sale and online

Offer guidance on portions for our products

Market to children only choices that help them achieve a nutritious diet ✓

Empower parents, caregivers and teachers to foster healthy behaviours in children

Leverage our marketing efforts to promote healthy cooking, eating and lifestyles

Support breastfeeding and protect it by continuing to implement an industry-leading policy to market breast-milk substitutes responsibly

Inspire people to choose water to lead healthier lives

Partner for promoting healthy food environments

Building, sharing and applying nutrition knowledge

Build and share nutrition knowledge from the first 1000 days through to healthy ageing

Build biomedical science leading to health-promoting products, personalised nutrition and digital solutions



For our communities

Rural development and enhancing rural livelihoods

Roll-out rural development baseline assessments to understand the needs of farmers	✓
Improve farm economics among the farmers who supply us	
Improve food availability and dietary diversity among the farmers who supply us	
Implement responsible sourcing in our supply chain and promote animal welfare	
Continuously improve our green coffee supply chain	
Roll out the <i>Nestlé Cocoa Plan</i> with cocoa farmers	

Respecting and promoting human rights

Assess and address human rights impacts across our business activities	
Improve workers' livelihoods and protect children in our agricultural supply chain	
Enhance a culture of integrity across the organisation	

Promoting decent employment and diversity

Roll-out our <i>Nestlé needs YOuth</i> initiative across all our operations	
Provide training on <i>Corporate Business Principles</i> , Nutrition and Environmental Sustainability	✓
Enhance gender balance in our workforce and empower women across the entire value chain	
Advocate for healthy workplaces and healthier employees	



For the planet

Caring for water

Work to achieve water efficiency and sustainability across our operations	
Advocate for effective water policies and stewardship	
Treat the water we discharge effectively	✓
Engage with suppliers, especially those in agriculture	
Raise awareness on water conservation, and improve access to water and sanitation across our value chain	

Acting on climate change

Provide climate change leadership	
Promote transparency and proactive, long-term engagement in climate policy	

Safeguarding the environment

Assess and optimise the environmental impact of our products	✓
Improve the environmental performance of our packaging	
Reduce food loss and waste	
Provide meaningful and accurate environmental information and dialogue	
Preserve natural capital, including forests	

✓ Commitments achieved by the end of 2017

Financial review

Key figures (consolidated)

In millions of CHF (except for data per share and employees)

2016 2017

Results

Sales		89 469	89 791
Underlying Trading operating profit *		14 307	14 729
as % of sales		16.0%	16.4%
Trading operating profit *		13 693	13 233
as % of sales		15.3%	14.7%
Profit for the year attributable to shareholders of the parent (Net profit)		8 531	7 183
as % of sales		9.5%	8.0%

Balance sheet and Cash flow statement

Equity attributable to shareholders of the parent		64 590	61 504
Net financial debt *		13 913	17 875
Ratio of net financial debt to equity (gearing)		21.5%	29.1%
Operating cash flow		15 582	13 486
as % of net financial debt		112.0%	75.4%
Free cash flow *		10 108	8 509
Capital expenditure		4 010	3 934
as % of sales		4.5%	4.4%

Data per share

Weighted average number of shares outstanding (in millions of units)		3 091	3 092
Basic earnings per share	CHF	2.76	2.32
Underlying earnings per share *	CHF	3.40	3.55
Dividend as proposed by the Board of Directors of Nestlé S.A.	CHF	2.30	2.35

Market capitalisation, end December

Number of employees (in thousands)		328	323
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Principal key figures ^(a) (illustrative) in CHF, USD, EUR

In millions (except for data per share)	Total CHF 2016	Total CHF 2017	Total USD 2016	Total USD 2017	Total EUR 2016	Total EUR 2017
Sales	89 469	89 791	90 796	91 236	82 055	80 690
Underlying Trading operating profit *	14 307	14 729	14 519	14 966	13 121	13 236
Trading operating profit *	13 693	13 233	13 896	13 446	12 558	11 892
Profit for the year attributable to shareholders of the parent (Net profit)	8 531	7 183	8 658	7 299	7 824	6 455
Equity attributable to shareholders of the parent	64 590	61 504	63 156	62 965	60 075	52 675
Market capitalisation, end December	226 310	256 223	221 287	262 309	210 490	219 440

Data per share

Basic earnings per share		2.76	2.32	2.80	2.36	2.53	2.08
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* Certain financial performance measures are not defined by IFRS. For further details, see Foreword on page 40.

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

Group overview

Foreword

The Financial review contains certain financial performance measures, that are not defined by IFRS, that are used by management to assess the financial and operational performance of the Group. They include among others:

- Organic growth, Real internal growth and Pricing;
- Underlying Trading operating profit margin and Trading operating profit margin;
- Net financial debt;
- Free cash flow; and
- Underlying earnings per share (EPS) and EPS in constant currency.

Management believes that these non-IFRS financial performance measures provide useful information regarding the Group's financial and operating performance.

The *Alternative Performance Measures* document published under <https://www.nestle.com/investors/publications> defines these non-IFRS financial performance measures.

Introduction

Our 2017 organic sales growth was within the guided range but below our expectations, in particular due to weak sales development towards the end of the year. Sales growth in Europe and Asia was encouraging while North America and Brazil continued to see a challenging environment.

Our cost-reduction initiatives delivered margin improvement ahead of 2017 expectations, in spite of considerable commodity price increases.

During the past months, we have completed initial portfolio adjustments with very favourable results. We will continue this active portfolio management approach in a disciplined manner and fully in line with our strategy. Regarding our core portfolio, accelerating our growth through product innovation and renovation is high on the agenda.

Organic sales growth is expected to improve in 2018 and we are firmly on track for our 2020 margin improvement target.

Group sales

Organic growth (OG) of 2.4% was at the low end of our expectations, following slow growth of 1.9% in the fourth quarter. Real internal growth (RIG)

Sales by geographic area

	Differences 2017/2016 (in %)		
	in CHF	in local currency	in CHF millions
By principal markets			
United States	-0.1%	0.0%	26 678
Greater China Region	+0.6%	+2.3%	6 578
France	-1.2%	-3.2%	4 426
Brazil	+4.8%	-2.7%	4 317
Mexico	+4.9%	+6.2%	2 722
United Kingdom	-0.7%	+4.0%	2 708
Germany	-6.7%	-8.6%	2 681
Philippines	-6.2%	-0.4%	2 571
Canada	+2.8%	+0.9%	1 947
Italy	-4.1%	-6.1%	1 784
Japan	+0.2%	+3.5%	1 751
Russia	+15.7%	+1.8%	1 620
Australia	+3.3%	+0.4%	1 569
Spain	-9.7%	-11.6%	1 525
India	+11.6%	+8.2%	1 457
Switzerland	-14.4%	-14.4%	1 262
Rest of the world	+1.6%	(a)	24 195
Total	+0.4%	(a)	89 791

(a) Not applicable.

was 1.6% for the full-year and remained at the high end of the food and beverage industry.

Pricing of 0.8% was consistent with the prior year. Organic growth was 0.7% in developed markets and 4.8% in emerging markets. Net divestments reduced sales by 1.9%, largely related to the creation of the Froneri joint venture. Foreign exchange had a minimal negative impact of 0.1%. Total reported sales were CHF 89.8 billion, a 0.4% increase for the year.

Organic growth in Zone AMS was subdued and decelerated in the back half of the year. Excluding the confectionery business, growth in the United States was flat, reflecting soft consumer demand and challenging category dynamics. Brazil maintained solid RIG in a difficult trading environment, but pricing was negative due to deflationary pressures.

Mexico was resilient and other parts of Latin America sustained good momentum.

Growth in Zone EMENA increased following a significant improvement in the second half of the year, with two consecutive quarters in excess of 3%. This was largely driven by strong results in petcare and coffee.

Zone AOA saw its highest growth in four years, with positive RIG and pricing. This was based on a return to positive growth in China, which was achieved despite difficult comparables in the fourth quarter due to the timing of Chinese New Year. There was continued good growth across the other sub-regions.

Nestlé Waters posted high single-digit growth in the international premium brands. The regional brands in North America faced weak demand and pricing pressure. Growth remained soft in Nestlé Nutrition as sales were subdued in North America and declined in Brazil. There was modest improvement in China, driven by new organic offerings. Nespresso reported consistent mid single-digit growth, with positive momentum in all regions and sustained mid-teen growth in North America. Nestlé Health Science maintained solid growth and Nestlé Skin Health improved slightly.

All categories reported positive growth, led by coffee, petcare and Nestlé Health Science.

Underlying Trading operating profit

Underlying Trading operating profit increased by 2.9% to CHF 14.7 billion. The Underlying Trading operating profit margin was up 50 basis points in constant currency and up 40 basis points on a reported basis to 16.4%. This improvement puts us on track to meet our 2020 target.

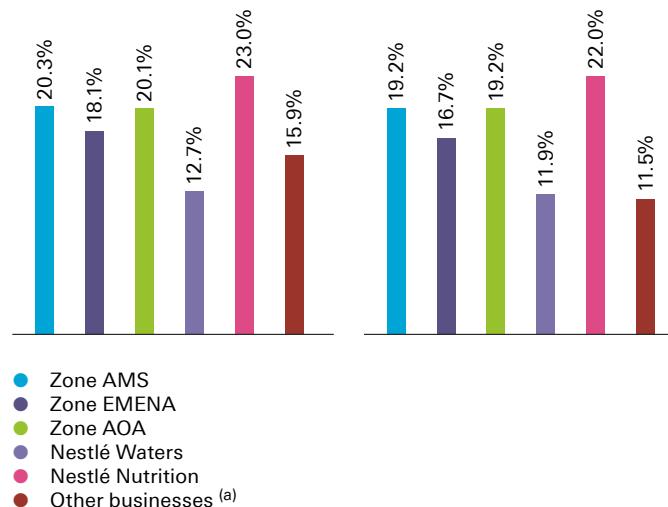
Margin expansion was supported by operating efficiencies and successful execution of ongoing restructuring initiatives. These cost savings largely offset the increase in commodity costs of around CHF 900 million.

Restructuring expenditure and net other trading items increased by CHF 900 million to CHF 1.5 billion due to the acceleration of restructuring projects. As a consequence, Trading operating profit decreased by 3.4% to CHF 13.2 billion. The Trading operating profit margin decreased by 60 basis points on a reported basis to 14.7%, in line with our guidance.

Underlying Trading operating profit and Trading operating profit
In millions of CHF In % of sales



Underlying Trading operating profit by operating segment
In % of sales **Trading operating profit by operating segment**
In % of sales



(a) Mainly Nespresso, Nestlé Health Science and Nestlé Skin Health.

Effective as from 1 January 2017, Nestlé Professional (NP) is no more reported as a Globally-Managed Business but as a Regionally-Managed Business included in the Zones. 2016 comparatives have been restated.

Impact of the United States Corporate Tax Reform

As a result of the United States Tax Reform, we expect a reduction in our United States corporate tax expenses of around CHF 300 million per year, as from January 2018. This equates to a reduction of the Group underlying tax rate of around 200 basis points from 2018 onwards, assuming no other changes. In addition, the tax rate reduction triggered a one-time deferred tax gain in 2017 of around CHF 850 million.

Net profit and Earnings per share

Net profit decreased by 15.8% to CHF 7.2 billion and earnings per share decreased by 15.8% to CHF 2.32. This was mainly due to an impairment of goodwill related to Nestlé Skin Health, which was taken to reflect the current prospects of the business.

Underlying earnings per share increased by 4.7% in constant currency and by 4.6% on a reported basis to CHF 3.55.

Cash flow

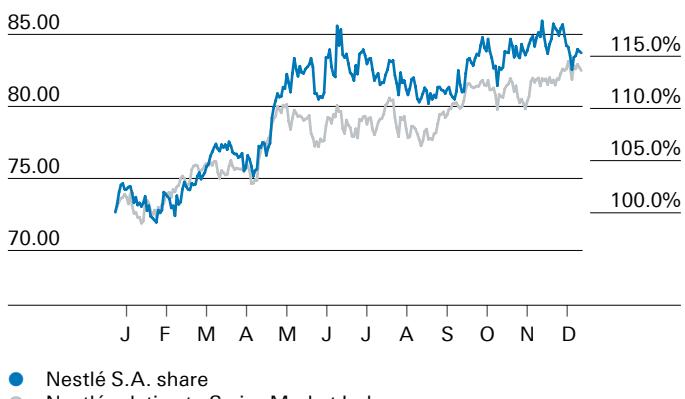
Free cash flow declined from CHF 10.1 billion to CHF 8.5 billion. This was driven by working capital development, which saw a slower rate of improvement following the exceptionally large reduction in the prior year.

Financial position

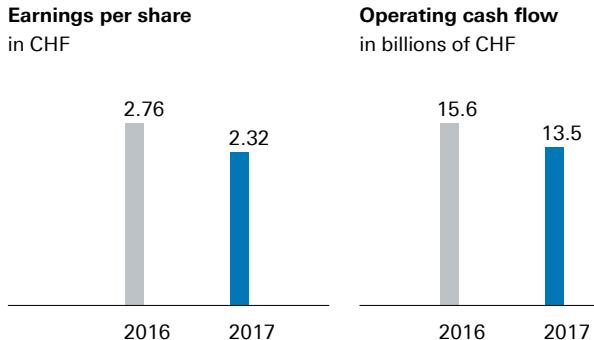
The Group's net debt increased from CHF 13.9 billion to CHF 17.9 billion in 2017 mainly due to the share buy-back programme launched in the second half of 2017.

Evolution of the Nestlé S.A. share in 2017

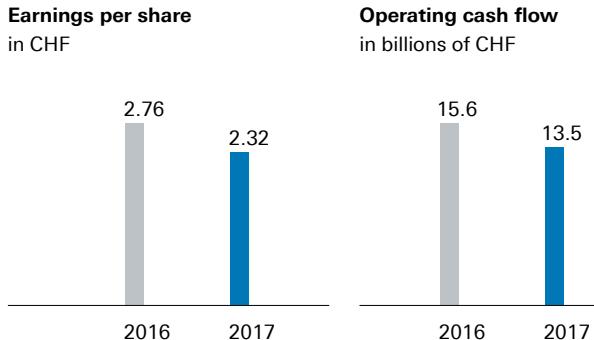
In CHF



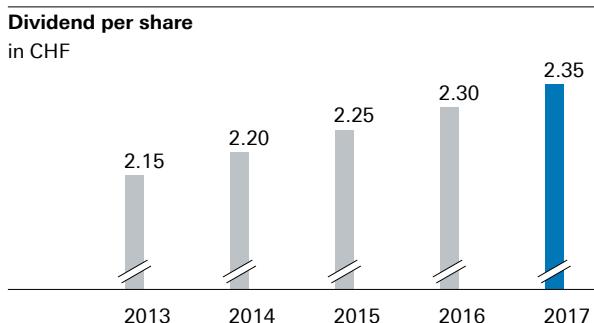
Earnings per share
in CHF



Operating cash flow
in billions of CHF



Dividend per share
in CHF



Return on invested capital

The Group's return on invested capital including goodwill and intangible assets decreased by 230 basis points to 8.9% mainly due to the impairment of goodwill of Nestlé Skin Health. Return on invested capital before goodwill and intangible assets decreased by 10 basis points to 31.6%.

Dividend

The Board of Directors is proposing a dividend of CHF 2.35 per share, up from CHF 2.30 last year.

Outlook

In 2018, we expect organic sales growth between 2% and 4%, and Underlying Trading operating profit margin improvement in line with our 2020 target. Restructuring costs* are expected at around CHF 700 million. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

* Not including impairment of fixed assets, litigation and onerous contracts.

Sales, employees and factories by geographic area

	Sales		Employees		Factories	
	2016	2017	2016	2017	2016	2017
AMS	44.9%	45.3%	33.2%	33.5%	158	158
EMENA (a)	30.0%	29.1%	33.2%	33.9%	151	146
AOA	25.1%	25.6%	33.6%	32.6%	109	109

(a) 10133 employees in Switzerland in 2017.

Employees by activity

In thousands

	2016	2017
Factories	168	164
Administration and sales	160	159
Total	328	323

Product category and operating segment review

In millions of CHF	2016 *	2017	Proportion of total sales (%)	RIG (%)	OG (%)
Powdered and Liquid Beverages					
Soluble coffee/coffee systems	9 072	9 277		45.5%	
Other	10 720	11 131		54.5%	
Total sales	19 792	20 408		+ 2.1%	+ 3.6%
Underlying Trading operating profit	4 270	4 461		21.9%	
Trading operating profit	4 129	4 302		21.1%	
Water					
Total sales	7 414	7 455		+ 2.1%	+ 2.4%
Underlying Trading operating profit	950	968		13.0%	
Trading operating profit	906	905		12.1%	
Milk products and Ice cream					
Milk products	10 540	10 767		80.1%	
Ice cream	3 791	2 680		19.9%	
Total sales	14 331	13 447		+ 0.4%	+ 2.0%
Underlying Trading operating profit	2 759	2 509		18.7%	
Trading operating profit	2 649	2 326		17.3%	
Nutrition and Health Science					
Total sales	15 038	15 257		+ 1.9%	+ 2.1%
Underlying Trading operating profit	2 900	2 961		19.4%	
Trading operating profit	2 775	2 425		15.9%	
Prepared dishes and cooking aids					
Frozen and chilled	6 512	6 139		51.3%	
Culinary and other	5 636	5 818		48.7%	
Total sales	12 148	11 957		+ 1.0%	+ 2.2%
Underlying Trading operating profit	1 940	2 103		17.6%	
Trading operating profit	1 838	1 933		16.2%	
Confectionery					
Chocolate	6 267	6 366		72.3%	
Sugar confectionery	1 111	1 099		12.5%	
Biscuits	1 301	1 340		15.2%	
Total sales	8 679	8 805		+ 1.4%	+ 0.3%
Underlying Trading operating profit	1 237	1 387		15.8%	
Trading operating profit	1 192	1 237		14.0%	
PetCare					
Total sales	12 067	12 462		+ 2.5%	+ 3.0%
Underlying Trading operating profit	2 554	2 678		21.5%	
Trading operating profit	2 535	2 626		21.1%	

* 2016 figures have been restated – see note on page 41.

Zone Americas (AMS)

Sales	CHF 28.5 billion
Organic growth	+ 0.9%
Real internal growth	+ 0.2%
Underlying Trading operating profit margin	20.3%
Underlying Trading operating profit margin	+ 60 basis points
Trading operating profit margin	19.2%
Trading operating profit margin	+ 20 basis points

- 0.9% organic growth: 0.2% RIG; 0.7% pricing.
- North America saw slightly negative organic growth with positive pricing.
- Latin America had positive RIG and pricing but organic growth for the region decelerated due to lower pricing in Brazil.
- The Underlying Trading operating profit margin increased by 60 basis points to 20.3%.

Organic growth was subdued at 0.9%, with RIG of 0.2%, following a slowdown in North America. Softer pricing of 0.7% reflected a lower contribution from Latin America, mainly Brazil. Net divestments reduced reported sales by 0.5%, but foreign exchange increased reported sales by 0.8%. Reported sales in Zone AMS increased by 1.2% to CHF 28.5 billion.

Organic growth in the United States was slightly negative, as weak consumer demand persisted throughout the year, resulting in stagnant food and beverage category growth. The coffee creamer and petcare categories generated growth in North America, offset by declines in confectionery and ice cream. Excluding confectionery, growth in the United States was flat.

In Brazil, RIG was solid but organic growth was negative as deflationary pressures led to lower pricing, particularly in dairy. Mexico maintained resilient mid single-digit growth, mainly coming from pricing. This was achieved in a volatile economic environment and despite some impact from natural disasters. PetCare had another strong year in Latin America, with double-digit growth across the region. The professional business also achieved high single-digit growth driven by successful product launches.

The Zone's Underlying Trading operating profit margin improved by 60 basis points, as ongoing restructuring projects reduced structural costs. Operational efficiency savings helped to offset cost increases from commodity inflation and foreign exchange.

Zone AMS

In millions of CHF

	2016 *	2017	Proportion of total sales (%)	RIG (%)	OG (%)
United States and Canada	19 212	19 138	67.2%		
Latin America and Caribbean	8 918	9 341	32.8%		
Powdered and Liquid Beverages	3 314	3 366	11.8%		
Milk products and Ice cream	7 176	7 292	25.6%		
Prepared dishes and cooking aids	5 630	5 618	19.7%		
Confectionery	3 451	3 507	12.3%		
PetCare	8 559	8 696	30.6%		
Total sales	28 130	28 479		+ 0.2%	+ 0.9%
Underlying Trading operating profit	5 537	5 791	20.3%		
Trading operating profit	5 356	5 459	19.2%		
Capital expenditure	1 083	1 200	4.2%		

* 2016 figures have been restated – see note on page 41.

Zone Europe, Middle East and North Africa (EMENA)

Sales	CHF 16.5 billion
Organic growth	+ 2.3%
Real internal growth	+ 1.7%
Underlying Trading operating profit margin	18.1%
Underlying Trading operating profit margin	+ 80 basis points
Trading operating profit margin	16.7%
Trading operating profit margin	+ 10 basis points

- 2.3% organic growth: 1.7% RIG; 0.6% pricing.
- Western Europe maintained positive organic growth with balanced contributions of RIG and pricing.
- Central and Eastern Europe achieved mid single-digit organic growth, driven entirely by RIG.
- Middle East and North Africa saw mid single-digit organic growth, both RIG and pricing were positive.
- The Underlying Trading operating profit margin grew by 80 basis points to 18.1%.

Organic growth increased to 2.3% as the Zone finished the year with good momentum, reporting two consecutive quarters in excess of 3%. RIG remained solid at 1.7% and pricing improved

to 0.6%, driven by a return to positive pricing in Western Europe. Net divestments reduced reported sales by 8.0%, mainly reflecting the transfer of the ice cream business to the Froneri joint venture. However, foreign exchange effects increased reported sales by 0.6%. Reported sales in Zone EMEA decreased by 5.1% to CHF 16.5 billion.

Zone EMEA saw positive growth across all sub-regions and categories, with PetCare and coffee the main contributors. PetCare's performance was supported by very strong growth in Russia and other emerging markets. Nescafé had good growth in Western Europe, the Middle East and North Africa, following price increases taken during the year. Confectionery, culinary and dairy all delivered improved growth, helped by successful product launches. The United Kingdom returned to solid growth after a challenging start to the year, with positive RIG and pricing.

The Zone's Underlying Trading operating profit margin increased by 80 basis points, despite higher commodity costs. This improvement was driven by price increases, portfolio management, operational efficiencies and structural cost savings.

Zone EMEA

In millions of CHF

	2016 *	2017	Proportion of total sales (%)	RIG (%)	OG (%)
Western	11 567	10 665	64.5%		
Eastern and Central	2 843	3 053	18.5%		
Middle East and North Africa	3 018	2 817	17.0%		
 Powdered and Liquid Beverages	4 989	5 136	31.1%		
Milk products and Ice cream	2 095	1 061	6.4%		
Prepared dishes and cooking aids	4 208	3 885	23.5%		
Confectionery	3 156	3 226	19.5%		
PetCare	2 980	3 227	19.5%		
Total sales	17 428	16 535		+ 1.7%	+ 2.3%
 Underlying Trading operating profit	3 020	2 990	18.1%		
Trading operating profit	2 888	2 768	16.7%		
Capital expenditure	791	725	4.4%		

* 2016 figures have been restated – see note on page 41.

Zone Asia, Oceania and sub-Saharan Africa (AOA)

Sales	CHF 16.2 billion
Organic growth	+ 4.7%
Real internal growth	+ 2.9%
Underlying Trading operating profit margin	20.1%
Underlying Trading operating profit margin	+ 20 basis points
Trading operating profit margin	19.2%
Trading operating profit margin	- 20 basis points

- 4.7% organic growth: 2.9% RIG; 1.8% pricing.
- China returned to positive growth despite difficult comparables due to the timing of Chinese New Year.
- South-East Asia and South Asia maintained good organic growth, with strong RIG and positive pricing.
- Sub-Saharan Africa saw strong double-digit growth with positive RIG and pricing.
- Developed markets remained solid, with good RIG partially offset by negative pricing.
- The Underlying Trading operating profit margin increased by 20 basis points to 20.1%.

Organic growth was strong at 4.7%. RIG was consistent at 2.9%, while pricing improved to 1.8%. Net divestments and foreign exchange

reduced reported sales by 0.4% and 2.3%, respectively. Reported sales in Zone AOA increased by 2.0% to CHF 16.2 billion.

Organic growth in Zone AOA had a good balance of RIG and pricing. The Zone achieved its highest growth in four years despite difficult comparables in the fourth quarter due to the timing of Chinese New Year. There was a return to slightly positive growth in China, helped by the stabilisation of Yinlu and solid contributions across coffee, ice cream and culinary products. Growth was broad-based across the Zone, with a notable acceleration in Nestlé Professional and PetCare. There was good growth in sub-Saharan Africa, South-East Asia and South Asia, despite some impact on organic growth from the implementation of the Goods and Services Tax (GST) in India. Developed markets saw strong RIG, especially Japan. This was partially offset by negative pricing.

The Zone's Underlying Trading operating profit margin improved by 20 basis points, as pricing, operational efficiencies and structural cost savings more than offset an increase in commodity costs.

Zone AOA

In millions of CHF

	2016 *	2017	Proportion of total sales (%)	RIG (%)	OG (%)
ASEAN markets	4 878	4 924		30.3%	
Oceania and Japan	2 956	2 979		18.4%	
Other Asian markets	6 159	6 304		38.9%	
Sub-Saharan Africa	1 911	2 017		12.4%	
 Powdered and Liquid Beverages	5 841	5 956		36.7%	
Milk products and Ice cream	5 214	5 262		32.5%	
Prepared dishes and cooking aids	2 305	2 453		15.1%	
Confectionery	2 016	2 014		12.4%	
PetCare	528	539		3.3%	
Total sales	15 904	16 224		+ 2.9%	+ 4.7%
 Underlying Trading operating profit	3 171	3 265		20.1%	
Trading operating profit	3 085	3 123		19.2%	
Capital expenditure	574	539		3.3%	

* 2016 figures have been restated – see note on page 41.

Nestlé Waters

Sales	CHF 8.0 billion
Organic growth	+ 2.1%
Real internal growth	+ 1.8%
Underlying Trading operating profit margin	12.7%
Underlying Trading operating profit margin	+ 20 basis points
Trading operating profit margin	11.9%
Trading operating profit margin	0 basis point

- 2.1% organic growth: 1.8% RIG; 0.3% pricing.
- North America had slightly positive organic growth driven entirely by RIG, with negative pricing.
- Europe maintained low single-digit organic growth on a full-year basis.
- Emerging markets overall delivered high single-digit growth.
- The Underlying Trading operating profit margin increased by 20 basis points to 12.7%.

Organic growth slowed to 2.1% following a challenging second half of the year. RIG decelerated to 1.8%, reflecting softer growth across both North America and Europe. Pricing remained limited at 0.3% in a deflationary environment. Net divestments and foreign

exchange reduced reported sales by 0.5% and 1.4%, respectively. Reported sales in Nestlé Waters increased by 0.2% to CHF 8.0 billion.

Nestlé Waters saw high single-digit growth in the international premium brands. The regional brands in North America faced weak demand and pricing pressure. RIG was solid in the developed markets but pricing remained negative. Growth remained strong across Latin America and solid in AOA.

Nestlé Waters faced higher commodity costs in 2017. The Underlying Trading operating profit margin improved by 20 basis points, driven by efficiencies and increased structural cost savings. The strong growth of the international brands also drove improved profitability through premiumisation.

Nestlé Waters

In millions of CHF

	2016	2017	Proportion of total sales (%)	RIG (%)	OG (%)
Europe	1 966	1 980	24.9%		
United States and Canada	4 385	4 417	55.5%		
Other regions	1 575	1 558	19.6%		
Total sales	7 926	7 955		+ 1.8%	+ 2.1%
Underlying Trading operating profit	990	1 012	12.7%		
Trading operating profit	946	948	11.9%		
Capital expenditure	496	545	6.9%		

Nestlé Nutrition

Sales	CHF 10.4 billion
Organic growth	+ 1.1%
Real internal growth	+ 0.9%
Underlying Trading operating profit margin	23.0%
Underlying Trading operating profit margin	- 10 basis points
Trading operating profit margin	22.0%
Trading operating profit margin	- 70 basis points

- 1.1% organic growth: 0.9% RIG; 0.2% pricing.
- In China, organic growth remained soft but saw some improvement in the back half of the year.
- The United States had slightly positive organic growth driven by price increases.
- Brazil had negative growth, reflecting price decreases and soft demand.
- The Nestlé Nutrition Underlying Trading operating profit margin decreased by 10 basis points to 23.0%.

Organic growth was soft at 1.1%, comprised of 0.9% RIG and 0.2% pricing. Net divestments and foreign exchange reduced reported sales by 0.4% and 0.2% respectively. Reported sales in Nestlé Nutrition increased by 0.5% to CHF 10.4 billion.

Growth in China remained soft but did improve compared to the prior year, driven by new organic offerings for *NAN* and *illuma*. The United States was subdued with slightly positive growth in the context of ongoing weak category dynamics. The comprehensive re-launch of Gerber's baby food range is in progress, including new organic and natural lines. Growth of Nestlé Nutrition was impacted by negative results in Brazil, especially in the back half of the year. Significant deflation in Brazil's dairy market resulted in negative pricing and demand remained weak. South Asia and the Middle East made strong contributions with mid single-digit growth.

Nestlé Nutrition's Underlying Trading operating profit margin decreased by 10 basis points, mainly due to lower profitability in Brazil, where pricing was significantly impacted by deflationary pressures.

Nestlé Nutrition

In millions of CHF

	2016	2017	Proportion of total sales (%)	RIG (%)	OG (%)
EMENA	1 978	1 977		19.1%	
AMS	3 751	3 724		35.9%	
AOA	4 597	4 660		45.0%	
Total sales	10 326	10 361		+ 0.9%	+ 1.1%
Underlying Trading operating profit	2 389	2 384		23.0%	
Trading operating profit	2 342	2 282		22.0%	
Capital expenditure	414	331			3.2%

Other businesses

Sales	CHF 10.2 billion
Organic growth	+ 4.8%
Real internal growth	+ 4.5%
Underlying Trading operating profit margin	15.9%
Underlying Trading operating profit margin	+ 50 basis points
Trading operating profit margin	11.5%
Trading operating profit margin	- 290 basis points

- 4.8% organic growth: 4.5% RIG; 0.3% pricing.
- Nespresso posted good organic growth, with sustained mid-teen momentum in North America.
- Nestlé Health Science maintained mid single-digit growth with positive RIG and pricing.
- Nestlé Skin Health saw slightly improved growth.
- The Underlying Trading operating profit margin of Other businesses increased by 50 basis points to 15.9%.

Organic growth of 4.8% was driven by strong RIG of 4.5% and pricing of 0.3%. Net acquisitions decreased reported sales by 0.8% and foreign exchange had a positive 1.0% impact.

Reported sales in Other businesses increased by 5.0% to CHF 10.2 billion.

Nespresso reported consistent mid single-digit growth, with positive growth in all regions and sustained mid-teen momentum in North America. Nespresso continued to expand its global footprint throughout the year, opening 80 new boutiques. The business also introduced its Vertuo system in the UK and in Australia, building on previous successful launches in the USA, Canada and France. Nestlé Health Science maintained solid growth driven by Medical Nutrition. Nestlé Skin Health had slightly improved growth, however, this was still materially below the initial business plans.

The Underlying Trading operating profit margin of Other businesses increased by 50 basis points. This was mainly driven by an improvement in Nestlé Skin Health, however, the profitability of this business remained substantially below its historical level.

Other businesses ^(a)

In millions of CHF

	2016*	2017	Proportion of total sales (%)	RIG (%)	OG (%)
Total sales	9 755	10 237		+ 4.5%	+ 4.8%
Underlying Trading operating profit	1 503	1 625	15.9%		
Trading operating profit	1 407	1 174	11.5%		
Capital expenditure	451	421	4.1%		

* 2016 figures have been restated – see note on page 41.

(a) Mainly Nespresso, Nestlé Health Science and Nestlé Skin Health.

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 and ensure the achievement of Nestlé's long-term goals.

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 resulting in the aggregation of individual assessments by all Markets and Globally-Managed Businesses. Additionally, Nestlé engages with external stakeholders to better understand the issues that are of most concern to them. For each issue, the materiality matrix (included in the *Nestlé in society report*) rates the degree of stakeholder concern and potential business impact. These different risk mappings allow the Group to make sound decisions on the future operations of the company.

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, half-yearly to the Audit Committee, and reported annually to the Board of Directors.

The factors identified below are considered the most relevant for our business and performance. Many of the long-term mitigation strategies are expanded on in our *Nestlé in society report*.

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 to ensure high-quality products and prevention of health risks arising from handling, preparation and storage throughout the value chain.

The success of the Nestlé Group depends on its ability to anticipate consumer preferences and to offer high-quality, competitive, relevant and innovative products. Our Nutrition, Health and Wellness strategy aims to enhance people's lives at all stages through industry-leading research and development to drive innovation and the continuous improvement of our portfolio.

Prolonged negative perceptions concerning health implications of processed food and beverages categories could lead to an increase in regulation of the industry and may also influence consumer preferences. The Group has long-term objectives in place to apply scientific and nutritional know-how to enhance nutrition, health and wellness, contributing to healthier eating, drinking and lifestyle habits, as well as improve the accessibility of safe and affordable food.

Changing customer relationships and channel landscape may inhibit our growth if we fail to maintain strong engagements or adapt to changing customer needs. Our strategy is to maintain and develop strong relationships with customers across the world to help them win in their respective prioritized categories where we operate.

Nestlé is dependent on the sustainable supply of a number of raw and packaging materials. Longer-term changes in weather patterns; water shortages; shifts in production patterns; economic and social inequality in supply chains, etc., could result in capacity constraints, as well as reputational damage. The Group has long-term commitments to promote better agricultural practices, support rural development in line with local priorities, and address supply chain issues from gender inequality to deforestation. Progress against these commitments is monitored to ensure positive social and environmental impacts along with delivering our own growth strategy.

Nestlé manages risks related to climate change and water resources. Our long-term commitments and strategies on climate change and water are available in Nestlé's response to the CDP Climate Change report and Water questionnaires in the *Nestlé in society report*.

The Group is subject to environmental regimes applied in all countries where it operates and has controls in place to comply with legislation

concerning the protection 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 reliant on the procurement of materials, manufacturing and supply of finished goods for all product categories. A major event impacting input prices, or 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. Active price-risk management on key commodities and business continuity plans are established and regularly maintained in order to mitigate against such events.

The investment choices of the Group evolve over time and may include investments in emerging technologies; new business models; expansion into new geographies; and creation of, or entry into, new categories. This may result in broader exposures for the Group, e.g. a more highly-regulated environment for the healthcare segment, etc. The Group's investment choices are aligned with our strategy and prioritised based on the potential to create value over the long term.

The Group, as part of the strategy, undertakes business transformations such as large scale change management projects, mergers and acquisitions. To ensure the realisation of the anticipated benefits of them, these transformations receive executive sponsorship with aligned targets, as well as appropriate levels of resource to support successful execution of them.

The ability to attract and retain skilled, talented employees is critical to achieving our strategy. Our initiatives and processes aim to sustain a high-performance culture, supported by a total awards approach and people development that emphasises diversity, innovation and growth.

Nestlé is subject to health and safety regimes in all countries where it operates. Nestlé has procedures in place to comply with legislation concerning the protection of the health and welfare of employees and contractors, as well as long-term initiatives to promote safe and healthy employee behaviours.

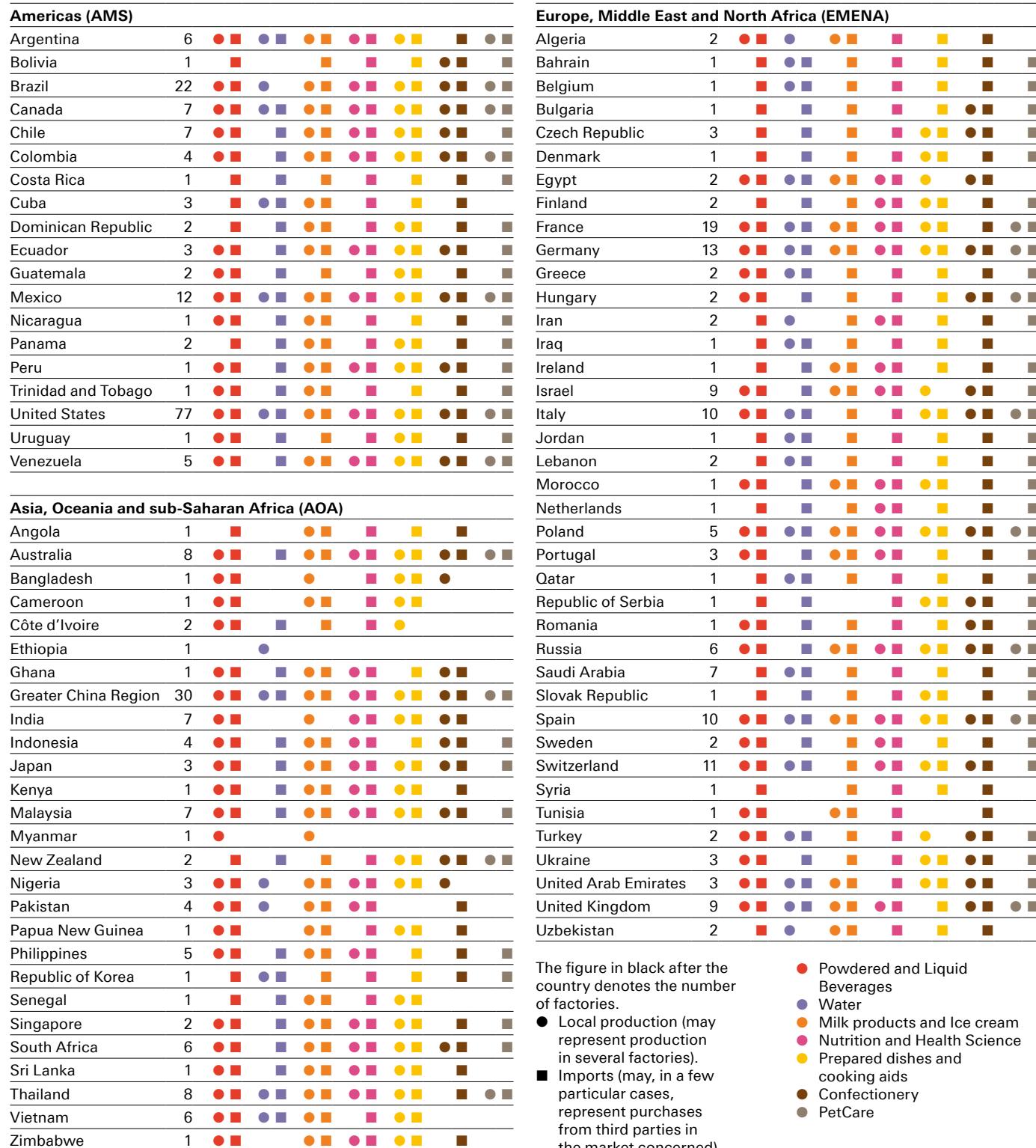
The Group depends on accurate, timely data along with increasing integration of digital

solutions, services and models, both internal and external. Disruption impacting the reliability, security and privacy of the data, as well as the IT infrastructure, is a threat. Contingency plans along with policies and controls are in place aiming to protect and ensure compliance on both infrastructure and data.

The Group's liquidities/liabilities (currency, interest rate, hedging, cost of capital, pension obligations/retirement benefits, banking/commercial credit, etc.) could be impacted by any major event in the financial markets. Nestlé has the appropriate risk mitigation measures in place with strong governance to actively manage exposures and long-term asset and liability outlook.

Nestlé has factories in 85 countries and sales in 189 countries. 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. Major events caused by natural hazards (such as flood, drought, infectious disease, etc.) 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. The Group-wide geographical and product category spreads represents a tremendous natural hedge.

Factories



Corporate Governance and Compliance

Corporate Governance

Our Board of Directors is highly engaged in our long-term, sustainable value creation based on strong principles of governance and an appropriate tone from the top. It ensures the long-term health of our company so it can continue to deliver dependable value over time. We invest in our future as others have done for us in the past.

In 2017, our Board of Directors facilitated the transition to a new Chairman and CEO. At the same time, it rearticulated the company's purpose and values to confirm our mission and basic values in times of change. Nestlé's purpose remains enhancing quality of life and contributing to a healthier future. Culture changes, values stay.

The Board also reconfirmed Nestlé's value creation model delivering both top and bottom line growth, as well as capital efficiency to drive continuous long-term shareholder value creation. It stated our commitments to margin expansion, streamlining the portfolio and a prudent approach toward capital allocation and M&A. It approved a share buyback programme of up to CHF 20 billion subject to strategic opportunities.

Our Board's recent actions to create sustained value also included adding four new independent directors in the past three years; expanding the mission of our Nomination and Sustainability Committee and strengthening risk oversight by our Audit Committee.

Intense engagement with our shareholders and other stakeholders allowed us to take into account their views through our Chairman's Roundtables, roadshows, investor meetings, analyst and engagement calls, as well as stakeholder convenings.

Our Chairman's and Corporate Governance Committee liaises between the Chairman and the full Board and provides advice to the Chairman and CEO. It regularly reviews all aspects of our governance, as well as the company's asset and liability management.

Our Nomination and Sustainability Committee puts a strong focus on Board composition, structure and succession planning. It evaluates candidates for nomination to the Board in the coming years. It reviews all aspects of our environmental and social sustainability. It is chaired by our Lead Independent Director.

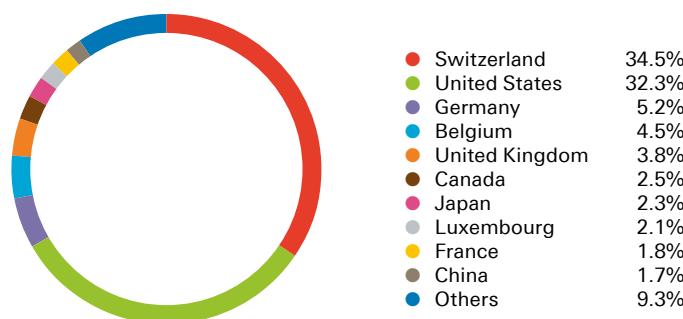
Our Compensation Committee sets our remuneration principles and submits the proposals

for remuneration of the Board and the Executive Board to the Board and the AGM. It ensures the alignment of our values, strategies and performance management. Our compensation budgets and our compensation report are submitted to annual votes by our shareholders.

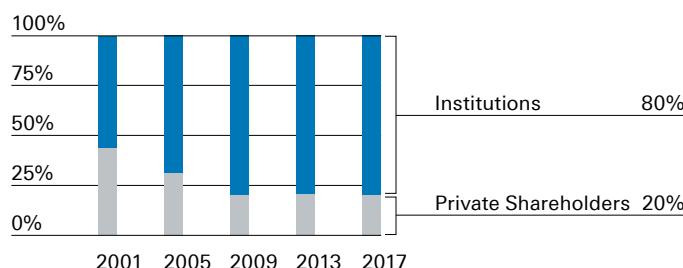
Our Audit Committee oversees internal and external audit, financial reporting, compliance and risk management. In 2017, our internal audit function was strengthened, and our risk and compliance reporting was enhanced.

We further integrated our public reporting on our financial and non-financial performance by including the highlights from our *Nestlé in society* report in our *Annual Review*. We recognize that for our company to be successful over time and create sustainable value for shareholders, we must also create value for society, i.e. 'Create Shared Value'.

Share capital distribution by geography



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



(a) Percentage derived from total number of registered shares.
Registered shares represent 57.2% of the total share capital.
Statistics are rounded, as at 31.12.2017.

Board of Directors of Nestlé S.A.

Helmut O. Maucher

Honorary Chairman

Peter Brabeck-Letmathe

Chairman Emeritus

David P. Frick

Secretary to the Board

KPMG SA Geneva branch⁽¹⁾

Independent auditors



Paul Bulcke



Beat Hess



Andreas Koopmann



U. Mark Schneider



Naïna Lal Kidwai



Henri de Castries

Board of Directors of Nestlé S.A. at 31 December 2017

Paul Bulcke^(1, 2, 4)

Chairman

U. Mark Schneider^(1, 2)

Chief Executive Officer

Andreas Koopmann^(1, 2, 3)

Vice Chairman

Chairman, Georg Fischer AG

Henri de Castries^(1, 2, 4, 5)

Lead Independent Director

Former Chairman and CEO, AXA

Beat Hess^(1, 2, 3)

Chairman, LafargeHolcim Ltd

Former Group Legal Director, Royal Dutch Shell plc.

Renato Fassbind^(1, 2, 5)

Vice Chairman, Swiss Re AG

Steven G. Hoch^(1, 4)

Partner, Brown Advisory, LLC

Naïna Lal Kidwai^(1, 5)

Former Chairperson, HSBC

Group of Companies in India

Jean-Pierre Roth^(1, 3)

Former Chairman, Geneva
Cantonal Bank



Renato Fassbind



Ruth K. Oniang'o



Steven G. Hoch



Ursula M. Burns



Eva Cheng



Jean-Pierre Roth



Ann M. Veneman



Patrick Aebischer

Ann M. Veneman ^(1, 4)
Former Secretary, U.S.
Department of Agriculture,
and Executive Director, UNICEF
Eva Cheng ^(1, 5)
Former Chairman and CEO,
Amway China & Southeast Asia
Ruth K. Oniang'o ⁽¹⁾
Professor of Food Science
and Nutrition

Patrick Aebischer ^(1, 3)
President Emeritus of the
Swiss Federal Institute of
Technology Lausanne (EPFL)
Ursula M. Burns ⁽¹⁾
Former Chairwoman and CEO,
Xerox Corporation

-
- (1) Term expires on the date of the Annual General Meeting 2018.
 - (2) Chairman's and Corporate Governance Committee.
 - (3) Compensation Committee.
 - (4) Nomination and Sustainability Committee.
 - (5) Audit Committee.

For further information on the Board of Directors, please refer to the *Corporate Governance Report 2017*.

Executive Board of Nestlé S.A.



Executive Board of Nestlé S.A. at 31 December 2017

1 U. Mark Schneider
Chief Executive Officer

2 Laurent Freixe
EVP, CEO Zone United States
of America, Canada, Latin
America, Caribbean

3 Chris Johnson
EVP, Nestlé Business
Excellence

4 Patrice Bula
EVP, Strategic Business Units,
Marketing, Sales, Nespresso

5 Wan Ling Martello
EVP, CEO Zone Asia, Oceania,
sub-Saharan Africa

6 Stefan Catsicas
EVP, Innovation Technology,
Research and Development

7 Marco Settembre
EVP, CEO Zone Europe,
Middle East, North Africa

8 François-Xavier Roger
EVP, Chief Financial Officer

9 Magdi Batato
EVP, Operations

10 Peter Vogt
Deputy EVP,
Human Resources

11 Heiko Schipper
Deputy EVP, Nestlé Nutrition

12 Maurizio Patarnello
Deputy EVP, Nestlé Waters



13 Greg Behar

CEO, Nestlé Health
Science S.A.

14 David P. Frick

SVP, Corporate Governance,
Compliance and Corporate
Services

Yves Philippe Bloch
Corporate Secretary

EVP: Executive Vice President
SVP: Senior Vice President
CEO: Chief Executive Officer

For further information on the
Executive Board, please refer to the
Corporate Governance Report 2017.

Compliance

Compliance is the foundation of how we do business and a condition for creating shared value. Compliance at Nestlé not only refers to applicable laws but to Nestlé policies across all our *Corporate Business Principles* and our commitment to integrity as explained in our purpose and values and our *Code of Business Conduct*. Our clear commitments are fundamental to the success of our company.

Our Board of Directors and our Executive Board oversee and promote good practices throughout the company and oversee our corporate compliance program. Line management is supported by our dedicated corporate compliance function, which provides guidance and functional leadership, as well as by all other functions engaged in our holistic, risk and principles based compliance program. Our Corporate Compliance Committee defines the framework and coordinates assurance processes. Market Compliance Officers and Committees ensure a consistent approach across the Group and help identify local compliance priorities.

We monitor compliance through our corporate functions, our internal audit function and our external auditors. Through our CARE program, which relies on independent external auditors, we regularly assess specific aspects of our compliance. In 2017, 145 CARE audits were conducted and gaps addressed. The necessary training is provided in our internal Management School, at in-person trainings in the Markets, as well as through our e-learning tools. 79 157 employees performed our *Code of Conduct* training in 2017.

Our Integrity Reporting System and our 'Tell Us' system allow us to address complaints from employees and external stakeholders. 1725 complaints from employees and 613 complaints from suppliers and other third parties were investigated and remedial action taken this year. Markets were supported with investigative guidelines and best practices.

Following an assessment of all Markets' compliance programs all Markets worked on closing gaps to ensure a consistent approach across the Group. Our *Nestlé Continuous Excellence* program supported this goal. Specific focus areas included further enhancing our

compliance culture and grievance mechanisms, and our anti-corruption policy framework. An annual compliance risk assessment was performed by the Corporate Compliance Committee.

Transparency and eagerness to improve are key principles of the program to remain effective and trusted by all stakeholders. Therefore, our compliance commitments and efforts are externally shared in the *Nestlé in society* report.

Shareholder information

Stock exchange listing

At 31 December 2017, Nestlé S.A. shares are listed on the SIX Swiss Exchange, Zurich (ISIN code: CH0038863350). American Depository Receipts (ISIN code: US6410694060) representing Nestlé S.A. shares are offered in the USA by Citibank, N.A., New York.

Registered Offices

Nestlé S.A.
Avenue Nestlé 55
CH-1800 Vevey (Switzerland)
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 48 00
e-mail: ir@nestle.com

As to information concerning the share register (registrations, transfers, dividends, etc.), please contact:
Nestlé S.A. (Share Transfer Office)
Zugerstrasse 8
CH-6330 Cham (Switzerland)
tel. +41 (0)41 785 20 20
fax +41 (0)41 785 20 24
e-mail: shareregister@nestle.com

The *Annual Review* is 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

12 April 2018

151st Annual General Meeting,
Beaulieu Lausanne,
Lausanne (Switzerland)

13 April 2018

Last trading day with entitlement to dividend

16 April 2018

Ex-dividend date

18 April 2018

Payment of the dividend

19 April 2018

2018 First quarter sales figures

26 July 2018

2018 Half-yearly Results

18 October 2018

2018 Nine months sales figures

14 February 2019

2018 Full Year Results

11 April 2019

152nd Annual General Meeting,
Beaulieu Lausanne,
Lausanne (Switzerland)

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

This *Annual Report* is published in German, English and French. The English version is binding for the content of the *Annual Report of Nestlé S.A.*

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Good Food, Good Life

Corporate Governance Report 2017
Compensation Report 2017
Financial Statements 2017



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Corporate Governance Report 2017

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(1) The full Board of Directors Regulations and Committee Charters are published on www.nestle.com/investors/corporate-governance/boardcommittees.

(2) The term Executive Committee, as used in the SIX Directive, is replaced by Executive Board throughout this document.

Group structure and shareholders

Preliminary remarks

The Nestlé Corporate Governance Report 2017 follows the SIX Swiss Exchange Directive on Information relating to Corporate Governance. Additional information can be found in the Compensation Report. Nestlé S.A. complies with the recommendations of the Swiss Code of Best Practice for Corporate Governance, as in force at 31 December 2017.

To avoid duplication of information, cross-referencing to other reports is made in some sections, namely the Annual Review 2017, the Financial Statements 2017 that comprise the Consolidated Financial Statements of the Nestlé Group and the Financial Statements of Nestlé S.A., as well as the Articles of Association of Nestlé S.A., whose full text can be consulted in this report (page 49) or on:

www.nestle.com/investors/corporate-governance/articles.

The Consolidated Financial Statements of the Nestlé Group 2017 comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with Swiss law. Where necessary, these disclosures have been extended to comply with the requirements of the SIX Swiss Exchange Directive on Financial Reporting.

1. Group structure and shareholders

1.1 Group structure

Please refer to the Annual Review 2017, page 56 for the overview of Directors and Officers.

1.1.1 Description of the issuer's operational group structure
For the general organisation chart of Nestlé S.A., refer to page 27 of this document. The Group's Management structure is represented in the analysis by operating segments (refer to Note 3 of the Consolidated Financial Statements of the Nestlé Group 2017, page 78).

1.1.2 All listed companies belonging to the issuer's group
The registered offices of Nestlé S.A. are in Vevey and Cham (Switzerland). Nestlé S.A. shares are listed on the SIX Swiss Exchange in Switzerland (ISIN code: CH0038863350). At 31 December 2017, the market capitalisation of Nestlé S.A. was CHF 256 223 004 000. For further information see also page 61 of the Annual Review 2017 and visit our website on www.nestle.com/investors.

Please refer to the Consolidated Financial Statements of the Nestlé Group 2017, page 152 for the list of publicly listed companies of the Nestlé Group, with an indication of the company name, registered office, share capital, place of listing, securities' ISIN number, their market capitalisation and the Company's participation.

1.1.3 The non-listed companies belonging to the issuer's group

Please refer to the Consolidated Financial Statements of the Nestlé Group 2017, page 152 for the enumeration of companies of the Nestlé Group, joint arrangements and associates, with an indication of the company name, registered office, share capital and the Company's participation.

Capital structure

1.2 Significant shareholders

BlackRock, Inc., New York, announced on 31 August 2017 holding, directly or indirectly, 4.7% of Nestlé S.A.'s share capital, and The Capital Group Companies, Inc., Los Angeles, announced on 30 October 2017 holding, directly or indirectly, 3.55% of Nestlé S.A.'s share capital. Apart from the foregoing, Nestlé S.A. is not aware of any other shareholder holding, as at 31 December 2017, Nestlé S.A. shares in excess of 3% of the share capital.

During 2017, the Company published on the electronic publication platform of the SIX Swiss Exchange disclosure notifications pertaining to the holding of Nestlé S.A. shares by BlackRock, Inc., New York, which reported holdings of 4.7% on 31 August 2017 as well as The Capital Group Companies, Inc., Los Angeles, which reported holding 3.00% on 28 February 2017, 3.48% on 8 September 2017, and 3.55% on 30 October 2017.

With respect to nominees, Chase Nominees Ltd, London, was a registered Nominee N (refer to point 2.6.3. below) of 284 849 864 shares, i.e. 9.15% of the shares of the Company as at 31 December 2017. At the same date, Citibank N.A., London, as depositary for the shares represented by American Depositary Receipts, was the registered holder of 243 575 492 shares, i.e. 7.83% of the shares of the Company. Also on 31 December 2017, Nortrust Nominees Ltd, London, was a registered Nominee N of 120 856 119 shares of the Company, representing 3.88% of the shares.

1.3 Cross-shareholdings

The Company is not aware of cross-shareholdings exceeding 5% of the capital or voting rights on both sides.

2. Capital structure

2.1 Capital

The ordinary share capital of Nestlé S.A. is CHF 311 216 000. The conditional share capital is CHF 10 000 000. Nestlé S.A. does not have any authorised share capital.

2.2 Conditional capital

The share capital may be increased (without time limitation) in an amount not to exceed CHF 10 000 000 by issuing up to 100 000 000 registered shares with a nominal value of CHF 0.10 each through the exercise of conversion rights and/or option rights granted in connection with the issuance by Nestlé or one of its subsidiaries of newly or already issued convertible debentures, debentures with option rights or other financial market instruments. Thus the Board of Directors has at its disposal a flexible instrument enabling it, if necessary, to finance the activities of the Company through convertible debentures.

For a description of the group of beneficiaries and of the terms and conditions of the issuance of conditional capital, refer to art. 3^{bis} of the Articles of Association of Nestlé S.A.^(*)

2.3 Changes in capital

The share capital was reduced twice in the last three financial years as a consequence of a Share Buy-Back Programme of CHF 8 billion, initiated by the Company on 25 August 2014 and completed on 7 December 2015. The resulting cancellations of shares were approved at the 2015 and 2016 Annual General Meetings.

On 16 April 2015, the Annual General Meeting resolved to reduce the share capital by 36 400 000 shares to CHF 318 840 000.

On 7 April 2016, the Annual General Meeting resolved to cancel 76 240 000 shares resulting in a reduction of the share capital to the present CHF 311 216 000.

For the breakdown of capital ("equity") for 2017, 2016 and 2015 see the consolidated statement of changes in equity in the Consolidated Financial Statements of the Nestlé Group 2017, page 69, and 2016, page 65. (www.nestle.com/asset-library/documents/library/documents/financial_statements/2016-financial-statements-en.pdf).

^(*) Nestlé S.A.'s Articles of Association can be found on page 49 and on www.nestle.com/investors/corporate-governance/articles

2.4 Shares and participation certificates

Nestlé S.A.'s capital is composed of registered shares only. The number of registered shares with a nominal value of CHF 0.10 each, fully paid up, was 3 112 160 000 at 31 December 2017.

According to art. 11 par. 1 of the Articles of Association, each share recorded in the share register as a share with voting rights confers the right to one vote to its holder. See also point 2.6.1 below.

Shareholders have the right to receive dividends.

There are no participation certificates.

2.5 Dividend-right certificates

There are no dividend-right certificates.

2.6 Limitations on transferability and nominee registrations

2.6.1 Limitations on transferability along with an indication of group clauses in the Articles of Association and rules for granting exceptions

According to art. 5 par. 5 of the Articles of Association, no person or entity shall be registered with voting rights for more than 5% of the share capital as recorded in the commercial register. This limitation on registration also applies to persons who hold some or all their shares through nominees pursuant to that article. Legal entities that are linked to one another through capital, voting rights, management or in any other manner, as well as all natural persons or legal entities achieving an understanding or forming a syndicate or otherwise acting in concert to circumvent the regulations concerning the limitation on registration or the nominees, shall be counted as one person or nominee (art. 5 par. 7 of the Articles of Association). The limitation on registration also applies to shares acquired or subscribed by the exercise of subscription, option or conversion rights (art. 5 par. 10 of the Articles of Association). See also art. 5 par. 6 and par. 9 of the Articles of Association and point 2.6.3 below.

2.6.2 Reasons for granting exceptions in the year under review
Please refer to points 2.6.3 and 6.1.3 below.

2.6.3 Admissibility of nominee registrations, indication of percent clauses and registration conditions

Pursuant to art. 5 par. 6 and par. 9 of the Articles of Association, the Board of Directors has issued regulations concerning the application of art. 5 of the Articles of Association. The regulations on nominees set forth rules for the entry of nominees as shareholders in the share register.

They allow the registration of:

- Nominees N ("N" as Name of beneficial owner disclosed): where trading and safekeeping practices make individual registration of beneficial owners difficult or impractical, shareholders may register their holdings through a Nominee N with voting rights, subject to the specific understanding that the identity and holdings of beneficial owners are to be disclosed to the Company, periodically or upon request. Voting rights of Nominees are to be exercised on the basis of voting instructions received from the beneficial owners. For voting purposes, holdings of a Nominee N, or Nominees N acting as an organised group or pursuant to a common agreement, may not exceed 5% of the share capital of the Company. Holdings exceeding the 5% limit (respectively the limit fixed by the Board of Directors, see point 6.1.3 below) are registered without voting rights. The responsibility for disclosure of beneficial owners and their holdings resides with the nominees registered in the share register.
- Nominees A ("A" as Anonymous beneficial owner): registration without voting rights.

In line with its regulations, in order to facilitate trading of the shares on the Stock Exchange, the Board of Directors has authorised certain nominees to exceed the 5% limit to be registered as nominees with voting rights.

2.6.4 Procedure and conditions for cancelling statutory privileges and limitations on transferability
Please refer to point 6.1.3 below.

2.7 Convertible bonds and options

As at 31 December 2017, there are no outstanding convertible bonds or warrants/options issued by Nestlé S.A. or by subsidiaries on Nestlé S.A. shares. The only options issued by Nestlé S.A. are employee options allocated under the Nestlé Management Stock Option Plan (MSOP). Grants under this plan were discontinued in 2013.

Board of Directors

3. Board of Directors

3.1 Members of the Board of Directors (*)

Nestlé's Board of Directors is highly structured to ensure a high degree of diversity by age, education/qualifications, professional background, present activity, sector expertise, special skills (classification), nationality and geography. This is reflected in Nestlé's skills and diversity grid disclosed here.

	Name	Year of birth	Education/Qualifications ^(a)	Professional background
1	Paul Bulcke	1954	Economics and Business Administration	Chairman, Nestlé S.A.
2	Ulf Mark Schneider	1965	Economics, Business Administration and Finance & Accounting	CEO, Nestlé S.A.
3	Andreas Koopmann ^(c)	1951	Mechanical Engineering and Business Administration	Former CEO, Bobst
4	Henri de Castries ^(d)	1954	HEC, Law and École Nationale d'Administration (ENA)	Former Chairman and CEO, AXA French Ministry, Government
5	Beat W. Hess	1949	Law, Swiss Attorney-at-law	Lawyer Former Legal Director, Shell
6	Renato Fassbind	1955	Economics, Business Administration and Finance & Accounting	Former CFO, ABB and Credit Suisse Former CEO, Diethelm Keller Group
7	Steven G. Hoch	1954	International Relations and Economics	Founder, Highmount Capital (now Brown Advisory LLC)
8	Naïna Lal Kidwai	1957	Economics and Business Administration	Vice Chairperson & Head Investment, Morgan Stanley Former Country Head and Group General Manager HSBC, India
9	Jean-Pierre Roth	1946	Economics, Political Science and Finance	Former Chairman of the Governing Board, Swiss National Bank
10	Ann M. Veneman	1949	Juris Doctorate	Former Secretary, USDA Former Executive Director, UNICEF
11	Eva Cheng	1952	Business Administration and History	Former Amway China Chairwoman and EVP, Amway Corporation
12	Ruth K. Oniang'o	1946	Food Science and Human Nutrition	Professor of Nutrition, Tufts University Former Member of Parliament, Kenya
13	Patrick Aebscher	1954	Medicine and Neuroscience	President Emeritus, Swiss Federal Institute of Technology Lausanne (EPFL)
14	Ursula M. Burns	1958	Mechanical Engineering	Chairman, Xerox Corporation

(*) Peter Brabeck-Letmathe left the Board of Directors on 6 April 2017 and was designated Chairman Emeritus.

(a) For more complete information on qualifications: please refer to section 3.2 and the individual CVs on www.nestle.com/investors/corporate-governance/management/boardofdirectors

(b) All Board members are elected annually in accordance with Swiss Corporate law and Nestlé S.A.'s Articles of Association.

(c) Vice Chairman

(d) Lead Independent Director. The Lead Independent Director assumes the role of a prime intermediary between the Board and the Chairman.
He may convene and he regularly chairs Board meetings and "in camera" sessions where the Chairman is not present or conflicted.

Present functions/mandates (listed companies)	Sector	Classification	Nationality	First Election	Expires ^(b)
Chairman, Nestlé S.A. Roche Ltd. L'Oréal S.A.	Food & Beverages	FMCG/CEO	Belgian/Swiss	10 April 2008	2018
CEO, Nestle S.A.	Food & Beverages	CEO	German/US	06 April 2017	2018
Chairman, Georg Fischer AG Credit Suisse Group	Manufacturing/Industry	Industrialist	Swiss	03 April 2003	2018
HSBC Holdings plc	Insurance & Finance	Insurance/CEO	French	19 April 2012	2018
Chairman, LafargeHolcim Ltd. Vice Chairman, Sonova Holding AG	Legal	Legal	Swiss	10 April 2008	2018
Vice Chairman, Swiss Re AG Kühne + Nagel International SA	Finance	Financial Management/ CFO	Swiss	16 April 2015	2018
Partner, Brown Advisory LLC	Finance	Investment	Swiss/US	06 April 2006	2018
Chairperson, Max Financial Services Ltd CIPLA Ltd	Investment, Corporate & Institutional Banking	Banking	Indian	06 April 2006	2018
Swatch Group	Central Bank	Political/ Macroeconomics	Swiss	15 April 2010	2018
Alexion Pharmaceuticals, Inc.	Government/NGOs	Government/NGOs	US	14 April 2011	2018
Trinity Limited Haier Electronics Group Co. Ltd. Amcor Ltd.	Cosmetics & Nutrition	FMCG	Chinese	11 April 2013	2018
Trustee, CABI International and various mandates	Nutrition	Scientist	Kenyan	16 April 2015	2018
Lonza Group AG	Science	Scientist	Swiss	16 April 2015	2018
American Express Corporation Exxon Mobil Corporation	Technology	Information Systems/ CEO	US	06 April 2017	2018

3.1.1 Management tasks of the members of the Board of Directors

With the exception of Ulf Mark Schneider, all members of the Board of Directors are non-executive members.

Paul Bulcke is active Chairman and has certain responsibilities for the direction and control of the Group including Nestlé Health Science S.A., Nestlé Skin Health S.A. and Nestlé's engagement with L'Oréal.

3.1.2 Information on non-executive members of the Board of Directors

With the exception of Paul Bulcke, all non-executive members of the Board of Directors are independent, were not previously members of the Nestlé management and have no important business connections with Nestlé.

Pursuant to Nestlé's Board Regulations, a Director shall be considered independent, if he is not and has not been employed as an executive officer at the Company or any of its principal subsidiaries or as employee or affiliate of the Group's external auditor for the past three years and does not maintain, in the sole determination of the Board, a material direct or indirect business relationship with the Company or any of its subsidiaries. Directors with immediate family members who would not qualify as independent shall not be considered independent, subject to a three-year cooling-off period.

Nestlé's succession planning process is highly structured and managed by the Board's Nomination and Sustainability Committee with the support of outside consultants when necessary (Egon Zehnder in 2017).

Subject to specific exceptions granted by the Board, members are subject to twelve-year term limits. According to Nestlé's Board Regulations ⁽¹⁾, an age limit of 72 years applies. This allows for continuous refreshment and long-term succession planning according to Nestlé's skills and diversity grid.

3.1.3 Cross-involvement None.

3.2 Professional background and other activities and functions (*)

Paul Bulcke

Chairman

Paul Bulcke began his career in 1977 as a financial analyst for Scott Graphics International in Belgium before moving to the Nestlé Group in 1979 as a marketing trainee. From 1980 to 1996, he held various responsibilities in Nestlé Peru, Nestlé Ecuador and Nestlé Chile before moving back to Europe as Managing Director of Nestlé Portugal, Nestlé Czech and Slovak Republic, and Nestlé Germany. In 2004, he was appointed Executive Vice President, responsible for Zone Americas. In April 2008, Paul Bulcke was elected member of the Board of Directors of Nestlé S.A. and the Board appointed him Chief Executive Officer (CEO).



As of 31 December 2016, Paul Bulcke relinquished his function as CEO remaining member of the Board of Directors. At the Annual General Meeting of Shareholders in April 2017, Paul Bulcke was elected Chairman of the Board of Directors of Nestlé S.A.

As a Nestlé S.A. representative, he serves as Vice Chairman on the Board of L'Oréal S.A., France.

Paul Bulcke is also a Board member of Roche Holding Ltd, Switzerland.

In addition, he serves as Co-Chairman of the 2030 Water Resources Group (WRG) and is a member of the Board of Trustees of Avenir Suisse, Switzerland, the European Round Table of Industrialists (ERT), Belgium, the IMD Foundation Board as well as of the International Business Council of the World Economic Forum (WEF) and the J.P. Morgan International Council.

Ulf Mark Schneider **CEO**

Mark Schneider started his career in 1989 with Haniel Group in Germany, where he held several senior executive positions. In 2001, he joined Fresenius Medical Care as Chief Financial Officer. He became CEO of Fresenius Group in 2003, a function he relinquished in 2016. As from January 2017, Mark Schneider was appointed Chief Executive Officer (CEO) of Nestlé S.A. At the Annual General Meeting



(*) Mandates and functions are listed in the following order: (1) mandates in listed companies, (2) mandates in non-listed companies, (3) mandates held at the request of Nestlé or companies controlled by it, (4) mandates held in associations, charitable organisations, foundations, trusts and employee welfare foundations.

(1) Nestlé S.A.'s Board Regulations can be found on www.nestle.com/investors/corporate-governance/boardcommittees

of Shareholders in April 2017, Mark Schneider was elected member of the Board of Directors of Nestlé S.A.

As a representative of Nestlé, Mark Schneider serves as Co-Chairman of the Board of Directors of Cereal Partners Worldwide S.A., Switzerland.

Furthermore, he is a member of the Board of the Consumer Goods Forum.

Andreas Koopmann

Vice Chairman

Andreas Koopmann began his career in 1979 as Assistant to the Chairman and CEO of Bruno Piatti AG, Switzerland, and from 1980 to 1982 was Assistant to the Group Executive at Motor Columbus AG, Holding, Switzerland.

From 1982, he was at Bobst Group, starting as Vice President of Engineering and Manufacturing in Roseland, New Jersey, USA. In 1989, he returned to Switzerland, holding a number of senior positions in the company, including member of the Group Executive Committee in charge of Manufacturing. He was a member of the Board of Directors for Bobst Group from 1998 to 2002 and was appointed CEO in 1995, a position he held until May 2009. From 2010 to 2012, Andreas Koopmann was Chairman of Alstom (Suisse) S.A. and Country President.

Presently, he serves as Chairman of Georg Fischer AG, as a Board member of Credit Suisse Group, the CSD Group, as well as of Sonceboz SA. Andreas Koopmann is also a member of the Board of Directors of economiesuisse.



Henri de Castries

Lead Independent Director

Henri de Castries started his career in the French Finance Ministry Inspection Office, auditing government agencies from 1980 to 1984. In 1984, he joined the French Treasury Department.

As of 1989, he joined AXA Corporate Finance Division. Two years later, he was appointed Senior Executive Vice President for the Group's asset management, financial and real-estate business. Henri de Castries was Chairman of the AXA Management Board from May 2000 to April 2010. Since April 2010, following a modification of the corporate governance structure, he was Chairman and CEO of AXA, functions he relinquished in 2016.

In March 2016, Henri de Castries joined the Board of HSBC Holdings plc.



Beat W. Hess

Beat Hess started his career in 1977 at BBC Brown Boveri Ltd in Baden as Legal Counsel where he was promoted to General Counsel in 1986. From 1988 to 2003, he was Senior Group Officer, General Counsel and Secretary for ABB Ltd in Zurich. From 2003 until his retirement in January 2011, Beat Hess was Group Legal Director and a member of the Group Executive Committee of Royal Dutch Shell plc, The Hague, The Netherlands.



Beat Hess is Chairman of LafargeHolcim Ltd and Vice Chairman of Sonova Holding AG, Switzerland. He is also a member of the Curatorium of The Hague Academy of International Law.

Renato Fassbind

Renato Fassbind started his career in 1982 as Managing Director of Kunz Consulting AG. From 1984 until 1990 he was Auditor and ultimately Head of Internal Audit at F. Hoffmann-La Roche AG.



Renato Fassbind then joined ABB Ltd and served between 1990 and 1997 as Head of Corporate Staff Audit, and then as Chief Financial Officer and member of the Executive Board from 1997 to 2002. Subsequently, he joined Diethelm Keller Holding AG as Chief Executive Officer from 2002 to 2004. He joined Credit Suisse Group AG as Chief Financial Officer and member of the Executive Board from 2004 until 2010.

Currently Renato Fassbind serves as Vice Chairman of the Board of Directors of Swiss Re AG, is the Chairman of its Audit Committee and member of its Compensation Committee. Furthermore, Renato Fassbind sits on the Board of Kühne + Nagel International AG and is a member of its Audit Committee.

Steven G. Hoch

Steven G. Hoch started his career in 1978 at the Chemical Bank in New York and Zurich, where he held a series of positions in commercial banking, principally advising multinational companies. Steven G. Hoch was Senior Vice President at Bessemer Trust Company, N.A., New York, from 1990 to 1994, and a member of the Executive Committee at Pell Rudman Trust Company, Boston, from 1994 to 2002. Since 2002, he served as a founder and CEO of Highmount Capital LLC, a US-based investment management and fiduciary firm. In 2015, Highmount joined Brown Advisory LLC, where he serves as a Partner and a member of the International Advisory Board.

Steven G. Hoch is Chairman Emeritus of the American Swiss Foundation and serves as Chairman of the Corporation Board of the Woods Hole Oceanographic Institution, USA. He served two terms as a member of the National Board of the Smithsonian Institution, USA, and is an Advisory Board member of the Smithsonian Tropical Research Institute, Panama.



Naïna Lal Kidwai

Naïna Lal Kidwai started her career in 1982 and until 1994 was at ANZ Grindlays Bank Plc. From 1994 to 2002, she was Vice Chairman and Head of Investment Banking at Morgan Stanley India before moving to HSBC, where she was Chairman of the HSBC Group of Companies in India and on the Board of HSBC Asia Pacific, until her retirement in December 2015. She was elected President of the Federation of Indian Chambers of Commerce & Industry (FICCI) for 2013.



Naïna Lal Kidwai is Chairman of Max Financial Services Ltd and a non-Executive Board member of Cipla Ltd., Larsen&Toubro Ltd., India, Essar Oil Ltd. and Altico India Pvt Ltd. She serves the BRICS Business Council and South Asia Advisory Board of the Harvard Business School, where she is also a Global Advisor. Other engagements include the Advisory Boards of Oxford University India Center and the US India Innovation Forum Steering Committee. Her interests in the environment include being Chair of the Sustainability Council & Energy Mission at FICCI, Chair of the India Sanitation Coalition, Board member of Shakti Sustainable Energy Foundation and a commissioner for the global commission on the Economy and Climate.

Naïna Lal Kidwai was given the Padma Shri Award by the Indian government in 2007 for her contribution to trade and industry and has been recognised in India and abroad with awards and rankings in lists of top women in business.

Jean-Pierre Roth

Jean-Pierre Roth spent his whole career at the Swiss National Bank, which he joined in 1979. After various senior positions, he was appointed a member of the Governing Board in 1996 before becoming its Chairman in 2001 until 2009. From 2001, he was a member of, and since 2006 the Chairman of the Board of Directors of the Bank of International Settlements until his retirement in 2009. Jean-Pierre Roth also served as Swiss Governor of the International Monetary Fund from 2001 until 2009 and as a Swiss representative on the Financial Stability Board from 2007 until 2009.



As of 2010, Jean-Pierre Roth has been a member of the Board of Swatch Group. Between 2010 and 2016, he was a member of the Board of Swiss Re and, until April 2017, Chairman of the Cantonal Bank of Geneva.

In May 2014, he joined the Board MKS (Switzerland) SA, and in July 2017 he became Vice Chairman of Arab Bank (Switzerland) Ltd. Furthermore, Jean-Pierre Roth is a member of the Advisory Board of the University of Geneva, the Feris Endowment Fund IHEI, Geneva, the Foundation Board and Programme Committee of Avenir Suisse, Switzerland, and the Foundation of the Swiss Pontifical Guard, Vatican City.

Ann M. Veneman

An attorney by training, Ann M. Veneman was Secretary of the United States Department of Agriculture (USDA) from 2001 to 2005. She then served a five-year term as the Executive Director of the United Nations Children's Fund. Earlier in her career she practiced law and was in various positions in the USDA. She also served four years as the Secretary of the California Department of Food and Agriculture. She is currently a member of the Boards of Alexion Pharmaceuticals Inc., the Global Health Innovative Technology Fund, JUST Capital and Clinton Health Access Initiative. She is on a number of advisory boards including BRAC, TerraVesco, and The Chicago Council Global Agriculture Development. She is



a member of the Council on Foreign Relations and the Trilateral Commission.

In 2009, she was named to Forbes The World's 100 Most Powerful Women list, and she has been the recipient of numerous awards and honours throughout her career.

Ann M. Veneman also serves as member of the Nestlé CSV Council.

Eva Cheng

Eva Cheng joined Amway Corporation – a US-based global consumer product company – in 1977 as an Executive Assistant in Hong Kong and moved to become Corporate Executive Vice President in 2005 responsible for Greater China and Southeast Asia Region, a position she held until her retirement in 2011. Eva Cheng is most well known for leading Amway's entry into China in 1991. She also held Amway China's Chairperson and CEO position since market launch until her retreat in 2011.

In 2008 and 2009, Eva Cheng was twice named to Forbes The World's 100 Most Powerful Women list. She had also received numerous awards and honours for her business leadership and community service.

Presently, Eva Cheng serves on the Boards of Trinity Limited, Haier Electronics Group Co. Ltd. in Hong Kong, China, and Amcor Ltd., Australia. She is also the Executive Director of the Our Hong Kong Foundation, a member of the Executive Committee of the All-China Women's Federation, a Director of China Children and Teenagers Foundation and a Permanent Honorary Director of the Chinese General Chamber of Commerce in Hong Kong.

Ruth K. Oniang'o

Ruth K. Oniang'o was formerly Professor of Food Science and Nutrition at Jomo Kenyatta University of Agriculture and Technology, Nairobi, Kenya, and is adjunct Professor of Nutrition at Tufts University, USA. She is also Founder and Executive Director of the Rural Outreach Program Kenya, as well as Founder and Editor-in-Chief of the African Journal of Food, Agriculture, Nutrition and Development (AJFAND).

She has steered the development of nutrition policies across Africa and advocated for healthy diets globally. She has special focus on maternal and child nutrition.



Ruth K. Oniang'o is a former Member of Parliament in Kenya and she works in rural developments focused on women smallholder farmers, and the youth.

Furthermore, she chairs the Boards of the Sasakawa Africa Association (SAA) and the Sasakawa Africa Fund for Extension Education (SAFE). Other engagements include being a Board member of the USTADI Foundation, Kenya, and a Trustee of the Board of CABI Centre for Agriculture and Biosciences International.

Ruth K. Oniang'o also serves as a member of the Nestlé CSV Council. Furthermore, she has earned a distinguished service medal from the Government of Kenya.

She is the 2017 recipient of the Africa Food Prize.

Patrick Aebsicher

Patrick Aebsicher was trained as an MD and neuroscientist at the University of Geneva and the University of Fribourg, Switzerland.

He is a Professor in neurosciences and Director of the Neurodegenerative Disease Research Laboratory at the Brain Mind Institute EPFL.



From 1984 to 1992, he worked at Brown University, USA, as Research Scientist, Assistant and then Associate Professor of Medical Sciences. In 1992, he returned to Switzerland as a Professor and Director of Surgical Research Division and Gene Therapy Center at the University Hospital of Lausanne (CHUV). From 2000 to end 2016, Patrick Aebsicher is the President of the Swiss Federal Institute of Technology Lausanne (EPFL). Furthermore, Patrick Aebsicher is founder of three start-ups: CytoTherapeutics Inc. (1989), Modex Therapeutics Inc. (1996) and Amazentis SA (2007).

Currently, he serves as Board member of Lonza Group Ltd, and Logitech International S.A. and is Chairman of the Advisory Board of Novartis Bioventures AG. Furthermore, Patrick Aebsicher is a member of the Foundation Boards of the Verbier Festival and the Montreux Jazz Festival, Switzerland.



Ursula M. Burns

Ursula M. Burns joined Xerox in 1980 and advanced through engineering and manufacturing functions to leadership positions in manufacturing, operations and product development. From 2009 to 2016, Ursula M. Burns was Chief Executive Officer (CEO) of Xerox.



Since 2010, she is the Chairman of the Board of Xerox Corporations, USA. She also serves on the Boards of American Express Company, Exxon Mobil Corporation, Veon Ltd., USA, and Datto, Inc., USA.

Furthermore, Ursula M. Burns also provides leadership counsel to various community, educational and non-profit organisations including the Massachusetts Institute of Technology, NAF (National Academy Foundation), the Mayo Clinic and the Ford Foundation as well as the New York Ballet and the Cornell Tech Board of Overseers and The High Line.

Ursula M. Burns is a member of the National Academy of Engineering and the American Academy of Arts and Sciences.

3.3 Mandates outside Nestlé

Pursuant to art. 21^{sexies} of the Articles of Association, no member of the Board of Directors may hold more than 4 additional mandates in listed companies and 5 additional mandates in non-listed companies.

The following mandates are not subject to these limitations:

- a) mandates in companies which are controlled by Nestlé;
- b) mandates which a member of the Board of Directors holds at the request of Nestlé or companies controlled by it. No member of the Board of Directors shall hold more than 10 such mandates; and
- c) mandates in associations, charitable organisations, foundations, trusts and employee welfare foundations. No member of the Board of Directors shall hold more than 10 such mandates.

Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities which are under joint control are deemed one mandate.

The Board of Directors has promulgated regulations that determine additional restrictions.

All members of the Board of Directors comply with the provisions set out in art. 21^{sexies}.

3.4 Elections and terms of office

Pursuant to art. 6 par. 2 of the Articles of Association, the General Meeting has the competence to elect and remove the members of the Board of Directors.

The Chairman of the Board of Directors, the members of the Board of Directors and the members of the Compensation Committee are elected individually by the General Meeting for a term of office until completion of the next Annual General Meeting (art. 15 of the Articles of Association).

Members of the Board of Directors whose term of office has expired are immediately eligible for re-election.

The Board of Directors elects one or two Vice Chairmen and the members of the Committees other than the Compensation Committee.

The term of office of a Board member shall expire no later than at the Annual General Meeting following the member's 72nd birthday.

Rules in the Articles of Association are compliant with the statutory legal provisions with regard to the appointment of the Chairman, the members of the Compensation Committee and the independent proxy.

For the principles of the selection procedure, see points 3.1.2 above and 3.5.2 below.

For the time of first election and term of office, see point 3.1 above.

3.5 Internal organisational structure

3.5.1 Allocation of tasks within the Board of Directors

	Chairman's and Corporate Governance Committee	Compensation Committee	Nomination and Sustainability Committee	Audit Committee
Paul Bulcke Chairman	• (Chair)		•	
Ulf Mark Schneider CEO (Administrateur délégué)	•			
Andreas Koopmann Vice Chairman	•	•		
Henri de Castries Lead Independent Director	•		• (Chair)	•
Beat W. Hess	•	• (Chair)		
Renato Fassbind	•			• (Chair)
Steven G. Hoch			•	
Naïna Lal Kidwai				•
Jean-Pierre Roth		•		
Ann M. Veneman			•	
Eva Cheng				•
Ruth K. Oniang'o				
Patrick Aebsicher		•		
Ursula M. Burns				

3.5.2 Tasks and area of responsibility for each Committee of the Board of Directors ⁽¹⁾
The powers and responsibilities of each Committee are established in the applicable Committee Charter, which is approved by the Board. Each Committee is entitled to engage outside counsel.

The **Chairman's and Corporate Governance Committee** consists of the Chairman, the Vice Chairman, the Lead Independent Director, the CEO (Administrateur délégué) and any other member elected by the Board. It liaises between the Chairman and the full Board of Directors in order to act as a consultant body to the Chairman and to expedite whenever necessary the handling of the Company's business. The Committee regularly reviews the corporate governance of the Company and prepares recommendations for the Board. It also advises on certain finance-related matters including the Company's financing and financial management and periodically reviews its asset and liability management.

While the Committee has limited authority as per the Board Regulations, it may in exceptional and urgent matters deal with business matters which might arise between Board meetings. In all cases it keeps the Board fully appraised. It reviews the Board's annual work plan.

The **Compensation Committee** consists of the Vice Chairman and a minimum of two other non-executive members of the Board. All members are independent (art. 19^{bis} par. 1 of the Articles of Association). The members of the Compensation Committee are elected individually by the General Meeting for a term of office until completion of the next Annual General Meeting. Members of the Compensation Committee whose term of office has expired are immediately eligible for re-election. The Compensation Committee determines the system and principles for remuneration of the members of the Board of Directors and submits them to the Board for approval. It oversees and discusses the remuneration principles for Nestlé S.A. and the Nestlé Group. It prepares the proposals of the Board to be submitted for approval by the General Meeting in relation to

(1) For complete information please refer to the Board Regulations and Committee Charters on www.nestle.com/investors/corporate-governance/boardcommittees

the compensation of the Board of Directors and the Executive Board. In addition, it proposes the remuneration of the Chairman and the CEO, and approves the individual remuneration of the members of the Executive Board. It reports on its decisions to the Board and keeps the Board updated on the overall remuneration policy of the Nestlé Group. It reviews the annual Compensation Report.

The **Nomination and Sustainability Committee** consists of a Chairperson, who is an independent and non-executive member of the Board, preferably the Lead Independent Director; the other members are the Chairman of the Board of Directors and a minimum of two independent and non-executive members of the Board. The Nomination and Sustainability Committee oversees the long-term succession planning of the Board, establishes the principles and criteria for the selection of candidates to the Board, performs a regular gap analysis, selects candidates for election or re-election to the Board and prepares a proposal for the Board's decision. The nomination process for the Board of Directors is highly structured and long-term and seeks to ensure a balance of necessary competencies and an appropriate diversity of its members over time. It regularly reviews the Company's skills and diversity grid (see 3.1. above). It ensures an appropriately wide net is cast on key successions. The candidates to the Board must possess the necessary profile, qualifications and experience to discharge their duties. Newly appointed Board members receive an appropriate introduction into the business and affairs of the Company and the Group. If required, the Nomination and Sustainability Committee arranges for further training.

The Nomination and Sustainability Committee reviews, at least annually, the independence of the members of the Board as well as their outside mandates, and prepares the annual self-evaluation of the Board and its Committees. Furthermore, it reviews reports and gives advice on measures which ensure the long-term sustainability of the Company in its economic, social and environmental dimension and monitors the Company's performance against selected external sustainability indexes. It reviews the annual Nestlé in society report and discusses periodically how other material non-financial issues affect the Company's financial performance and how its long-term strategy relates to its ability to create shared value. It reviews as well the Company's shareholder base and other significant stakeholders and their material interests. It meets as frequently as necessary to fulfil its tasks and prepares the relevant in camera sessions of the Board of Directors.

The **Audit Committee** consists of a Chairperson, who is an independent and non-executive member of the Board, and a minimum of two other non-executive members of the Board, excluding the CEO and any former member of the Executive Board. All members shall be independent. At least one member has to have recent and relevant financial expertise, the others must be familiar with the issues of accounting and audit. In discharging its responsibilities, it has unrestricted access to the Company's management, books and records. The Audit Committee supports the Board of Directors in its supervision of financial controls through a direct link to KPMG (external auditors) and the Nestlé Group Audit (corporate internal auditors).

The Audit Committee's main duties include the following:

- to review, and challenge where necessary, the actions and judgements of management, in relation to the Company's year-end financial accounts;
- to make recommendations to the Board of Directors regarding the nomination of external auditors to be appointed by the shareholders;
- to discuss the audit procedures, including the proposed scope and the results of the internal and external audit;
- to keep itself regularly informed on important findings of the audits and of their progress;
- to oversee the quality of the internal and external auditing;
- to present the conclusions on the approval of the Financial Statements to the Board of Directors;
- to review certain reports regarding internal controls, compliance and the Group's annual risk assessment.

The Audit Committee regularly reports to the Board on its findings and proposes appropriate actions. The responsibility for approving the annual Financial Statements remains with the Board of Directors.

Meetings held in 2017	Frequency	Average duration (hours)
Board of Directors of Nestlé S.A.	11 times	3:00
Chairman's and Corporate Governance Committee	10 times	4:00
Compensation Committee	4 times	1:05
Nomination and Sustainability Committee	6 times	1:10
Audit Committee	4 times	2:55

3.5.3 Work methods of the Board of Directors and its Committees

The Board meets as often as necessary, at least quarterly, and on notice by the Chairman or by the person designated by him. In addition, the Board must be convened as soon as a Board member requests the Chairman to call a meeting. All Committees provide a detailed report to the full Board at each meeting in a dedicated Chairman's session. The Board regularly meets for *in camera* sessions (without CEO) and Independent Director meetings (without Chairman and CEO).

The Board reserves at least one day per year to discuss the strategic long-term plan of the Company. In addition, every year the Board visits one operating company for three to five days (in 2017 Nestlé in Germany).

The average attendance at the Board meetings was 98%, one Board member having missed one meeting. All Board members attended all Committee meetings. The Company would individually disclose each member of the Board of Directors with an attendance rate of less than 75%. Board meetings, with the exception of certain Chairman's and *in camera* sessions, are attended by all members of the Executive Board. In addition, selected members of the Executive Board and senior management participate in certain Committee meetings.

The Company performs annual self-evaluations of the Board and its Committees including confidential, anonymous feedback and individual interviews. Findings are appropriately addressed.

3.5.4 Lead Independent Director

The Lead Independent Director assumes the role of a prime intermediary between the Board and the Chairman. He may convene and regularly chairs Board meetings and *in camera* sessions, where the Chairman is not present or conflicted.

3.6 Definition of areas of responsibility

The governing bodies have responsibilities as follows:

3.6.1 Board of Directors (1)

The Board of Directors is the ultimate governing body of the Company. It is responsible for the long-term strategy and the ultimate supervision of the Group. It oversees the Group's economic, social and environmental sustainability. The Board attends to all matters which are not reserved for the Annual General Meeting or another governance body of the Company by law, the Articles of Association or specific regulations issued by the Board of Directors.

Under Nestlé's governance model, the CEO is a full member of the Board of Directors, ensuring full alignment on its critical responsibilities and proper checks and balance between Chairman and CEO.

The Board has the following main duties:

- a) the ultimate direction of the Company, in particular the conduct, management and supervision of the business of the Company, and the provision of necessary directions;
- b) the determination of the Company's organisation;
- c) the determination of accounting and financial control principles, as well as the principles of financial planning;
- d) the appointment and removal of any Vice Chairman, the Committee members (except the members of the Compensation Committee) and their Chairmen and members of the Executive Board;
- e) the ultimate supervision of the Chairman and the members of the Executive Board, in particular with respect to their compliance with the law, the Articles of Association, the Board Regulations and instructions given from time to time by the Board;
- f) the preparation of the Annual Report including the Compensation Report as well as the General Meetings and execution of their resolutions;
- g) the notification of the court in the event of overindebtedness;

(1) For complete information, please refer to the Board Regulations and Committee Charters on www.nestle.com/investors/corporate-governance/boardcommittees

- h) the discussion and approval of:
- the Group's long-term strategy and annual investment budget;
 - major financial operations;
 - any significant policy issue dealing with the Company's or the Group's general structure or with financial, commercial and industrial policy;
 - Corporate Governance Principles of the Company;
 - the review of and decision on any report submitted to the Board;
 - the Group's annual risk assessment; and
 - the compensation proposals to the General Meeting.

3.6.2 Executive Board

The Board of Directors delegates to the CEO, with the authorisation to subdelegate, the power to manage the Company's and the Group's business, subject to law, the Articles of Association and the Board Regulations.

The CEO chairs the Executive Board and delegates to its members individually the powers necessary for carrying out their responsibilities, within the limits fixed in the Executive Board Regulations.

3.7 Information and control instruments vis-à-vis the Executive Board

The Board of Directors is, on a regular basis, informed on material matters involving the Company's and the Group's business. The members of the Executive Board attend the Board of Directors meetings and report on significant projects and events. In addition, regular written reports are provided, including consolidated financial information, capital investment, compliance and strategy progress reports.

The Chairman and the CEO ensure the proper information flow between the Executive Board and the Board of Directors.

The Board of Directors receives regular and ad hoc reports from the Board's Committees, the Chairman, the CEO as well as from the Executive Board. The minutes of Committee meetings are made available to the full Board. The Board pays a visit to a major market every year, where it meets members of senior management.

Furthermore, the Audit Committee reviews the financial performance and assesses the effectiveness of the internal and external audit processes as well as the internal risk management organisation and processes.

Members of the Executive Board and other senior management attend the Audit Committee meetings, except for certain *in camera* sessions.

Additional information and control instruments include:

- the external auditors, KPMG (auditors of Nestlé S.A. and of the Consolidated Financial Statements of the Nestlé Group), who conduct their audit in compliance with Swiss law and in accordance with Swiss Auditing Standards and International Standards on Auditing.
- the Nestlé Group and Market Audit function, the corporate internal auditors, which has a direct link to the Audit Committee. It comprises a unit of international auditors who travel worldwide, completing audit assignments.
- Group Risk Management provides assistance to all corporate entities with regard to risk management and a top-level risk assessment is performed once a year for all businesses. Group Risk Services provides assistance to all corporate entities with regard to loss prevention, claims handling and insurance. For more information, please refer to page 51 of the Annual Review 2017.
- Group Compliance and other risk- and control-related functions provide additional guidance and oversight. Risk and compliance activities are regularly co-ordinated through the Group Compliance Committee to ensure a holistic, entity-wide approach. For more information, please refer to page 60 of the Annual Review 2017.

Executive Board

4. Executive Board

4.1 Members of the Executive Board (31 December 2017)

Name	Year of birth	Nationality	Education/Current function
Ulf Mark Schneider	1965	German/US	Economics, Business Administration and Finance & Accounting CEO: Nestlé S.A.
Laurent Freixe	1962	French	Business Administration EVP & CEO: Zone Americas
Chris Johnson	1961	US	Economics and Business Administration EVP: Nestlé Business Excellence
Patrice Bula	1956	Swiss	Economics and Business Administration EVP: Strategic Business Units, Marketing, Sales and Nespresso
Wan Ling Martello	1958	US	Business Administration and Accountancy, Postgraduate in Management Information Systems EVP & CEO: Zone Asia, Oceania and Sub-Saharan Africa
Stefan Catsicas	1958	Swiss	Natural Sciences and Postgraduate in Neurosciences EVP: Chief Technology Officer: Innovation, Technology and R&D
Marco Settembri	1959	Italian	Business Administration EVP & CEO: Zone Europe, Middle East and North Africa
François-Xavier Roger	1962	French	Business Administration and Accounting EVP: CFO (includes Finance and Control, Legal, IP, M&A, Tax, Treasury, Investor Relations)
Magdi Batato	1959	Swiss	Mechanical Engineering and PhD in Thermodynamics EVP: Operations
Peter Vogt	1955	Swiss	Economics and Finance & Accounting Deputy EVP: Human Resources
Heiko Schipper	1969	Dutch	Business Economics Deputy EVP: Nestlé Nutrition
Maurizio Patarnello	1966	Italian	Business Administration Deputy EVP: Nestlé Waters
Grégory Behar	1969	Swiss	Mechanical Engineering and Business Administration CEO: Nestlé Health Science
David P. Frick	1965	Swiss	Law SVP: Corporate Governance, Compliance and Corporate Services

(EVP: Executive Vice President; SVP: Senior Vice President, CEO: Chief Executive Officer)

For complete information, please refer to individual CVs on www.nestle.com/investors/corporate-governance/management/executiveboard

4.2 Professional background and other activities and functions (*)

Ulf Mark Schneider

Please refer to point 3.2 above.

Laurent Freixe

Laurent Freixe joined Nestlé France in 1986 as a sales representative and got increasing responsibilities in the field of sales and marketing. In 1999, he became a member of the Management Committee and was nominated Head of the Nutrition Division. In 2003, Laurent Freixe became Market Head of Nestlé Hungary. In January 2007, he was appointed Market Head of the Iberian Region taking responsibility for Spain and Portugal. From November 2008 to October 2014, Laurent Freixe served as Executive Vice President in charge of Zone Europe. Effective October 2014, he was appointed Executive Vice President for Zone Americas.

As a representative of Nestlé, he is a member of the Board of Directors of Cereal Partners Worldwide S.A., Switzerland, and of the Regional Board of Directors of the Consumer Goods Forum in Latin America.

Chris Johnson

Chris Johnson started his career with Nestlé in 1983 as a marketing trainee at Carnation Inc. During his first eight years, he took on increasing responsibilities mainly in the commercial area at Nestlé USA and then, from 1991, in Japan. Senior Area Manager for the Asian region of Nestlé Waters in Paris from 1995, he was then transferred to Taiwan in 1998 as Market Head. From 2000, Chris Johnson led the worldwide development and implementation of GLOBE (Global Business Excellence; IS/IT), the Strategic Supply Chain as well as eNestlé. He was appointed Deputy Executive Vice President in April 2001, and later moved back to Japan in 2007 as Market Head. From January 2011 to October 2014, Chris Johnson was Executive Vice President responsible for Zone Americas.

Effective October 2014, he was appointed Executive Vice President of Nestlé S.A. in charge of Nestlé Business Excellence.

Chris Johnson is a Board member of GS1, Belgium and Treasurer of the Swiss-American Chamber of Commerce.



Patrice Bula

Patrice Bula joined Nestlé S.A. in 1980 and was entrusted with various responsibilities in Marketing and Sales in Kenya, Japan and Taiwan before being promoted to Market Head for Taiwan in 1992, Market Head for Czech Republic in 1995, then Head for the South and Eastern Africa Region in 1997. In 2000, he was appointed Head of Chocolate, Confectionery and Biscuits Strategic Business Unit based at Nestlé's International Headquarters in Vevey. In October 2003, Patrice Bula was transferred as Market Head of Nestlé Germany and in August 2007 he took up the role as Market Head for the Greater China Region.

As of May 2011, Patrice Bula was appointed to the Executive Board of Nestlé S.A. as Executive Vice President with responsibility for the Strategic Business Units, Marketing and Sales, and Nespresso.

Patrice Bula serves on the Boards of Schindler Holding Ltd. and Bobst Group SA, both in Switzerland.

As a representative of Nestlé, Patrice Bula serves as Chairman of Blue Bottle Coffee Inc., USA, as a Board member of Beverage Partners Worldwide (Europe) S.A., of Cereal Partners Worldwide S.A., Switzerland, and of Froneri Ltd., UK.

He is a Board member of both Yinlu Food Group Companies and Hsu Fu Chi Group Companies, China.

Wan Ling Martello

Wan Ling Martello joined Nestlé S.A. as Executive Vice President in November 2011 and was the Chief Financial Officer from April 2012 until May 2015. As of May 2015, she was appointed Executive Vice President of Nestlé S.A. in charge of Zone AOA (Asia, Oceania and Sub-Saharan Africa). Wan Ling Martello came to Nestlé S.A. from Walmart Stores Inc., where she was EVP, Global eCommerce in 2010 and 2011. From 2005 to 2009, she was SVP, CFO & Strategy for Walmart International. Prior to Walmart, Wan Ling Martello built her career in the consumer packaged goods industry. She worked at Kraft in increasingly broader finance roles from 1985 to 1995. She was the Corporate Controller at Borden Foods during its turnaround years owned by KKR in 1995 until 1998. Wan Ling Martello was the CFO and then the



(*) Mandates and functions are listed in the following order: (1) mandates in listed companies, (2) mandates in non-listed companies, (3) mandates held at the request of Nestlé or companies controlled by it, (4) mandates held in associations, charitable organisations, foundations, trusts and employee welfare foundations.

President of the U.S. business of NCH, a former subsidiary of AC Nielsen, from 1998 to 2005.

Wan Ling Martello serves on the Board of Alibaba Group Holding Ltd., China, and Uber Technologies Inc., USA.

As a representative of Nestlé, Wan Ling Martello is a member of the Board of Cereal Partners Worldwide S.A., Switzerland, and Blue Bottle Coffee Inc., USA.

Stefan Catsicas

Stefan Catsicas started his career at the pharmaceutical company Glaxo in Geneva, Switzerland, as Head of Neurobiology at the company's Institute of Molecular Biology. He continued his career in academia at the University of Lausanne as Professor and Chairman of the Cell Biology and Morphology Institute, and later as Vice President Research and Professor of Cellular Engineering at the Swiss Federal Institute of Technology (EPFL) in Lausanne, Switzerland.

In 2005, Stefan Catsicas co-founded a private group of biotechnology companies and he returned to academia in 2011 as Provost and Executive Vice President of the King Abdullah University of Science and Technology in Saudi Arabia.

Effective September 2013, Stefan Catsicas was appointed to the Executive Board of Nestlé S.A. as Executive Vice President, Chief Technology Officer, Head of Innovation, Technology, Research and Development.

Furthermore, Stefan Catsicas serves on the Board of Biomedical Research Council of A*STAR, Singapore, as well as on the Board of "Fondation Solar Impulse", Switzerland, the International Board of Governors of the New York Academy of Sciences, USA, and the Economic Advisory Board of Swiss Innovation Park, Switzerland.

Marco Settembri

Marco Settembri joined Nestlé S.A. with Nestlé Italiana in 1987 and was entrusted with various responsibilities, mainly in the PetCare area. He was appointed Managing Director of the Sanpellegrino water business in 2004 and largely contributed to the successful consolidation of the water activities in Italy and to the development of a strong export stream of the emblematic Italian brands. In 2006, he took over the position of Market Head in Italy in addition to his responsibility as Head of



Nestlé Waters Italy. In 2007, Marco Settembri was appointed CEO of Nestlé Purina PetCare Europe.

Effective December 2013, Marco Settembri was appointed to the Executive Board of Nestlé S.A. as Executive Vice President, Head of Nestlé Waters of the Nestlé Group.

As of January 2017, Marco Settembri was appointed Executive Vice President in charge of Zone EMENA (Europe, Middle East and North Africa).

As a representative of Nestlé, he is Board member of Lactalis Nestlé Produits Frais S.A.S, France, and of Cereal Partners Worldwide S.A., Switzerland.

In addition, Marco Settembri is a member of the Boards of FoodDrinkEurope and of the Association des Industries de Marque de l'Union Européenne (AIM) in Belgium.

François-Xavier Roger

François-Xavier Roger joined Nestlé S.A. as Executive Vice President in July 2015 as Chief Financial Officer.



François-Xavier Roger came to Nestlé S.A. from Takeda Pharmaceutical, Tokyo, where he was CFO since 2013. From 2008 to 2013, he was Chief Financial Officer of Millicom based in Luxembourg. As of 2000 to 2008, he worked as Chief Financial Officer for Danone Asia, followed by Head of Finance, Treasury and Tax for the Danone Group based in Paris, France.

Magdi Batato

Magdi Batato is a mechanical engineer and a PHD in Energetics of the human body from the Swiss Federal Institute of Technology Lausanne (EPFL). He spent few years teaching in university and consulting before joining Nestlé S.A. in 1991 in Switzerland as Engineer in Industrial Services, Energy & Environment. His factory and production management experiences took him to Germany, Lebanon and South Africa. In 2004, he was transferred to Malaysia as Executive Director of Production and, in 2009, he moved to Nestlé UK & Ireland as Head of Group Technical. In May 2012, he took up the position of Market Head Pakistan.



Effective October 2015, he was appointed Executive Vice President of Nestlé S.A. in charge of Operations.

Peter Vogt

Peter Vogt joined Nestlé S.A. in 1980 as a trainee in marketing before being appointed in Japan as Product Specialist. He returned to the Swiss market in 1985. Starting 1987, Peter Vogt resumed his international career with a series of assignments in Asia, first as Manager Hong Kong, then as Marketing Division Manager in Malaysia in April 1990 and finally as Market Head Sri Lanka until the end of 1995. In 1996, he returned to Europe to take over the Swiss Frozen Food & Ice Cream business and became Market Head Nordic Region in 2000. From 2002 to 2004, he was in charge of the newly created Nestlé Ice Cream Europe unit. Peter Vogt returned to Asia as Market Head Indonesia in 2005 and was nominated Market Head Malaysia and Singapore in 2009.

As of March 2013, Peter Vogt was appointed to the Executive Board of Nestlé S.A. as Deputy Executive Vice President, Human Resources.



Heiko Schipper

Heiko Schipper joined Nestlé S.A. in 1996 as a trainee in marketing before being appointed in Bangladesh as Regional Sales Manager in the course of the same year. He was then, in 1999, transferred to Nestlé Indonesia as Group Product Manager Dairy.

In 2003, he returned to Nestlé's International Headquarters in Vevey, Switzerland, in the position of Marketing Advisor, Dairy SBU. Starting 2005, Heiko Schipper resumed his international career with a series of assignments in Asia. First as Business Executive Manager, Dairy, Philippines, then as Business Executive Manager, Dairy (2007), as Regional Business Head, Infant Nutrition & Dairy (2010), and finally as Managing Director, Nestlé Food & Beverage Division of Nestlé Greater China Region. At the end of 2013, he returned to Nestlé's International Headquarters where he was appointed Global Business Head, Infant Nutrition at Nestlé Nutrition.

As of October 2014, Heiko Schipper was appointed to the Executive Board of Nestlé S.A. as Deputy Executive Vice President, Head of Nestlé Nutrition.



Maurizio Patarnello

Maurizio Patarnello joined Nestlé S.A. in 1993 and held several positions in Finance before moving to Sanpellegrino in 1999. In 2002, he was appointed as Country Business Manager for Lebanon and Jordan, where he led the development of the Nestlé Waters business. In September 2004, he joined the regional management team in Dubai and was promoted Chief Operating Officer and Regional Business Head of Nestlé Waters for Middle East and Africa. In 2007, Maurizio Patarnello took over the additional responsibility for Nestlé Waters Asia. In October 2010, he was promoted to Market Head for Ukraine and Moldova. Maurizio Patarnello took up the position of Market Head for Nestlé Russia and Eurasia Region in October 2012.

Effective January 2017, he was appointed Deputy Executive Vice President of Nestlé S.A. and Head of Nestlé Waters.



Grégory Behar

Grégory (Greg) Behar joined Nestlé S.A. in 2014 as CEO of Nestlé Health Science. Greg Behar came to Nestlé S.A. from Boehringer Ingelheim Pharmaceuticals Inc., USA, where he was President and CEO since 2011. From 2010 to July 2011, Greg Behar was Corporate Vice

President Region NECAR (North European Union, Canada and Australasia) for Boehringer-Ingelheim GmbH and was its Corporate Vice President of the Cardiovascular and Metabolism Franchise from 2009 to 2010. Furthermore, Greg Behar held previous roles at Bula & Fils, Nestlé and Novartis Pharma. As of January 2017, he was appointed to the Executive Board of Nestlé S.A.



He represents Nestlé S.A. on the Boards of various companies in which Nestlé S.A. holds investments, including Nutrition Science Partners, HK, Accera, Inc., USA, Seres Therapeutics, Inc., USA, Aimmune Therapeutics Inc., USA, and Axcella Health Inc., USA.

David P. Frick

David P. Frick began his career at the Meilen District Court in Zurich and as an assistant to the Banking Law Chair at Zurich University Law School.

From 1994, he was an attorney in the International Corporate and Litigation practice groups of Cravath, Swaine & Moore, the New York law firm.

In 1999, he became Group General Counsel and Managing Director of Credit Suisse Group, Zurich, where he was appointed a Member of the Executive Board and served as the company's Head of Legal and Compliance.

David P. Frick joined Nestlé S.A. in 2006 and serves as Senior Vice President, Corporate Governance, Compliance and Corporate Services.

He is a member of the Board of Allianz Suisse, Switzerland.

Furthermore, he is a member of the Board of economiesuisse and chairs its Legal Commission. David P. Frick represents Nestlé at SwissHoldings and serves on the SIX Regulatory Board, ICC Switzerland and the Legal Committee for the Swiss-American Chamber of Commerce.



4.3 Mandates outside Nestlé

Pursuant to art. 21^{sexies} of the Articles of Association, no member of the Executive Board may hold more than 2 additional mandates in listed companies and 4 additional mandates in non-listed companies. Each of these mandates is subject to a specific approval by the Board of Directors.

The following mandates are not subject to these limitations:

- a) mandates in companies which are controlled by Nestlé;
- b) mandates which a member of the Executive Board holds at the request of Nestlé or companies controlled by it. No member of the Executive Board shall hold more than 10 such mandates; and
- c) mandates in associations, charitable organisations, foundations, trusts and employee welfare foundations. No member of the Executive Board shall hold more than 10 such mandates.

Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities which are under joint control are deemed one mandate.

The Board of Directors has promulgated regulations that determine additional restrictions.

All members of the Executive Board comply with the provisions set out in art. 21^{sexies}.

4.4 Management contracts

There are no management contracts with third parties at Nestlé.

Compensation, shareholdings and loans

5. Compensation, shareholdings and loans

Please refer to the Compensation Report 2017, page 29.

Shareholders' participation

6. Shareholders' participation

6.1 Voting rights restrictions and representation

6.1.1 Voting rights restrictions and rules on granting exceptions

and

6.1.3 Reasons for granting exceptions in the year under review

Each share registered with the right to vote entitles the holder to one vote at General Meetings ("one share, one vote"). Only persons entered in the share register as shareholders with voting rights may exercise the voting rights or the other rights related thereto (art. 5 par. 2 of the Articles of Association).

No person may exercise, directly or indirectly, voting rights, with respect to own shares or shares represented by proxy, in excess of 5% of the share capital as recorded in the commercial register. Legal entities that are linked to one another through capital, voting rights, management or in any other manner, as well as all natural persons or legal entities achieving an understanding or forming a syndicate or otherwise acting in concert to circumvent such a limit shall be counted as one shareholder (art. 11 par. 2 of the Articles of Association; see art. 11 par. 3 of the Articles of Association for exceptions to this voting restriction).

To permit the exercise of voting rights in respect of shares held by nominees, in line with art. 11 par. 4 of the Articles of Association, the Board of Directors may by means of regulations or agreements depart from the limit of 5% of the share capital as recorded in the commercial register (art. 5 par. 6 and par. 9 of the Articles of Association). The Board of Directors has granted exceptions to vote shares which in aggregate are in excess of 5% of the share capital to the following Nominees N: Chase Nominees Ltd, London, and Citibank N.A., London, as depositary for shares represented by American Depository Receipts (please refer to point 2.6.3).

Pursuant to art. 5 par. 9 and 11 par. 4 of the Articles of Association, the Board of Directors has conferred to Credit Suisse AG and UBS AG as custodians the right to vote shares in excess of 5% on the basis of specific instructions provided by their clients for General Meetings.

6.1.4 Procedure and conditions for abolishing voting rights restrictions in the Articles of Association

A resolution to amend the provisions of the Articles of Association relating to:

- (i) restrictions on the exercise of voting rights and the change or removal of such restrictions, or
- (ii) the limitation on registration or the limitation on voting rights and the change or removal of such limitations requires a majority of two-thirds of the shares represented and the absolute majority of the nominal value represented at the General Meeting (art. 13 of the Articles of Association). See also art. 11 par. 4 of the Articles of Association.

6.1.5 Rules on participation in the General Meeting of shareholders

There are no restrictions to the legal regime set out by Swiss law in the Articles of Association. Shareholders with voting rights may have their shares represented by the proxy of their choice.

6.1.6 Rules on instructions to the independent representative and on the electronic participation in the General Meeting of shareholders

The legal regime set out by Swiss law applies to instructions in written or electronic form to the independent representative for participation in the General Meeting of shareholders.

There are no specific provisions relating to these in the Articles of Association.

6.2 Quorums required by the Articles of Association

Please refer to art. 13 of the Articles of Association.

6.3 Convocation of the General Meeting of shareholders

Nestlé S.A. statutory rules (art. 7 to 9 of the Articles of Association) do not differ from applicable legal provisions. An Extraordinary General Meeting requested by one or more shareholders whose combined holdings represent at least 10% of the share capital as recorded in the commercial register must be held as promptly as practicable following such request (art. 8 par. 2 of the Articles of Association).

6.4 Inclusion of items on the agenda

One or more shareholders with voting rights whose combined holdings represent at least 0.15% of the share capital as recorded in the commercial register may request that an item be included in the agenda of the General Meeting by making the request in writing to the Board of Directors at the latest 45 days before the meeting and specifying the agenda items and the proposals made (art. 9 par. 2 and par. 3 of the Articles of Association).

6.5 Entries in the share register

The relevant date to determine the shareholders' right to participate in the General Meeting on the basis of the registrations appearing in the share register is set by the Board of Directors.

Change of control and defence measures

7. Change of control and defence measures

7.1 Duty to make an offer

Nestlé S.A. does not have a provision on opting out or opting up in the Articles of Association.

Thus, the provisions regarding the legally prescribed threshold of 33⅓% of the voting rights for making a public takeover offer set out in art. 135 of the Swiss Financial Market Infrastructure Act are applicable.

7.2 Clauses on change of control

There are no such agreements.

Auditors

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor

KPMG Klynveld Peat Marwick Goerdeler SA were first appointed on 22 May 1993, and KPMG SA (replacing KPMG Klynveld Peat Marwick Goerdeler SA) were first appointed on 23 April 2009 as auditors of Nestlé S.A.

On 6 April 2017, KPMG SA (hereafter "KPMG") were appointed as auditors of the Financial Statements of Nestlé S.A. and of the Consolidated Financial Statements of the Nestlé Group for a term of office of one year.

The audit report is signed jointly by two KPMG partners on behalf of KPMG. The first year that Mr Scott Cormack, in his capacity as lead auditor, signed the Financial Statements of Nestlé S.A. and the Consolidated Financial Statements of the Nestlé Group was for the year ending 31 December 2013. The lead auditor is rotated every seven years in accordance with Swiss law.

8.2 Auditing fees

The auditing fees paid to KPMG in their capacity as Group auditors for 2017 amount to CHF 43 million.

8.3 Additional fees

In addition, KPMG provided non-audit services amounting to CHF 11.7 million, including CHF 6.3 million for mergers and disposals services, CHF 2.1 million for IS/IT advisory support, CHF 1.9 million for tax services and CHF 1.4 million for other various non-audit services.

8.4 Information instruments pertaining to the external audit

KPMG presents to the Audit Committee a detailed report on the conduct of the Financial Statements audit, the findings on significant financial accounting and reporting issues together with the findings on the internal control system as well as an overview of issues found during the interim audit.

In 2017, KPMG participated in all four Audit Committee meetings at the end of which they met with the Audit Committee without the Group's management being present.

Nestlé Group Audit (corporate internal auditors) met four times with the Audit Committee. In addition, the head of internal audit regularly met with the Chairman of the Audit Committee for interim updates.

Information policy

The Audit Committee reviews annually the appropriateness of retaining KPMG as the auditor of the Nestlé Group and Nestlé S.A., prior to proposing to the Board and to the Annual General Meeting of Nestlé S.A. the election of KPMG as auditors. The Audit Committee assesses the effectiveness of the work of the auditors in accordance with Swiss law, based on their understanding of the Group's business, control, accounting and reporting issues, together with the way in which matters significant at Group level or in the statutory accounts are identified and resolved.

The Audit Committee is also informed on the work of KPMG through regular briefings of its Chairman. Audit fees are ultimately approved by the Audit Committee.

The Group and KPMG have agreed on clear guidelines as to non-audit services which it is appropriate for KPMG to provide. These services include due diligence on mergers, acquisitions and disposals and certain tax and business risk assurance and IS/IT advisory support. These guidelines ensure KPMG's independence in their capacity as auditors to the Group. KPMG monitors its independence throughout the year and confirms its independence to the Audit Committee annually.

9. Information policy

Investor Relations – guiding principles

Nestlé is committed to managing an open and consistent communication policy with shareholders, potential investors and other interested parties. The objective is to ensure that the perception of those parties about the historical record, current performance and future prospects of Nestlé is in line with management's understanding of the actual situation at Nestlé. The guiding principles of this policy are that Nestlé gives equal treatment to shareholders in equal situations, that any price-sensitive information is published in a timely fashion and that the information is provided in a format that is as full, simple, transparent and consistent as possible.

Methodology

Nestlé produces each year a detailed Annual Review, which reviews the business. It also provides detailed audited Financial Statements for the year under review, prepared according to the International Financial Reporting Standards (IFRS). These are complemented by the Half-Yearly Report.

Nestlé publishes its full-year and half-year results, and its first-quarter and nine-months' sales figures; it also publishes press releases at the time of any potentially price-sensitive event, such as significant acquisitions and divestments, joint venture agreements and alliances. Major announcements, such as results of corporate activity, are accompanied by a presentation which is broadcast "live" on the internet and which anyone can choose to access, whether or not that person is a shareholder.

Furthermore, Nestlé has an active investor relations programme, including both group meetings and one-to-one meetings. This includes the Annual General Meeting, as well as presentations at the time of its full-year and half-year results. The Group also has a programme of roadshows, which take place in most financial centres around the world, and hosts themed events for institutional investors and investment analysts at which members of line management give an overview of their particular areas of responsibility. These meetings focus either on recently announced financial results, recent corporate activity or the longer-term strategy of the Group; they are not an occasion for the disclosure of new information which might encourage an investment decision.

Specifically on governance topics, the Company engages into an active dialogue with investors through regular Chairman's roundtables, surveys and bilateral exchanges which are reported to the Chairman's and Corporate Governance Committee or the Board.

The Company utilises the internet (www.nestle.com/investors) to ensure a rapid and equitable distribution of information. Nestlé does not just rely on people visiting the site to be updated on the latest developments within the Group: anyone can sign up on the site to be alerted automatically by Nestlé whenever there is a change to the Investor Relations website; also press releases are distributed to major wire and news services. There are links to non-financial information that may be of interest to investors, including areas such as the environment, sustainability, the Nestlé Corporate Business Principles and the Nestlé Code of Business Conduct. A Corporate calendar of relevant dates is displayed on page 61 of the Annual Review 2017 and available on the Corporate website (www.nestle.com/investors/events).

The Nestlé Investor Relations Department can be contacted, either through the website, or by telephone, fax, e-mail or letter.

Contact

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General Organisation of Nestlé S.A.

at 31 December 2017

Executive Board

Ulf Mark Schneider
Laurent Freixe
Chris Johnson
Patrice Bula
Wan Ling Martello
Stefan Catsicas
Marco Settembri

François-Xavier Roger
Magdi Batato
Peter Vogt
Heiko Schipper
Maurizio Patarnello
Grégory Behar
David P. Frick



(a) Succeeded by Stefan Palzer in 2018.

(b) Left the Company in 2018.

Compensation Report 2017

Compensation Report 2017

Introduction

The future success of Nestlé is dependent on its ability to attract, motivate and retain the right talented employees. Among the various programmes to support this ambition is a competitive remuneration policy. Nestlé believes in a performance culture as well as good corporate governance and corporate social responsibility.

Therefore, remuneration at Nestlé is based on the following principles:

- pay for performance to support the Company's short-term and long-term objectives;
- compensation aligned with long-term Group strategy and shareholders' interests;
- coherence in our remuneration plans and levels throughout the Company;
- competitiveness versus external market comparisons;
- appropriate balance of fixed and variable remuneration and short-term and long-term rewards.

As in previous years, this Compensation Report shall be submitted to the advisory vote of the shareholders at the Annual General Meeting 2018.

At the 2017 Annual General Meeting, shareholders approved the total compensation budgets for the Board of Directors and the Executive Board with large majorities.

As explained at that time, to ensure complete accountability, the shareholders will this year be able to retrospectively vote on the Compensation Report and payouts in a consultative vote.

For changes to Nestlé's long-term incentive plan, see page 40 below.

Governance

The Board of Directors has the overall responsibility for defining the compensation principles used in the Group. Pursuant to art. 21^{bis} of Nestlé's Articles of Association (*), the total compensation of the Board of Directors and of the Executive Board is subject to approval by the shareholders, upon proposal by the Board of Directors.

As of 31 December 2017, the governance for setting the compensation of the members of the Board of Directors and the Executive Board is defined as follows:

Compensation of	Recommended by	Approved by
Board of Directors as a whole	Board of Directors	Shareholders
Executive Board as a whole	Board of Directors	Shareholders
Chairman of the Board, CEO and Executive Board as a whole	Compensation Committee	Board of Directors ^(a)
Non-executive members of the Board of Directors	Compensation Committee	Board of Directors ^(b)
Members of the Executive Board	CEO together with Chairman	Compensation Committee

(a) Chairman as well as CEO not voting on own compensation, and not participating in the relevant meetings.

(b) Members not voting on own compensation to the extent that Committee fees are concerned.

Compensation Committee (CC)

The CC is governed by the Compensation Committee Charter, see point 3.5.2 in the Corporate Governance section. The Committee consists of the Chairperson who is an independent and non-executive member of the Board, the Vice Chairman of the Board and two other non-executive members of the Board.

The members of the CC have been elected by the shareholders for one year. The Chairperson was appointed by the Board of Directors. On 31 December 2017, the composition of the CC is as follows:

Chairman	Members
Beat W. Hess	Andreas Koopmann
	Jean-Pierre Roth
	Patrick Aebischer

The tasks and areas of responsibility of the CC are described on page 13 of the Corporate Governance Report 2017.

(*) Nestlé S.A.'s Articles of Association can be found on page 49 and on www.nestle.com/investors/corporate-governance/articles

Board of Directors

Principles of compensation for the members of the Board of Directors

Governance

Pursuant to art. 21^{bis} par. 1 of Nestlé's Articles of Association, the General Meeting shall approve annually the proposal of the Board of Directors in relation to the maximum aggregate amount of the compensation of the Board of Directors for the period until the next Annual General Meeting ^(a).

In the event the General Meeting has not approved a proposal of the Board of Directors, the Board of Directors shall determine the respective maximum aggregate amount or maximum partial amounts of compensation provided that:

- a) the Board of Directors takes into account (i) the proposed maximum aggregate amount of compensation; (ii) the decision of the General Meeting and, to the extent known to the Board of Directors, the main reasons for the negative vote; and (iii) Nestlé's compensation principles; and
- b) the Board of Directors submits the amount so determined to approval by the same General Meeting, a subsequent Extraordinary General Meeting or the next Annual General Meeting (art. 21^{bis} par. 2 of the Articles of Association).

The compensation of the members of the Board of Directors is subject to "clawback" rules in accordance with art. 678 of the Swiss Code of Obligations. Members of the Board of Directors could be obligated to return benefits received from the Company to the extent these are manifestly disproportionate to the performance rendered in return and to the Company's economic situation (including as a result of fraud or accounting misstatement).

Principles

The remuneration of the members of the Board of Directors is set to attract and retain highly qualified individuals to serve on the Board of Directors. The level of remuneration reflects the time and effort required from the members in fulfilling their Board and Committee responsibilities. The pay structure (cash and blocked shares) is designed to ensure the Board's focus on the long-term success of the Company. There is no variable compensation for non-executive members of the Board of Directors, in order to ensure a proper level of independence.

The principal benchmark used to define Board remuneration is a selection of large Swiss Market Index (SMI) companies ^(b), adjusted for the size of Nestlé. These figures are periodically reviewed against this benchmark.

Compensation 2017 for the members of the Board of Directors

Board membership fees and allowances

With the exception of the Chairman and the CEO, each member of the Board of Directors receives a Board membership fee of CHF 280 000 and an Expense Allowance of CHF 15 000. These figures have remained unchanged since 2006.

(a) The Board of Directors may submit for approval by the General Meeting deviating or additional proposals relating to the same or different periods.

(b) Novartis, Roche, Richemont, ABB, Syngenta, UBS and Credit Suisse.

Members of a Board Committee receive the following additional fees ^(a):

	Chair	Members
Chairman's and Corporate Governance Committee	CHF 300 000	CHF 200 000
Compensation Committee	CHF 150 000	CHF 70 000
Nomination and Sustainability Committee	CHF 100 000	CHF 40 000
Audit Committee	CHF 150 000	CHF 100 000

(a) The Chairman and the CEO Committee fees are included in their total remuneration.

Committee membership on 31 December 2017

	Chairman's and Corporate Governance Committee	Compensation Committee	Nomination and Sustainability Committee	Audit Committee
Paul Bulcke, Chairman	• (Chair)		•	
Ulf Mark Schneider, CEO	•			
Andreas Koopmann, Vice Chairman	•	•		
Henri de Castries, Lead Independent Director	•		• (Chair)	•
Beat W. Hess	•	• (Chair)		
Renato Fassbind	•			• (Chair)
Steven G. Hoch			•	
Naïna Lal Kidwai				•
Jean-Pierre Roth		•		
Ann M. Veneman			•	
Eva Cheng				•
Ruth K. Oniang'o				
Patrick Aebscher		•		
Ursula M. Burns				

The above fees and allowances cover the period between the Annual General Meeting 2017 and the Annual General Meeting 2018. They are paid in two instalments. Board membership and Committee fees are paid 50% in cash and 50% in Nestlé S.A. shares, which are subject to a three-year blocking period. The blocking period remains applicable upon termination of the mandate.

The number of Nestlé S.A. shares is determined by taking the closing price of the share on the SIX Swiss Exchange on the ex-dividend date of the respective financial year. For valuation purposes, the shares are discounted by 16.038% to account for the blocking period of three years. In 2017, the value was CHF 63.48.

Compensation Payout 2017

At the Annual General Meeting of 6 April 2017, the shareholders approved a maximum compensation for the Board of Directors of CHF 10.0 million for the period from the Annual General Meeting 2017 to the Annual General Meeting 2018. The total actual compensation pay-out for this period including social security contributions is CHF 9 249 832.

Summary of compensation 2017 **

	Cash in CHF ^(a)	Number of shares	Discount value of shares in CHF ^(b)	Total Cash & Shares	Social security & addit. fees ^(c)	Total Compensation
Paul Bulcke, Chairman April-Dec.	450 000	51 588	3 274 806	3 724 806	21 150	3 745 956
Peter Brabeck-Letmathe, Chairman Jan.-March	400 000	–	–	400 000	7 050	407 050
Ulf Mark Schneider, Chief Executive Officer ^(d)	–	–	–	–	–	–
Andreas Koopmann, Vice Chairman	270 000	3 903	247 762	517 762	24 902	542 664
Henri de Castries, Lead Independent Director	355 000	4 498	285 533	640 533	28 200	668 733
Beat W. Hess	330 000	4 167	264 521	594 521	28 200	622 721
Renato Fassbind	330 000	4 167	264 521	594 521	28 200	622 721
Steven G. Hoch	175 000	2 117	134 387	309 387	–	309 387
Naïna Lal Kidwai	205 000	2 514	159 589	364 589	17 913	382 502
Jean-Pierre Roth	190 000	2 315	146 956	336 956	15 638	352 594
Ann M. Veneman	175 000	2 117	134 387	309 387	25 000	334 387
Eva Cheng	205 000	2 514	159 589	364 589	17 052	381 641
Ruth K. Oniang'o	155 000	1 852	117 565	272 565	37 338	309 903
Patrick Aebischer	190 000	2 315	146 956	336 956	27 012	363 968
Ursula M. Burns	155 000	1 852	117 565	272 565	13 199	285 764
Total for 2017	3 585 000	85 919	5 454 137	9 039 137	290 854	9 329 991

Summary of compensation 2016 **

	Cash in CHF ^(a)	Number of shares	Discount value of shares in CHF ^(b)	Total Cash & Shares	Social security & addit. fees ^(c)	Total Compensation
Peter Brabeck-Letmathe, Chairman	1 600 000	60 414	3 553 551	5 153 551	28 200	5 181 751
Paul Bulcke, Chief Executive Officer ^(d)	–	–	–	–	–	–
Andreas Koopmann, Vice Chairman	340 000	4 640	272 925	612 925	28 200	641 125
Beat W. Hess	330 000	4 497	264 514	594 514	28 200	622 714
Renato Fassbind	330 000	4 497	264 514	594 514	28 200	622 714
Steven G. Hoch	175 000	2 285	134 404	309 404	–	309 404
Naïna Lal Kidwai	205 000	2 713	159 579	364 579	17 913	382 492
Jean-Pierre Roth	190 000	2 499	146 991	336 991	15 638	352 629
Ann M. Veneman	175 000	2 285	134 404	309 404	25 000	334 404
Henri de Castries	205 000	2 713	159 579	364 579	17 913	382 492
Eva Cheng	205 000	2 713	159 579	364 579	17 052	381 631
Ruth K. Oniang'o	155 000	1 999	117 581	272 581	37 338	309 919
Patrick Aebischer ^(e)	190 000	–	–	190 000	19 481	209 481
Total for 2016	4 100 000	91 255	5 367 621	9 467 621	263 135	9 730 757

** For all Board members except the Chairman and the CEO, the above table shows the annual compensation paid semi-annually in April and October during the respective year covering the twelve-month period starting with the Annual General Meeting.

- (a) The cash amount includes the expense allowance of CHF 15 000. The Chairman receives no expense allowance.
- (b) Nestlé S.A. shares received as part of Board membership and Committee fees are valued at the closing price of the share on the SIX Swiss Exchange on the ex-dividend date, discounted by 16.038% to account for the blocking period of three years.
- (c) Since Company contributions to social security are based on full earnings, whereas benefits are capped, only contributions that lead to future benefits are included. The additional cost to the Company taking into account full social security employer contributions is CHF 181 282 in 2017 and CHF 227 756 in 2016. For details of additional fees, see page 36.
- (d) The CEO's compensation is disclosed in its entirety under compensation of the Executive Board.
- (e) As long as he remained President of EPFL (until 31 December 2016) and in accordance with an agreement with the Swiss Federal Council, Patrick Aebischer did not receive any shares, and transferred his net cash compensation to EPFL.

(*) Sections highlighted with a blue bar are audited by KPMG. They include all elements the Company needs to disclose pursuant to art. 14 to 16 of the Ordinance against excessive compensation in listed companies.

Paul Bulcke replaced Peter Brabeck-Letmathe as Chairman of the Board, as from the Annual General Meeting 2017. In his capacity as active Chairman, Paul Bulcke received a cash compensation as well as Nestlé S.A. shares, which are blocked for three years. This in particular reflects certain responsibilities for the direction and control of the Group including the support to the new CEO, the support of Nestlé Health Science and Nestlé Skin Health through the respective Strategic Advisory Boards, and the direct leadership of Nestlé's interests in L'Oréal. Paul Bulcke also chairs the 2030 Water Resource Group (WRG), represents Nestlé as member of the European Roundtable of Industrialists (ERT), and as member of the WEF International Business Council. The remuneration includes all compensation received in relation to these activities. His total compensation was:

Audited	Paul Bulcke		Peter Brabeck-Letmathe	
	2017	2016	Number	Value in CHF
Cash compensation			450 000 ^(b)	1 600 000
Blocked shares (discounted value)	51 588	3 274 806	60 414	3 553 551
Total Cash & Shares		3 724 806		5 153 551
Company contribution to compulsory Swiss social security ^(a)		21 150		28 200
Total compensation		3 745 956		5 181 751

(a) Since Company contributions to social security are based on full earnings, whereas benefits are capped, only contributions that lead to future benefits are included.

The additional cost to the Company taking into account full social security employer contributions is CHF 163 981 in 2017 and CHF 224 040 in 2016.

(b) Pro-rated remuneration for the period April-December.

**Shares and stock options ownership of the non-executive members
of the Board of Directors and closely related parties on 31 December 2017**

	Number of shares held ^(a)	Number of options held ^(b)
Paul Bulcke, Chairman	1 263 185	420 000
Andreas Koopmann, Vice Chairman	101 079	—
Henri de Castries, Lead Independent Director	18 940	—
Beat W. Hess	41 429	—
Renato Fassbind	22 921	—
Steven G. Hoch	167 727	—
Naïna Lal Kidwai	16 956	—
Jean-Pierre Roth	14 531	—
Ann M. Veneman	16 961	—
Eva Cheng	12 769	—
Ruth K. Oniang'o	5 743	—
Patrick Aebischer	2 315	—
Ursula M. Burns	1 852	—
Total as at 31 December 2017	1 686 408	420 000
Total as at 31 December 2016	3 969 584	127 000

(a) Including shares subject to a three-year blocking period.

(b) The ratio is one option for one Nestlé S.A. share.

Audited Other audited information regarding the Board of Directors

Loans

There are no loans to members of the Board of Directors. Loans to a member of the Board of Directors may only be granted at market conditions and may, at the time of grant, not exceed the respective member's most recent total annual compensation (art. 21^{septies} of the Articles of Association).

Additional fees and remuneration of the Board of Directors

There are no additional fees or remuneration paid by Nestlé S.A. or any of its Group companies, directly or indirectly, to members of the Board of Directors, except for CHF 25 000 paid to Ann M. Veneman and to Ruth K. Oniang'o who serve as members of the Creating Shared Value (CSV) Council, and CHF 10 000 paid to Patrick Aebischer who serves on the Steering Committee of the Nestlé Institute of Health Sciences.

Compensation and loans for former members of the Board of Directors

There is no compensation conferred during 2017 on former members of the Board of Directors who gave up their function during the year preceding the year under review or earlier. Similarly, there are no loans outstanding to former members of the Board of Directors.

Compensation or loans to related parties of members of the Board of Directors

In 2017, no compensation was paid to related parties of members of the Board of Directors and there were no loans outstanding to related parties.

Executive Board

Principles of compensation for members of the Executive Board

Governance

Pursuant to art. 21^{bis} par. 1 of Nestlé's Articles of Association (*), the General Meeting shall approve annually the proposal of the Board of Directors in relation to the maximum aggregate amount of the compensation of the Executive Board for the following financial year (**).

In the event the General Meeting has not approved a proposal of the Board of Directors, the Board of Directors shall determine the respective maximum aggregate amount or maximum partial amounts of compensation, provided that:

- a) the Board of Directors takes into account: (i) the proposed maximum aggregate amount of compensation; (ii) the decision of the General Meeting and, to the extent known to the Board of Directors, the main reasons for the negative vote; and (iii) Nestlé's compensation principles; and
- b) the Board of Directors submits the amount(s) so determined to approval by the same General Meeting, a subsequent Extraordinary General Meeting or the next Annual General Meeting (art. 21^{bis} par. 2 of the Articles of Association).

If the maximum aggregate amount of compensation already approved by the General Meeting is not sufficient to also cover compensation of one or more members who become members of or are being promoted within the Executive Board during a compensation period for which the General Meeting has already approved the compensation of the Executive Board, Nestlé or companies controlled by it shall be authorised to pay such member(s) a supplementary amount during the compensation period(s) already approved. The total supplementary amount shall not exceed 40% of the aggregate amount of compensation of the Executive Board last approved by the General Meeting per compensation period (art. 21^{ter} of the Articles of Association).

Principles

The principles of compensation for members of the Executive Board are the following:

Pay for performance

The Total Direct Compensation for the members of the Executive Board includes a fixed portion (Annual Base Salary) and a variable portion (Short-Term Bonus and Long-Term Incentives). The fixed compensation takes into account individual performance. Variable compensation is determined based on collective and individual performance. These are intended to ensure a major part of executive rewards are contingent on achieving demanding performance goals.

(*) Nestlé's S.A.'s Articles of Association can be found on page 49 and on www.nestle.com/investors/corporate-governance/articles

(**) The Board of Directors may submit for approval by the General Meeting deviating or additional proposals relating to the same or different periods.

Alignment with long-term company strategy and shareholder interests

Compensation for members of the Executive Board is aligned with company strategy and shareholders' interests. The Short-Term Bonus payout is determined by the degree of achievement of a number of objectives aligned to annual business plans. Long-Term Incentives are provided in the form of share-based instruments, therefore ensuring alignment with shareholders' interests. In 2017, the main Long-Term Incentive instrument was the Performance Share Unit Plan (PSUP), following the discontinuation of the Restricted Stock Unit Plan (RSUP). PSUs have a vesting period of three years, with a further holding period of two years for Executive Board members, leading to a total restriction period of five years. Their alignment with shareholder interests is reinforced through pay-outs being tied to underlying Earnings per Share (EPS) growth and relative Total Shareholder Return (TSR) performance.

Coherence in remuneration plans and levels throughout the Company

The Company aims to align remuneration plans across the Group and to ensure that compensation rewards appropriately for the added responsibilities of positions held. This is reflected in the relative remuneration levels of the Executive Board.

Compensation to be internationally competitive by using selected benchmarks

The compensation packages for the members of the Executive Board need to be competitive in a dynamic international environment. Nestlé targets its overall remuneration policy to be between the median and the 75th percentile of the selected external benchmarks (please refer to page 42). Whenever appropriate, the benchmark values are adjusted for the size of Nestlé. The market competitiveness of the Executive Board is therefore periodically assessed using the services of Willis Towers Watson, a reputed international human capital and benefits consultancy.

The total compensation package consists of the following elements:

1. Base Salary

The Base Salary is the foundation of the total compensation. It reflects the experience, expertise and sustained performance of the Executive Board member as well as taking account external market competitiveness. It also serves as the basis for determining the Short-Term Bonus target levels, and the allocation of Long-Term Incentives. The Base Salary is reviewed annually by the Compensation Committee. Criteria for adjustments are individual contribution and the level of competitiveness against the benchmarks.

2. Short-Term Bonus

The Short-Term Bonus is intended to reward results achieved against annual collective and individual performance goals related to Nestlé's overall business strategy. The Short-Term Bonus is paid in cash and/or in Nestlé S.A. shares, which are subject to a three-year blocking period.

Governance

Pursuant to art. 21^{quater} of Nestlé's Articles of Association (*), variable compensation may comprise short-term compensation elements, and shall be subject to caps expressed as predetermined multipliers of the respective target levels.

Short-term compensation elements are governed by performance metrics that take into account the performance of Nestlé and/or parts thereof, targets in relation to the market, to other companies or to comparable benchmarks and/or individual targets, and achievement of which is generally measured based on a one-year period. The annual target level of the short-term compensation elements is determined as a percentage of the Base Salary; depending on achieved performance, the compensation may amount up to a pre-determined multiplier of target level.

The Board of Directors or, to the extent delegated to it, the Compensation Committee determines performance metrics and target levels, and their achievement.

(*) Nestlé's S.A.'s Articles of Association can be found on page 49 and on www.nestle.com/investors/corporate-governance/articles

Objectives 2017

The Short-Term Bonus (Annual Bonus) is based on a bonus target expressed in % of the Annual Base Salary.

In 2017, the following target levels were applicable

- CEO: 150%;
- Executive Vice President: 100%;
- Deputy Executive Vice President: 80%.

For the CEO, 100% of the target was linked to performance against the Nestlé Group objectives (see below). For the other members of the Executive Board, at least 50% of the target is linked to business performance, to ensure accountability for Nestlé's results: for Function Heads, 50% is tied to Group performance, 30% to functional objectives and 20% to their individual performance (quantitative and qualitative objectives); for Zone or Business Heads, 30% is tied to Group performance, 50% to business goals they are directly responsible for, and 20% to individual performance (quantitative and qualitative objectives).

In case an executive reaches all objectives in full, the bonus payout will correspond to the targeted level. If one or more objectives are not reached, the bonus is reduced. The bonus payout is capped at a maximum of 130% of the target. There is no guarantee for the payout of a minimum bonus.

Members of the Executive Board can elect to receive part or all of their Short-Term Bonus in Nestlé S.A. shares. The CEO has to take a minimum of 50% in shares.

The number of shares granted is determined using the average market closing price of the last ten trading days of January 2018.

Group objectives

Every year, the Board of Directors defines a set of key quantitative operational targets, which comprise the main elements in determining the annual Group performance for the following year. These are linked to measurable operational objectives. In 2017, their weighting was 40% Growth (Organic Growth & Real Internal Growth), 40% Profitability (Trading Operating Profit & Operating Profit margins), and 20% Cash Flow.

Additional quantitative and qualitative targets, set by the Board of Directors in line with the Nestlé strategic roadmap, are also used to determine the Nestlé Group performance. Non-financial objectives include measures related to the Company's sustainability and its corporate social responsibility in line with our Creating Shared Value (CSV) strategy. These additional targets can include the proportion of products with Nutrition, Health & Wellness benefits, market shares, operational excellence savings, capital expenditure, working capital reduction, delivering on CSV commitments, strengthening Nestlé's values and culture, or quality, safety, sustainability and compliance objectives.

The above goals are kept under review by the Board of Directors so as to ensure they are aligned with Nestlé's business goals and the strategic ambition outlined at the 2017 Investor Seminar.

Functional and Individual objectives

Functional objectives and individual objectives are determined by the CEO for each member of the Executive Board. They are related to the individual area of responsibility and are of a financial or non-financial nature.

3. Long-Term Incentives

Long-Term Incentives are intended to reward sustained business success and overall shareholder value creation as well as to retain key senior management members.

Governance

Pursuant to art. 21^{quater} of Nestlé's Articles of Association (*), variable compensation may comprise long-term compensation elements, and shall be subject to caps expressed as pre-determined multipliers of the respective target levels.

Long-term compensation elements are governed by performance metrics that take into account strategic objectives of Nestlé, and achievement of which is generally measured based on a multi-annual period. The annual target level of the long-term compensation elements is determined as a percentage of the Base Salary; depending on the achieved performance, the compensation may amount up to a pre-determined multiplier of the target level. Vesting periods, as determined by the Board of Directors or, to the extent delegated to it, the Compensation Committee shall be at least three years. See further art. 21^{quater} par. 6 to par. 8 of the Articles of Association.

The Board of Directors or, to the extent delegated to it, the Compensation Committee determines performance metrics and target levels, and their achievement.

Target levels 2017

In 2017, members of Nestlé's Executive Board were eligible to receive Long-Term Incentives in the form of Performance Share Units under the Performance Share Unit Plan (PSUP). The grant value for Long-Term Incentives in 2017 was the following:

- CEO: 150% of the Annual Base Salary
- Executive Vice President and Deputy Executive Vice President: 100% of the Annual Base Salary

The fair value of Long-Term Incentives at grant is determined by using generally accepted pricing models.

Please refer to explanations on page 43.

The PSUP provides units which entitle participants to receive Nestlé S.A. shares at the end of the three-year vesting period. These shares remain blocked for a further period of two years for Executive Board members.

The level at which PSUs vest is determined by the degree by which the two performance measures of the PSUP are met over the full three-year vesting period. These two criteria are:

- the relative Total Shareholder Return (TSR) of the Nestlé S.A. share in relation to the STOXX Global 1800 Food & Beverage Net Return Index; and
- the growth of underlying Earnings per Share in constant currencies.

Total Shareholder Return performance in relation to peers and growth of underlying Earnings per Share are the two most commonly used measures to determine senior management long-term performance in the industry. Each of the two measures has equal weighting in determining the vesting level of the initial PSU award.

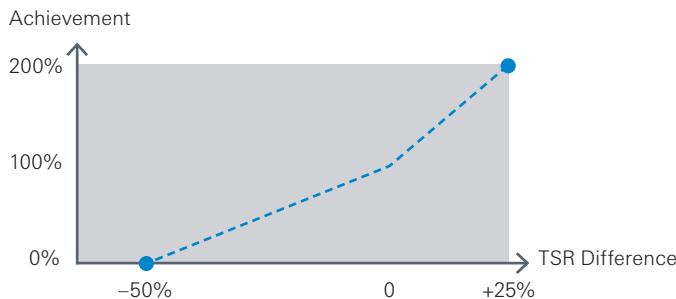
The following changes will be introduced for the 2018 PSUP grant:

- A third performance measure, ROIC (Return On Invested Capital) will be introduced, to address an efficient use of capital and M&A responsibility.
- The weighting of the three performance measures will be 50% underlying EPS (unchanged), 30% TSR and 20% ROIC.
- All three performance measures will be subject to Compensation Committee review in case of extraordinary events.
- The pay-out curve for TSR will change to a straight line, to reduce the reward if Nestlé is underperforming versus the peer index, with the thresholds moving from -50% to +25% currently to -20% to +20% going forward.
- The TSR base will be moved from the STOXX Global 1800 Food&Beverage Net Return Index to the STOXX Global 1800 Food&Beverage Gross Return Index to avoid distortion by tax impacts in line with market practice.
- The PSUP will cover only Executive Board and Senior Vice-Presidents, a restricted stock unit plan (RSUP) will be re-introduced for all other participants.

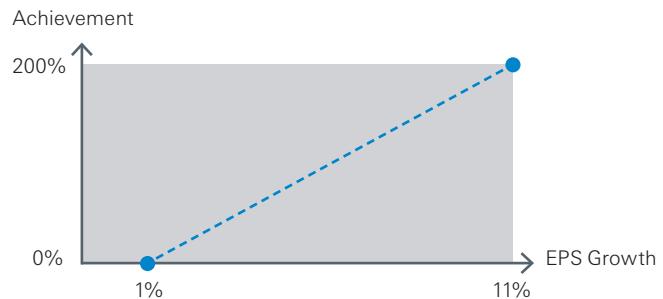
(*) Nestlé's S.A.'s Articles of Association can be found on page 49 and on www.nestle.com/investors/corporate-governance/articles

The following charts show the different potential levels of achievement for each of the two measures for the 2017 PSUP grant. See the changes for 2018 described above.

TSR Difference (Nestlé vs. Index)



Average Underlying EPS Growth (constant currencies)

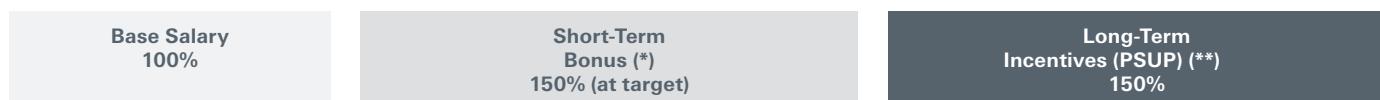


The total vesting level will be determined by applying, at the end of the vesting period, each one of the two measures to 50% of the grant, and by adding up both elements.

The vesting range of the PSU starts at 0% and is capped at 200% of the initial PSU award, thus providing alignment with strategy and shareholders' interests, as well as ensuring competitiveness versus external market comparisons.

Overview of Executive Board compensation elements

CEO



(*) Payable between 50% and 100% in Nestlé S.A. shares with a three-year blocking period.

(**) Subject to a two-year holding period after the three-year vesting period.

Executive Vice Presidents



(*) Payable between 0% and 100% in Nestlé S.A. shares with a three-year blocking period.

(**) Subject to a two-year holding period after the three-year vesting period.

Maximum payout:

- Short-Term Bonus: capped at 130% of the target;
- PSUP: vesting ranges from 0% to 200% of the initial PSU award.

4. Other benefits

The Company limits other benefits to a minimum. Typical elements are a car allowance (there are no Company cars provided to members of the Executive Board), a contribution towards health insurance premiums (below CHF 4000 per annum) as well as long-term service awards related to 25 and 40 years of service to the Company, in line with the Company policy, as offered to other employees. Those Executive Board members who have been transferred to Switzerland from other Nestlé locations can receive benefits in line with the Nestlé Corporate Expatriation Policy.

5. Pension benefits

Executive Board members domiciled in Switzerland are affiliated to the Nestlé Pension Plan in Switzerland like all other employees. The Plan was changed from a defined contribution plan with a retirement pension objective to a Swiss-type defined contribution plan during 2013. Beneficiaries of the Plan born in 1958 or before maintain their membership in the former plan. Further changes to the Nestlé Pension Plan will apply as from 1 July 2018.

Pensionable earnings include the Annual Base Salary, but not the variable compensation (Short-Term Bonus or Long-Term Incentives). Any part of the Annual Base Salary which exceeds the ceiling prescribed by Swiss Pension Law is covered directly by the Company.

Benchmarks of Executive Board compensation

Any benchmarks need to take account of Nestlé's overall size, its sector and geographic location. The Compensation Committee has therefore decided the most appropriate way to assess the competitiveness of the compensation for the Executive Board is by comparing against the STOXX Europe 50 index (excluding financial services) as the primary benchmark*, while taking account of trends in executive remuneration in the European Fast Moving Consumer Goods and Pharma companies. Reflecting the Company's size (revenue and headcount), Nestlé's competitive position has been evaluated with reference to the 75th percentile of the benchmark.

Share ownership policy

The Company strongly encourages share ownership by the members of the Executive Board to ensure alignment with shareholder interests over time. As of the end of 2017, excluding unvested long-term incentive awards, the collective

share ownership of the members of the Executive Board was approximately equal to their combined annual total compensation.

Since 2015, an additional two-year blocking period is imposed on Nestlé S.A. shares delivered to Executive Board members upon vesting of PSUs, bringing the total restriction period to five years. The blocking period remains applicable upon termination.

Loans

The Company does not, as a rule, grant loans, except that it may provide advances, generally repayable over a three-year period to members of the Executive Board who have been transferred to Switzerland from other Nestlé locations in line with the Nestlé Corporate Expatriation Policy.

Loans to Executive Board members may only be granted at market conditions and may, at the time of grant, not exceed the respective member's most recent total annual compensation (art. 21^{septies} of the Articles of Association).

Contracts of employment and severance payments

As of 31 December 2017, members of the Executive Board are subject to a notice period of twelve months. During this time, unless there was termination for cause, entitlement to the Annual Base Salary and prorated Short-Term Bonus continues. Long-Term Incentives are forfeited upon voluntary resignation or termination for cause (except vested Stock Options which remain exercisable for a period of thirty days upon termination for cause); Long-Term Incentives (except Stock Options) immediately vest in all other cases of termination of employment. There are no severance payments or change of control provisions ("golden parachutes"). Non-compete provisions are in line with the Articles of Association and are activated by the Company only as necessary on a case-by-case basis.

Since 1 January 2016, the compensation of the members of the Executive Board is subject to forfeiture or clawback if the compensation paid or granted is rejected by the General Meeting of Nestlé S.A. in a final vote.

(*) Companies include: ABB, Air Liquide, Airbus, Anheuser-Busch Inbev, ASML, AstraZeneca, BASF, Bayer, BP, BAT, Daimler, Deutsche Telekom, Diageo, Eni, GlaxoSmithKline, Glencore, Imperial Brands, L'Oréal, LVMH, National Grid, Novartis, Novo Nordisk, Reckitt Benckiser, Rio Tinto, Roche, Royal Dutch Shell, Sanofi, SAP, Schneider Electric, Siemens, Telefonica, Total, Unilever, Vinci, Vodafone.

Benchmarks

See above elements of compensation for members of the Executive Board.

Compensation 2017 for members of the Executive Board

At the Annual General Meeting of 7 April 2016, the shareholders approved a maximum compensation for members of the Executive Board of CHF 60 million for 2017.

The total compensation paid to members of the Executive Board in 2017, including contributions towards future pension benefits and total social security contributions, was CHF 43 009 601.

Compensation for members of the Executive Board in CHF (including the CEO)

	2017	2016
Annual Base Salary	14 102 798	14 481 250
Short-Term Bonus (cash)	8 469 438	7 917 061
Short-Term Bonus (discounted value of Nestlé S.A. share)	3 744 001	6 907 297
Performance Share Units (fair value at grant)	10 985 508	14 422 467
Other benefits	603 360	1 541 365
Total	37 905 105	45 269 440
% Fixed/Variable	38.8 – 61.2	35.4 – 64.6
Company contributions towards future pension benefits (in line with Nestlé's Pension Benefit Policy described above)	2 639 785	4 314 427
Company contributions to compulsory Swiss social security ^(a)	394 800	394 800
Additional remuneration and fees paid to members of the Executive Board	522 074	–
Total including the elements above	41 461 764	49 978 667

The above compensation table includes the following:

	2017	2016
Number of Nestlé S.A. shares granted	54 641	112 515
Number of Performance Share Units granted under the PSUP	196 310	219 020

(a) Since the Company contributions to social security are based on full earnings, whereas benefits are capped, only contributions that lead to future benefits are included. The additional cost to the Company taking into account full social security employer contributions is CHF 1 547 837 in 2017 and CHF 1 925 259 in 2016.

Explanations

- On 31 December 2017, the Executive Board consisted of 14 members.
- Other benefits include a car allowance, contribution towards health insurance premiums, long-term service awards and expatriate benefits.
- Nestlé S.A. shares received as part of the Short-Term Bonus are valued at the average closing price of the last ten trading days of January 2018, discounted by 16.038% to account for the three-year blocking period.
- Performance Share Units granted in 2017 are disclosed at fair value at grant, which corresponds to CHF 55.96. The fair value is determined using a valuation model which reflects the probability of overachievement or underachievement on the Total Shareholder Return measure, which is a market condition, and based on five-year

historical data. The other inputs incorporated into the valuation model comprise the market price of Nestlé S.A. shares at grant date, discounted at a risk-free interest rate and adjusted for the dividends that participants are not entitled to receive during the vesting period of three years.

- The values in the table above differ in some respect from the compensation disclosure in Note 19.1 of the Consolidated Financial Statements of the Nestlé Group 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS). The differences relate to the timing of valuation of Performance Share Units, whose values are spread over three years under IFRS but reported fully at the grant date in this report, and to the valuation of blocked shares, which are not subject to a discount for the blocking period under IFRS.

Payout levels

- The Short-Term Bonus payout for the Executive Board was 89% in 2017, based on the achievement of the relevant Group and individual quantitative and qualitative objectives (2016: 102%).
- The Performance Share Units granted in 2015 vest in March 2018 with a payout of 85% of the initial PSU award (PSUs granted in 2014 vested in 2017 with a payout of 72%).

Events after the balance sheet date (all on 1 January 2018)

- Mr Heiko Schipper left the Executive Board (re-integration of Nestlé Nutrition)
- Mr Stefan Catsicas left the Executive Board (succeeded by Mr Stefan Palzer, new Chief Technology Officer)

Highest total compensation for a member of the Executive Board

In 2017, the highest total compensation for a member of the Executive Board was conferred to Ulf Mark Schneider, the CEO. The amounts below are included in the Executive Board compensation disclosed above.

	2017		2016	
	Ulf Mark Schneider		Paul Bulcke	
	Number	Value in CHF	Number	Value in CHF
Annual Base Salary		2 400 000		2 500 000
Short-Term Bonus (cash)		1 260 023		–
Short-Term Bonus (discounted value of Nestlé S.A. share)	15 439	1 057 880	48 722	2 991 044
Performance Share Units (fair value at grant)	48 660	2 723 014	53 070	3 494 660
Other benefits		6 750		28 020
Total		7 447 667		9 013 724
% Fixed/Variable		32.3 – 67.7		28.0 – 72.0
Company contribution towards future pension benefits		386 996		2 170 556
Company contribution to compulsory Swiss social security ^(a)		28 200		28 200
Total including the elements above		7 862 863		11 212 480

(a) Since the Company contributions to social security are based on full earnings, whereas benefits are capped, only contributions that lead to future benefits are included. The additional cost to the Company taking into account full social security employer contributions is CHF 353 493 in 2017 and CHF 433 753 in 2016.

Explanations

- Nestlé S.A. shares received as part of the Short-Term Bonus are valued at the average closing price of the last ten trading days of January 2018, discounted by 16.038% to account for the three-year blocking period.
- Performance Share Units granted in 2017 are disclosed at fair value at grant, which corresponds to CHF 55.96.
- Please also refer to the explanations provided on page 43.

Payout levels

- The Short-Term Bonus payout for the CEO was 70% in 2017, based on the achievement of Group quantitative and qualitative objectives (2016: 95%).
- The Performance Share Units granted in 2015 vest in March 2018 with a payout of 85% of the initial PSU award (PSUs granted in 2014 vested in 2017 with a payout of 72%).

Shares and stock options held by members of the Executive Board

Total number of management stock options held on 31 December 2017 by members of the Executive Board

Grant date	Vesting date	Expiry date	Exercise price in CHF	Stock options outstanding
01.03.2012	01.03.2015	28.02.2019	55.57	327 000
Total				327 000

Shares and stock options ownership of the members of the Executive Board

and closely related parties on 31 December 2017

	Number of shares held ^(a)	Number of options held ^(b)
Ulf Mark Schneider, Chief Executive Officer	7 795	–
Laurent Freixe	17 587	–
Chris Johnson	62 376	104 100
Patrice Bula	159 121	101 800
Wan Ling Martello	101 507	121 100
Stefan Catsicas ^(c)	10 347	–
Marco Settembri	31 837	–
François-Xavier Roger	14 544	–
Magdi Batato	9 152	–
Peter R. Vogt	49 960	–
Heiko Schipper ^(d)	–	–
Maurizio Patarnello	13 043	–
Grégory Behar	1 188	–
David P. Frick	53 199	–
Total as at 31 December 2017	531 656	327 000
Total as at 31 December 2016	1 569 090	1 272 470

(a) Including shares subject to a three-year blocking period, and further two-year holding period.

(b) The ratio is one option for one Nestlé S.A. share.

(c) Succeeded by Stefan Palzer as of 1 January 2018.

(d) Left the Executive Board as of 1 January 2018.

Other audited information regarding the Executive Board

Loans to members of the Executive Board

On 31 December 2017, there were no loans outstanding to any member of the Executive Board.

Additional fees and remuneration of the Executive Board

One member of the Executive Board, in his role of CEO of Nestlé Health Science, also participated in 2017 in the Nestlé Health Science Long-Term Incentive Plan, a Phantom Share Unit plan based on the long-term development of that business. He was attributed 5 330 Units in 2017, with a fair value at grant of CHF 97.95 per Unit (vesting period of three years: value capped at two times the Unit price at grant).

Compensation and loans for former members of the Executive Board

Prior to his election as Chairman, at the Annual General Meeting 2017, Mr Paul Bulcke, the former CEO, received in 2017 a total compensation of CH 5 884 683, as per the terms of his contract of employment until retirement. This amount includes his Base Salary, Short-Term Bonus, Long-Term Incentives, as well as company contributions towards future pension benefits and social security.

Another former member of the Executive Board received a fee of CHF 25 000.

On 31 December 2017, there were no loans outstanding to former members of the Executive Board.

Compensation or loans to related parties of members of the Executive Board

In 2017, no compensation was paid to related parties of members of the Executive Board, and there were no loans outstanding to related parties.

Sections highlighted with a blue bar are audited by KPMG. They include all elements the Company needs to disclose pursuant to art. 14 to 16 of the Ordinance against excessive compensation in listed companies.



Report of the Statutory Auditor

To the General Meeting of Nestlé S.A., Cham & Vevey.

We have audited the accompanying compensation report of Nestlé S.A. for the year ended 31 December 2017. The audit was limited to the information according to articles 14 to 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the sections highlighted with a blue bar at left on pages 34 to 46 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 to 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 to 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report for the year ended 31 December 2017 of Nestlé S.A. complies with Swiss law and articles 14 to 16 of the Ordinance.

KPMG SA

Scott Cormack
Licensed Audit Expert
Auditor in Charge

Lukas Marty
Licensed Audit Expert

Geneva, 14 February 2018

KPMG SA, 111 Rue de Lyon, P.O. Box 347, CH-1211 Geneva 13

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Articles of Association of Nestlé S.A.

**Amended by the
Annual General Meeting
of 7 April 2016**

Articles of Association of Nestlé S.A.

Translation*

I. General

Article 1

Corporate name; Registered offices; Duration

- 1 Nestlé S.A. (Nestlé AG) (Nestlé Ltd.) (hereinafter "Nestlé") is a company limited by shares incorporated and organised in accordance with the Swiss Code of Obligations.
- 2 The registered offices of Nestlé are in Cham and Vevey, Switzerland.
- 3 The duration of Nestlé is unlimited.

Article 2

Purpose

- 1 The purpose of Nestlé is to participate in industrial, service, commercial and financial enterprises in Switzerland and abroad, in particular in the food, nutrition, health, wellness and related industries.
- 2 Nestlé may itself establish such undertakings or participate in, finance and promote the development of undertakings already in existence.
- 3 Nestlé may enter into any transaction which the business purpose may entail. Nestlé shall, in pursuing its business purpose, aim for long-term, sustainable value creation.

II. Share Capital

Article 3

Share capital

The share capital of Nestlé is CHF 311 216 000 (three hundred and eleven million two hundred and sixteen thousand Swiss francs) divided into 3 112 160 000 fully paid up registered shares with a nominal value of CHF 0.10 each.

Article 3^{bis}

Conditional share capital

- 1 The share capital of Nestlé may be increased in an amount not to exceed CHF 10 000 000 (ten million Swiss francs) by issuing up to 100 000 000 registered shares with a nominal value of CHF 0.10 each, which shall be fully paid up, through the exercise of conversion rights and/or option rights granted in connection with the issuance by Nestlé or one of its subsidiaries of newly or already issued convertible debentures, debentures with option rights or other financial market instruments.

- 2 The shareholders have no preferential rights to subscribe for these new shares. The current owners of conversion rights and/or option rights shall be entitled to subscribe for the new shares.
- 3 The new shares shall be subject, as soon as they are issued following the exercise of conversion and/or option rights, to the restrictions set forth in art. 5.
- 4 The Board of Directors may limit or withdraw the right of the shareholders to subscribe in priority to convertible debentures, debentures with option rights or similar financial market instruments when they are issued, if:
 - a) an issue by firm underwriting by a consortium with subsequent offering to the public without preferential subscription rights seems to be the most appropriate form of issue at the time, particularly in terms of the conditions for issue; or
 - b) the financial market instruments with conversion or option rights are issued in connection with the financing or refinancing of the acquisition of an enterprise or parts of an enterprise or participations or new investments.
- 5 Any financial market instruments with conversion or option rights which the Board of Directors decides not to offer directly or indirectly for prior subscription to the shareholders shall be subject to the following conditions:
 - a) Conversion rights may be exercised only for up to 15 years, and option rights only during 7 years from the date of issue of the relevant financial market instruments.
 - b) The new shares shall be issued according to the applicable conversion or option conditions. The respective financial instruments must be issued at the relevant market conditions.
 - c) The issue of new shares upon exercise of option or conversion rights shall be made at conditions taking into account the market price of the shares and/or comparable instruments with a market price at the time of issuance of the relevant convertible debenture, debenture with option rights or similar financial market instrument.

Article 4

Share certificates; Intermediated securities

- 1 Nestlé may issue its registered shares in the form of single certificates, global certificates or uncertificated securities. Under the conditions set forth by statutory law, Nestlé may convert its registered shares from one form into another form at any time and without the approval of the shareholders. Nestlé shall bear the cost of any such conversion.

*This is an unofficial translation. In case of doubt or differences of interpretation, the official French and German versions of the Articles of Association shall prevail over the English text.

- 2 If registered shares are issued in the form of single certificates or global certificates, they shall be signed by two members of the Board of Directors. Both signatures may be affixed in facsimile.
- 3 The shareholder has no right to demand a conversion of the form of the registered shares. Each shareholder may, however, at any time request a written confirmation from Nestlé of the registered shares held by such shareholder, as reflected in the share register.
- 4 Intermediated securities based on registered shares of Nestlé cannot be transferred by way of assignment. A security interest in any such intermediated securities cannot be granted by way of assignment.

Article 5

Share register

- 1 Nestlé shall maintain a share register showing the name and address of the holders or usufructuaries. Any change of address must be reported to Nestlé.
- 2 Only persons entered in the share register as shareholders with voting rights may exercise the voting rights or the other rights related thereto.
- 3 After the acquisition of shares, upon request of the shareholder to be recognised as such, any acquiring party shall be considered as a shareholder without voting rights, until it is recognised by Nestlé as a shareholder with voting rights. If Nestlé does not refuse the request to recognise the acquiring party within twenty days, the latter shall be deemed to be a shareholder with voting rights.
- 4 An acquirer of shares shall be recorded in the share register as a shareholder with voting rights provided he expressly declares to have acquired the shares in his own name and for his own account.
- 5 No person or entity shall be registered with voting rights for more than 5% of the share capital as recorded in the commercial register. This limitation on registration also applies to persons who hold some or all of their shares through nominees pursuant to this article. All of the foregoing does not apply in the case of the acquisition of an enterprise, or parts of an enterprise or participations through exchange of shares or in the cases provided in art. 685d par. 3 of the Swiss Code of Obligations.
- 6 The Board of Directors shall promulgate regulations relating to the registration of fiduciaries or nominees to ensure compliance with these Articles of Association.

- 7 Legal entities that are linked to one another through capital, voting rights, management or in any other manner, as well as all natural persons or legal entities achieving an understanding or forming a syndicate or otherwise acting in concert to circumvent the regulations concerning the limitation on registration or the nominees, shall be counted as one person or nominee within the meaning of paragraphs 4 and 5 of this article.
- 8 After hearing the registered shareholder or nominee, the Board of Directors may cancel, with retroactive effect as of the date of registration, the registration of such shareholder or nominee if the registration was effected based on false information. The respective shareholder or nominee shall be informed immediately of the cancellation of the registration.
- 9 The Board of Directors shall specify the details and promulgate the necessary regulations concerning the application of this art. 5. Such regulations shall specify the cases in which the Board or a corporate body designated by the Board may allow exemptions from the limitation on registration or the regulation concerning nominees.
- 10 The limitation on registration provided for in this article shall also apply to shares acquired or subscribed by the exercise of subscription, option or conversion rights.

III. Organisation of Nestlé

A. General Meeting

Article 6

Powers of the General Meeting

- 1 The General Meeting of shareholders is the supreme authority of Nestlé.
- 2 The following non-transferable powers shall be vested in the General Meeting:
 - a) to adopt and amend the Articles of Association;
 - b) to elect and remove the members of the Board of Directors, the Chairman of the Board of Directors and the members of the Compensation Committee;
 - c) to elect and remove the Auditors;
 - d) to elect and remove the Independent Representative;
 - e) to approve the annual report and the consolidated financial statements;
 - f) to approve the annual financial statements as well as to resolve on the use of the balance sheet profit, in particular, the declaration of dividends;
 - g) to approve the compensation of the Board of Directors and of the Executive Board pursuant to art. 21^{bis};

- h) to grant discharge to the members of the Board of Directors and the persons entrusted with management; and
- i) to take all decisions which by law or under these Articles of Association are within the powers of the General Meeting.

Article 7

Annual General Meeting

The Annual General Meeting shall be held each year within six months of the close of the financial year of Nestlé. The meeting shall be convened by the Board of Directors.

Article 8

Extraordinary General Meeting

- 1 Extraordinary General Meetings shall be convened by the Board of Directors or, if necessary, by the Auditors, as well as in the other cases foreseen by law.
- 2 The Board of Directors shall, if so requested by a General Meeting or at the request in writing, specifying the items and proposals to appear on the agenda, of one or more shareholders with voting rights whose combined holdings represent at least one tenth of the share capital as recorded in the commercial register, convene an Extraordinary General Meeting. The Extraordinary General Meeting shall be held as promptly as practicable following such request.

Article 9

Notice of General Meetings; Agenda

- 1 Annual or Extraordinary General Meetings shall be convened by notice in the "Swiss Official Gazette of Commerce" not less than twenty days before the date fixed for the meeting. Shareholders may in addition be informed by ordinary mail.
- 2 The notice of a meeting shall state the items on the agenda and the proposals of the Board of Directors and of the shareholders who requested that a General Meeting be convened (art. 8 par. 2) or that items be included in the agenda (art. 9 par. 3).
- 3 One or more shareholders with voting rights whose combined holdings represent at least 0.15% of the share capital of Nestlé as recorded in the commercial register may request that an item be included in the agenda of a General Meeting. Such a request must be made in writing to the Board of Directors at the latest 45 days before the meeting and shall specify the agenda items and the proposals made.

- 4 No resolution shall be passed at a General Meeting on matters which do not appear on the agenda except for:
 - a) a resolution convening an Extraordinary General Meeting;
 - or
 - b) the setting up of a special audit.

Article 10

Presiding officer; Minutes

- 1 The Chairman or any member of the Board of Directors shall preside at General Meetings and carry all procedural powers.
- 2 Minutes of General Meetings shall be kept by the Secretary of the Board of Directors.

Article 11

Voting rights; Representation of shareholders

- 1 Each share recorded in the share register as share with voting rights confers one vote on its holder.
- 2 At General Meetings no person may exercise, directly or indirectly, voting rights, with respect to own shares or shares represented by proxy, in excess of 5% of the share capital as recorded in the commercial register. Legal entities that are linked to one another through capital, voting rights, management or in any other manner, as well as all natural persons or legal entities achieving an understanding or forming a syndicate or otherwise acting in concert to circumvent such a limit, shall be counted as one shareholder.
- 3 The foregoing limit does not apply to shares received and held by a shareholder pursuant to an acquisition of an enterprise, or parts of an enterprise or participations as referred in art. 5 par. 5.
- 4 In order to permit the exercise of voting rights in respect of shares held by nominees, the Board of Directors may by means of regulations or agreements with nominees depart from the limit foreseen in this article. It may also depart from such a limit within the framework of the regulations referred to in art. 5 par. 6 and par. 9. In addition, this limit shall not apply to the exercise of voting rights by the Independent Representative.
- 5 Each shareholder recorded in the share register with voting rights may be represented at the General Meeting by the Independent Representative or a third party. The Board of Directors shall determine the requirements regarding participation and representation in the General Meeting.

6 The Independent Representative shall be elected by the General Meeting for a term of office until completion of the next Annual General Meeting. Re-election is possible. If the office of the Independent Representative is vacant, the Board of Directors shall appoint the Independent Representative for the next General Meeting.

Article 12

Quorum and decisions

- 1 General Meetings shall be duly constituted irrespective of the number of shareholders present or of shares represented.
- 2 Unless provided otherwise by law or the Articles of Association, shareholders' resolutions and elections shall be decided by an absolute majority of the shares represented.
- 3 Votes shall be taken either on a show of hands or by electronic voting unless a vote by written ballot is ordered by the Presiding officer of the meeting. The Presiding officer may at any time order to repeat an election or resolution, if he doubts the results of the vote. In this case, the preceding election or resolution is deemed not having taken place.
- 4 If the first ballot fails to result in an election and more than one candidate is standing for election, the Presiding officer shall order a second ballot in which a relative majority shall be decisive.

Article 13

Special quorum

The approval of at least two thirds of the shares represented and the absolute majority of the nominal value represented at a General Meeting shall be required for resolutions with respect to:

- a) a modification of the purpose of Nestlé;
- b) the creation of shares with increased voting powers;
- c) restrictions on the transfer of registered shares and the change or removal of such restrictions;
- d) an authorized or conditional increase in share capital;
- e) an increase in share capital through the conversion of capital surplus, through a contribution in kind or for the purpose of an acquisition of assets, or a grant of special benefits upon a capital increase;
- f) the restriction or withdrawal of the right to subscribe;
- g) a change of the registered offices of Nestlé;
- h) the dissolution of Nestlé;
- i) restrictions on the exercise of voting rights and the change or removal of such restrictions;

- j) the limitation on registration (art. 5 par. 4 to 7) and the limitation on voting rights (art. 11 par. 2, 3 and 4) and the change or removal of such limitations;
- k) the change of the corporate name of Nestlé; and
- l) other matters as provided by statutory law.

B. Board of Directors

Article 14

Number of Directors

The Board of Directors shall consist of at least seven members.

Article 15

Term of office

- 1 The Chairman of the Board of Directors and the members of the Board of Directors shall be elected individually by the General Meeting for a term of office until completion of the next Annual General Meeting.
- 2 Members of the Board of Directors whose term of office has expired shall be immediately eligible for re-election.
- 3 If the office of the Chairman of the Board of Directors is vacant, the Board of Directors shall appoint a new Chairman from amongst its members for the remaining term of office.

Article 16

Organisation of the Board

- 1 The Board of Directors shall elect one or two Vice-Chairmen. It shall appoint a Secretary and his substitutes, neither of whom need be members of the Board of Directors.
- 2 The Board of Directors shall, within the limits of the law and the Articles of Association, define its organisation and the assignment of responsibilities in the Board regulations pursuant to art. 19 par. 2.

Article 17

Powers of the Board in general

The Board of Directors shall conduct all the business of Nestlé to the extent that it is not within the powers of the General Meeting or not delegated pursuant to the Board regulations as set forth in art. 19 par. 2.

Article 18

Specific powers of the Board

The Board of Directors has the following non-transferable and inalienable duties:

- a) the ultimate direction of the business of Nestlé, in particular the conduct, management and supervision of the business of Nestlé, and the provision of necessary directions;
- b) the determination of the organisation in the Board regulations pursuant to art. 19 par. 2;
- c) the determination of accounting and financial control principles;
- d) the appointment and removal of the persons entrusted with the management and the granting of signatory powers to persons representing Nestlé;
- e) the ultimate supervision of the persons entrusted with the management of Nestlé, ensuring in particular their compliance with the law, the Articles of Association, regulations and instructions given;
- f) the preparation of the business report and the compensation report in accordance with the provisions of the law;
- g) the preparation of General Meetings and the carrying out of its resolutions;
- h) the determination of the manner in which the dividend shall be paid;
- i) the opening and closing of branch offices; and
- j) the notification of the court in case of overindebtedness.

Article 19

Delegation of powers

- 1 The Board of Directors may, within the limits of the law and the Articles of Association, appoint from amongst its members standing or ad hoc committees entrusted with the preparation and execution of its decisions or the supervision of specific parts of the business. The Board of Directors shall ensure that it is kept properly informed.
- 2 Unless otherwise provided by law, the Board of Directors may in accordance with the Board regulations delegate all or part of the management to one or more of its members, to one or more board committees, or to third parties.

C. Compensation Committee

Article 19bis

Number of members; Term of office; Organisation

- 1 The Compensation Committee consists of at least three independent members of the Board of Directors.
- 2 The members of the Compensation Committee shall be elected individually by the General Meeting for a term of office until completion of the next Annual General Meeting. Members of the Compensation Committee whose term of office has expired shall be immediately eligible for re-election.
- 3 If there are vacancies on the Compensation Committee, the Board of Directors shall appoint substitutes from amongst its members for the remaining term of office.
- 4 The Board of Directors shall elect a Chairman of the Compensation Committee. It shall, within the limits of the law and the Articles of Association, define the organisation of the Compensation Committee in regulations.

Article 19ter

Powers of the Compensation Committee

- 1 The Compensation Committee supports the Board of Directors in establishing and periodically reviewing Nestlé's compensation strategy and guidelines and performance criteria as well as in preparing the proposals to the General Meeting regarding the compensation of the members of the Board of Directors and of the Executive Board. It may submit proposals and recommendations to the Board of Directors in other compensation-related issues.
- 2 The Board of Directors promulgates regulations to determine for which positions of the Board of Directors and of the Executive Board the Compensation Committee, together with the Chairman of the Board of Directors or on its own, shall submit proposals for the compensation, and for which positions it shall determine the compensation in accordance with the Articles of Association and the compensation guidelines established by the Board of Directors.
- 3 The Board of Directors may delegate further tasks and powers to the Compensation Committee.

D. Auditors

Article 20

Number of Auditors; Term of office

The General Meeting shall appoint, for a term of office until completion of the next Annual General Meeting, one or more Auditors of the annual financial statements of Nestlé and the consolidated financial statements of the Group, which shall be independent from Nestlé and meet the special professional standards required by law. The Auditors of Nestlé may be re-elected.

Article 21

Rights and duties of Auditors

The Auditors shall verify the annual financial statements of Nestlé and the consolidated financial statements of the Group and perform such other tasks as defined by law. The Auditors shall submit their reports to the General Meeting. Their rights and duties shall be as set out in the applicable Swiss laws.

III^{bis}. Compensation of the Board of Directors and of the Executive Board

Article 21^{bis}

Approval of compensation by General Meeting

- 1 The General Meeting shall approve annually and separately the proposals of the Board of Directors in relation to the maximum aggregate amount of:
 - a) compensation of the Board of Directors for the period until the next Annual General Meeting;
 - b) compensation of the Executive Board for the following financial year.

The Board of Directors may submit for approval by the General Meeting deviating or additional proposals relating to the same or different periods.
- 2 In the event the General Meeting has not approved a proposal of the Board of Directors, the Board of Directors shall determine the respective maximum aggregate amount or maximum partial amounts of compensation, provided that:
 - a) the Board of Directors takes into account:
 - (i) the proposed maximum aggregate amount of compensation;
 - (ii) the decision of the General Meeting and, to the extent known to the Board of Directors, the main reasons for the negative vote; and
 - (iii) Nestlé's compensation principles; and
 - b) the Board of Directors submits the amount(s) so determined to approval by the same General Meeting, a subsequent Extraordinary General Meeting or the next Annual General Meeting.
- 3 Notwithstanding the preceding paragraph, Nestlé or companies controlled by it may pay out compensation prior to approval by the General Meeting subject to subsequent approval by a General Meeting.
- 4 The Board of Directors shall submit the annual compensation report to an advisory vote of the General Meeting.

Article 21^{ter}

**Supplementary amount for changes
on the Executive Board**

If the maximum aggregate amount of compensation already approved by the General Meeting is not sufficient to also cover compensation of one or more members who become members of or are being promoted within the Executive Board during a compensation period for which the General Meeting has already approved the compensation of the Executive Board, Nestlé or companies controlled by it shall be authorized to pay to such member(s) a supplementary amount during the compensation period(s) already approved. The total supplementary amount shall not exceed 40% of the aggregate amount of compensation of the Executive Board last approved by the General Meeting per compensation period.

Article 21^{quater}

General compensation principles

- 1 Compensation of the non-executive members of the Board of Directors comprises fixed compensation elements only.
- 2 Compensation of the members of the Executive Board comprises fixed and variable compensation elements. Fixed compensation comprises the base salary and may comprise other compensation elements and benefits. Variable compensation may comprise short-term and long-term compensation elements, and shall be subject to caps expressed as predetermined multipliers of the respective target levels.
- 3 Short-term compensation elements are governed by performance metrics that take into account the performance of Nestlé and/or parts thereof, targets in relation to the market, to other companies or to comparable benchmarks and/or individual targets, and achievement of which is generally measured based on a one-year period. The annual target level of the short-term compensation elements is determined as a percentage of the base salary; depending on achieved performance, the compensation may amount up to a pre-determined multiplier of target level.
- 4 Long-term compensation elements are governed by performance metrics that take into account strategic objectives of Nestlé, and achievement of which is generally measured based on a multiannual period. The annual target level of the long-term compensation elements is determined as a percentage of the base salary; depending on achieved performance, the compensation may amount up to a pre-determined multiplier of target level. Vesting periods, as determined by the Board of Directors or, to the extent delegated to it, the Compensation Committee, shall be at least three years.
- 5 The Board of Directors or, to the extent delegated to it, the Compensation Committee determines performance metrics and target levels, and their achievement.
- 6 Compensation may be paid or granted in the form of cash, shares, other benefits or in kind; compensation to members of the Executive Board may also be paid or granted in the form of financial instruments or similar units. The Board of Directors or, to the extent delegated to it, the Compensation Committee determines grant, vesting, blocking, exercise and forfeiture conditions; they may provide for continuation, acceleration or removal of vesting and exercise conditions, for payment or grant of compensation assuming target achievement or for forfeiture in the event of predetermined events such as a termination of an employment or mandate agreement.
- 7 Compensation may be paid by Nestlé or companies controlled by it.
- 8 The Board of Directors values compensation according to the principles that apply to the compensation report.

III^{ter}. Contracts with members of the Board of Directors and of the Executive Board

Article 21^{quinquies}

Basic principles

- 1 Nestlé or companies controlled by it may enter into agreements with members of the Board of Directors relating to their compensation for a fixed term or for an indefinite term; term and notice period may not exceed one year.
- 2 Nestlé or companies controlled by it may enter into contracts of employment with members of the Executive Board for a definite period of time not to exceed one year or for an indefinite period of time with a notice period not to exceed 12 months.
- 3 Contracts of employment with members of the Executive Board may contain a prohibition of competition for the time after the end of employment for a duration of up to 2 years. The annual consideration for such prohibition shall not exceed 50% of the total annual compensation last paid to such member of the Executive Board.

III^{quater}. Mandates outside Nestlé; Loans

Article 21^{sexies}

Mandates outside Nestlé

- 1 No member of the Board of Directors may hold more than 4 additional mandates in listed companies and 5 additional mandates in non-listed companies.
- 2 No member of the Executive Board may hold more than 2 additional mandates in listed companies and 4 additional mandates in non-listed companies. Each of these mandates shall be subject to approval by the Board of Directors.
- 3 The following mandates are not subject to these limitations:
 - a) mandates in companies which are controlled by Nestlé;
 - b) mandates which a member of the Board of Directors or of the Executive Board holds at the request of Nestlé or companies controlled by it. No Member of the Board of Directors or of the Executive Board shall hold more than 10 such mandates; and
 - c) mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No Member of the Board of Directors or of the Executive Board shall hold more than 10 such mandates.
- 4 Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities which are under joint control are deemed one mandate.
- 5 The Board of Directors shall promulgate regulations that, taking into account the position of the respective member, determine additional restrictions.

Article 21^{septies}

Loans

Loans to a member of the Board of Directors or the Executive Board may only be granted at market conditions and may, at the time of grant, not exceed the respective member's most recent total annual compensation.

IV. Business report and appropriation of profit resulting from the balance sheet

Article 22

Financial year

The financial year shall commence on 1 January and shall end on 31 December.

Article 23

Business report

For every financial year the Board of Directors shall prepare a business report consisting of the annual financial statements of Nestlé, of the annual report and the consolidated financial statements.

Article 24

Appropriation of profit resulting from the balance sheet

The profit shall be allocated by the General Meeting within the limits set by applicable law. The Board of Directors shall submit its proposals to the General Meeting.

V. Announcements, Communications

Article 25

Notices

All notices and communications to be made by Nestlé shall be considered duly made if published in the "Swiss Official Gazette of Commerce", unless the law provides otherwise.

Articles of Association amended by the Annual General Meeting of 7 April 2016

Financial Statements 2017

Consolidated Financial Statements of the Nestlé Group 2017

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Principal exchange rates

CHF per

		2017	2016	2017	2016
		Year ending rates		Weighted average annual rates	
1 US Dollar	USD	0.977	1.023	0.984	0.985
1 Euro	EUR	1.168	1.075	1.113	1.090
100 Chinese Yuan Renminbi	CNY	15.001	14.715	14.593	14.838
100 Brazilian Reais	BRL	29.531	31.383	30.796	28.583
100 Philippine Pesos	PHP	1.957	2.064	1.953	2.075
1 Pound Sterling	GBP	1.316	1.255	1.271	1.331
100 Mexican Pesos	MXN	4.957	4.938	5.212	5.279
1 Canadian Dollar	CAD	0.778	0.758	0.759	0.745
100 Japanese Yen	JPY	0.867	0.874	0.878	0.907
1 Australian Dollar	AUD	0.761	0.738	0.754	0.733
100 Russian Rubles	RUB	1.694	1.685	1.688	1.485

Consolidated income statement for the year ended 31 December 2017

In millions of CHF

	Notes	2017	2016
Sales	3	89 791	89 469
Other revenue		330	317
Cost of goods sold		(44 923)	(44 199)
Distribution expenses		(8 205)	(8 059)
Marketing and administration expenses		(20 540)	(21 485)
Research and development costs		(1 724)	(1 736)
Other trading income	4	111	99
Other trading expenses	4	(1 607)	(713)
Trading operating profit	3	13 233	13 693
Other operating income	4	379	354
Other operating expenses	4	(3 500)	(884)
Operating profit		10 112	13 163
Financial income	5	152	121
Financial expense	5	(771)	(758)
Profit before taxes, associates and joint ventures		9 493	12 526
Taxes	13	(2 779)	(4 413)
Income from associates and joint ventures	14	824	770
Profit for the year		7 538	8 883
of which attributable to non-controlling interests		355	352
of which attributable to shareholders of the parent (Net profit)		7 183	8 531
As percentages of sales			
Trading operating profit		14.7%	15.3%
Profit for the year attributable to shareholders of the parent (Net profit)		8.0%	9.5%
Earnings per share (in CHF)			
Basic earnings per share	15	2.32	2.76
Diluted earnings per share	15	2.32	2.75

Consolidated statement of comprehensive income for the year ended 31 December 2017

In millions of CHF

	Notes	2017	2016
Profit for the year recognised in the income statement		7 538	8 883
Currency retranslations, net of taxes	17	(558)	1 033
Fair value adjustments on available-for-sale financial instruments, net of taxes	17	(10)	16
Fair value adjustments on cash flow hedges, net of taxes	17	(55)	(1)
Share of other comprehensive income of associates and joint ventures	14/17	(240)	(154)
Items that are or may be reclassified subsequently to the income statement		(863)	894
Remeasurement of defined benefit plans, net of taxes	10/17	1 063	(143)
Share of other comprehensive income of associates and joint ventures	14/17	52	(10)
Items that will never be reclassified to the income statement		1 115	(153)
Other comprehensive income for the year	17	252	741
Total comprehensive income for the year		7 790	9 624
of which attributable to non-controlling interests		328	343
of which attributable to shareholders of the parent		7 462	9 281

Consolidated balance sheet as at 31 December 2017

before appropriations

In millions of CHF

	Notes	2017	2016
Assets			
Current assets			
Cash and cash equivalents	12/16	7 938	7 990
Short-term investments	12	655	1 306
Inventories	6	9 061	8 401
Trade and other receivables	7/12	12 422	12 411
Prepayments and accrued income		607	573
Derivative assets	12	231	550
Current income tax assets		919	786
Assets held for sale	2	357	25
Total current assets		32 190	32 042
Non-current assets			
Property, plant and equipment	8	27 775	27 554
Goodwill	9	29 748	33 007
Intangible assets	9	20 615	20 397
Investments in associates and joint ventures	14	11 628	10 709
Financial assets	12	6 003	5 719
Employee benefits assets	10	392	310
Current income tax assets		62	114
Deferred tax assets	13	1 967	2 049
Total non-current assets		98 190	99 859
Total assets		130 380	131 901

In millions of CHF

	Notes	2017	2016
Liabilities and equity			
Current liabilities			
Financial debt	12	10 536	12 118
Trade and other payables	7/12	18 872	18 629
Accruals and deferred income		4 094	3 855
Provisions	11	863	620
Derivative liabilities	12	507	1 068
Current income tax liabilities		1 170	1 221
Liabilities directly associated with assets held for sale	2	12	6
Total current liabilities		36 054	37 517
Non-current liabilities			
Financial debt	12	15 932	11 091
Employee benefits liabilities	10	7 111	8 420
Provisions	11	2 445	2 640
Deferred tax liabilities	13	3 559	3 865
Other payables	12	2 502	2 387
Total non-current liabilities		31 549	28 403
Total liabilities		67 603	65 920
Equity	17		
Share capital		311	311
Treasury shares		(4 537)	(990)
Translation reserve		(19 433)	(18 799)
Other reserves		989	1 198
Retained earnings		84 174	82 870
Total equity attributable to shareholders of the parent		61 504	64 590
Non-controlling interests		1 273	1 391
Total equity		62 777	65 981
Total liabilities and equity		130 380	131 901

Consolidated cash flow statement for the year ended 31 December 2017

In millions of CHF

	Notes	2017	2016
Operating activities			
Operating profit	16	10 112	13 163
Depreciation and amortisation	16	3 227	3 132
Impairment		3 557	640
Net result on disposal of businesses	4	132	—
Other non-cash items of income and expense		(185)	35
Cash flow before changes in operating assets and liabilities		16 843	16 970
Decrease/(increase) in working capital	16	(243)	1 801
Variation of other operating assets and liabilities	16	393	54
Cash generated from operations		16 993	18 825
Net cash flows from treasury activities	16	(423)	(327)
Taxes paid		(3 666)	(3 435)
Dividends and interest from associates and joint ventures	14	582	519
Operating cash flow		13 486	15 582
Investing activities			
Capital expenditure	8	(3 934)	(4 010)
Expenditure on intangible assets	9	(769)	(682)
Acquisition of businesses	2	(696)	(585)
Disposal of businesses	2	140	271
Investments (net of divestments) in associates and joint ventures	14	(140)	(748)
Inflows/(outflows) from treasury investments		593	(335)
Other investing activities		(134)	(34)
Investing cash flow		(4 940)	(6 123)
Financing activities			
Dividend paid to shareholders of the parent	17	(7 126)	(6 937)
Dividends paid to non-controlling interests		(342)	(432)
Acquisition (net of disposal) of non-controlling interests	2	(526)	(1 208)
Purchase (net of sale) of treasury shares ^(a)		(3 295)	760
Inflows from bonds and other non-current financial debt	12	6 406	1 695
Outflows from bonds and other non-current financial debt	12	(2 489)	(1 430)
Inflows/(outflows) from current financial debt		(1 009)	1 368
Financing cash flow		(8 381)	(6 184)
Currency retranslations		(217)	(169)
Increase/(decrease) in cash and cash equivalents		(52)	3 106
Cash and cash equivalents at beginning of year		7 990	4 884
Cash and cash equivalents at end of year		7 938	7 990

(a) In 2017, mostly relates to the Share Buy-Back Programme launched in 2017.

Consolidated statement of changes in equity for the year ended 31 December 2017

In millions of CHF

	Share capital	Treasury shares	Translation reserve	Other reserves	Retained earnings	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
Equity as at 31 December 2015	319	(7 489)	(19 851)	1 345	88 014	62 338	1 648	63 986
Profit for the year	—	—	—	—	8 531	8 531	352	8 883
Other comprehensive income for the year	—	—	1 052	(148)	(154)	750	(9)	741
Total comprehensive income for the year	—	—	1 052	(148)	8 377	9 281	343	9 624
Dividends	—	—	—	—	(6 937)	(6 937)	(432)	(7 369)
Movement of treasury shares	—	803	—	—	(27)	776	—	776
Equity compensation plans	—	207	—	—	(27)	180	—	180
Changes in non-controlling interests ^(a)	—	—	—	—	(991)	(991)	(168)	(1 159)
Reduction in share capital ^(b)	(8)	5 489	—	—	(5 481)	—	—	—
Total transactions with owners	(8)	6 499	—	—	(13 463)	(6 972)	(600)	(7 572)
Other movements	—	—	—	1	(58)	(57)	—	(57)
Equity as at 31 December 2016	311	(990)	(18 799)	1 198	82 870	64 590	1 391	65 981
Profit for the year	—	—	—	—	7 183	7 183	355	7 538
Other comprehensive income for the year	—	—	(634)	(209)	1 122	279	(27)	252
Total comprehensive income for the year	—	—	(634)	(209)	8 305	7 462	328	7 790
Dividends	—	—	—	—	(7 126)	(7 126)	(342)	(7 468)
Movement of treasury shares	—	(3 719)	—	—	113	(3 606)	—	(3 606)
Equity compensation plans	—	172	—	—	(11)	161	—	161
Changes in non-controlling interests ^(a)	—	—	—	—	93	93	(104)	(11)
Total transactions with owners	—	(3 547)	—	—	(6 931)	(10 478)	(446)	(10 924)
Other movements	—	—	—	—	(70)	(70)	—	(70)
Equity as at 31 December 2017	311	(4 537)	(19 433)	989	84 174	61 504	1 273	62 777

(a) Movements reported under retained earnings include the impact of the acquisitions (see Note 2.5) as well as put options for acquisitions of non-controlling interests.

(b) Reduction in share capital, see Note 17.1.

Notes

1. Accounting policies

Accounting convention and accounting standards

The Consolidated Financial Statements comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with Swiss law.

They have been prepared on an accrual basis and under the historical cost convention, unless stated otherwise. All significant consolidated companies, joint arrangements and associates have a 31 December accounting year-end.

The Consolidated Financial Statements 2017 were approved for issue by the Board of Directors on 14 February 2018 and are subject to approval by the Annual General Meeting on 12 April 2018.

Accounting policies

Accounting policies are included in the relevant notes to the Consolidated Financial Statements and are presented as text highlighted with a grey background. The accounting policies below are applied throughout the financial statements.

Key accounting judgements, estimates and assumptions

The preparation of the Consolidated Financial Statements requires Group Management to exercise judgement and to make estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities and disclosures. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Those areas affect mainly provisions and contingencies (see Note 11), goodwill and intangible assets with indefinite useful life impairment tests (see Note 9), employee benefits (see Note 10), allowance for doubtful receivables (see Note 7) and taxes (see Note 13).

Foreign currencies

The functional currency of the Group's entities is the currency of their primary economic environment.

In individual companies, transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at year-end rates. Any resulting exchange differences are taken to the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

On consolidation, assets and liabilities of foreign operations reported in their functional currencies are translated into Swiss Francs, the Group's presentation currency, at year-end exchange rates. Income and expense are translated into Swiss Francs at the annual weighted average rates of exchange or at the rate on the date of the transaction for significant items.

Differences arising from the retranslation of opening net assets of foreign operations, together with differences arising from the translation of the net results for the year of foreign operations, are recognised in other comprehensive income.

The balance sheet and net results of subsidiaries operating in hyperinflationary economies are restated for the changes in the general purchasing power of the local currency, using official indices at the balance sheet date, before translation into Swiss Francs and, as a result, are stated in terms of the measuring unit current at the balance sheet date.

When there is a change of control in a foreign operation, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal.

Valuation methods, presentation and definitions

Revenue

Sales represent amounts received and receivable from third parties for goods supplied to the customers and for services rendered. Revenue from the sales of goods is recognised in the income statement at the moment when the significant risks and rewards of ownership of the goods have been transferred to the buyer, which is mainly upon shipment. It is measured at the list price applicable to a given distribution channel after deduction of returns, sales taxes, pricing allowances, other trade discounts and couponing and price promotions to consumers. Payments made to the customers for commercial services received are expensed.

Other revenue is primarily license fees from third parties which have been earned during the period.

Expenses

Cost of goods sold is determined on the basis of the cost of production or of purchase, adjusted for the variation of inventories. All other expenses, including those in respect of advertising and promotions, are recognised when the Group receives the risks and rewards of ownership of the goods or when it receives the services. Additional details of specific expenses are provided in the respective notes.

Changes in presentation – analyses by segment

Starting in 2017, Underlying Trading operating profit is shown in the analyses by segment on a voluntary basis because it is one of the key metrics used by Group Management to monitor the Group and segment performance.

Changes in accounting standards

A number of standards have been modified on miscellaneous points with effect from 1 January 2017. Such changes include Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12), Disclosure Initiative (Amendments to IAS 7), and Annual Improvements 2014–2016 (specifically the amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of the Standard).

None of these amendments had a material effect on the Group's Financial Statements.

Changes in accounting standards that may affect the Group after 31 December 2017

The following new accounting standards, interpretations and amendments to existing standards have been published and are mandatory for the accounting period beginning on 1 January 2018 or later. The Group has not early adopted them.

IFRS 9 – Financial Instruments

The standard addresses the accounting principles for the financial reporting of financial assets and financial liabilities, including classification, measurement, impairment, derecognition and hedge accounting. It will be mandatory for the accounting period beginning on 1 January 2018.

The Group has performed a review of the business model corresponding to the different portfolios of financial assets and of the characteristics of these financial assets. Consequently, debt instruments whose cash flows are solely payments of principal and interest ("SPPI") will be designated either at amortised cost or at fair value through Other Comprehensive Income depending the objectives of the business model. The existing investments in equity

instruments at the date of the initial application will generally be designated at fair value through Other Comprehensive Income by election. This election should generate a reclassification between equity components, with no net impact on the total Group's equity.

There is no expected impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities.

The impact of the new impairment model has also been reviewed. This analysis requires the identification of the credit risk associated with the counterparties and, considering that the majority of Group's financial assets are trade receivables, integrates some statistical data reflecting the past experience of losses incurred due to default.

Furthermore, the Group has updated the definitions of its hedging relationships in line with the risk management activities and policies, with a specific attention to the identification of the components in the pricing of the commodities.

Changes in accounting policies resulting from IFRS 9 will be applied retrospectively as at 1 January 2018, but with no restatement of comparative information for prior years. Consequently, the Group will recognise any difference between the carrying amount of financial instruments under IAS 39 and the carrying amount under IFRS 9 in the opening retained earnings (or other equity components) of the accounting period including the date of initial application.

The total estimated adjustment (net of tax) to the opening equity at the date of initial application is not material.

IFRS 15 – Revenue from Contract with Customers

This standard combines, enhances and replaces specific guidance on recognising revenue with a single standard.

It defines a new five-step model to recognise revenue from customer contracts. The Group has undertaken a review of the main types of commercial arrangements used with customers under this model and has tentatively concluded that the application of IFRS 15 will not have a material impact on the consolidated results or financial position. The effects identified so far are as follows:

- i) a small proportion of sales (less than 0.5% of annual sales) is expected to be recognised on average 2 days later under the new standard, but the impact at the end of the period is compensated by a similar effect at the start of the year leading to a net nil impact at Group level;

- ii) an estimated amount of CHF 0.2 billion in payments to customers currently treated as distribution costs would be reclassified as deductions from sales under the new standard.

This standard is mandatory for the accounting period beginning on 1 January 2018. The Group is planning to apply the standard retrospectively, utilising the practical expedient to not restate contracts that begin and end within the same annual accounting period.

IFRS 16 – Leases

This standard will replace IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

The main effect on the Group is that IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for almost all leases and will therefore result in an increase of total property, plant and equipment and total financial debt of approximately CHF 3 billion. All things being equal, under the new standard Trading operating profit would increase by approximately CHF 0.1 billion due to the replacement of the operating lease expense with amortisation of the lease assets. This increase would be partially or entirely offset by higher interest expense resulting in an insignificant impact on net profit. The Group is currently finalising the precise impact of this new standard.

This standard is mandatory for the accounting period beginning on 1 January 2019. The Group is planning to early adopt the standard beginning on 1 January 2018 under the full retrospective approach.

Improvements and other amendments to IFRS/IAS

A number of standards have been modified on miscellaneous points. These include Measuring an Associate or Joint Venture at Fair Value and Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 Investments in Associates and Joint Ventures), Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2), Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4), Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22), as well as the Annual Improvements to IFRS Standards 2015–2017 Cycle.

None of these amendments are expected to have a material effect on the Group's Financial Statements.

In June 2017, the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty

in accounting for income taxes. The current assessment of the Group is that the measurement of taxes will not be impacted. The uncertain tax liabilities of circa CHF 1.3 billion included under provisions in non-current liabilities will be reclassified on the face of the balance sheet to current and deferred taxes as deemed appropriate.

2. Scope of consolidation, acquisitions and disposals of businesses, assets held for sale and acquisitions of non-controlling interests

Scope of consolidation

The Consolidated Financial Statements comprise those of Nestlé S.A. and of its subsidiaries (the Group).

Companies which the Group controls are fully consolidated from the date at which the Group obtains control. The Group controls a company when it is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. Though the Group generally holds a majority of voting rights in the companies which are controlled, this applies irrespective of the percentage of interest in the share capital if control is obtained through agreements with other shareholders.

The list of the principal subsidiaries is provided in the section Companies of the Nestlé Group, joint arrangements and associates.

Business combinations

Where not all of the equity of a subsidiary is acquired the non-controlling interests are recognised at the non-controlling interest's share of the acquiree's net identifiable assets. Upon obtaining control in a business combination achieved in stages, the Group remeasures its previously held equity interest at fair value and recognises a gain or a loss to the income statement.

2.1 Modification of the scope of consolidation

Acquisitions

In 2017, among others, the acquisitions included:

- Blue Bottle Coffee, USA, high-end speciality coffee roaster and retailer (Powdered and Liquid Beverages), 68%, November.

None of the acquisitions of 2017 were significant.

In 2016, among others, the acquisitions included:

- Proactiv business from Guthy-Renker, worldwide, acne treatment (Nutrition and Health Science), 75%, May.

None of the acquisitions of 2016 were significant.

Disposals

In 2017, none of the disposals of the year were significant.

In 2016, the following significant disposal was made:

- Ice cream business in Europe, Egypt, the Philippines, Brazil and Argentina, frozen food business in Europe but excluding pizza and retail frozen food in Italy as well as chilled dairy business in the Philippines (Milk products and Ice Cream as well as Prepared dishes and cooking aids), 100%, end of September.

This disposal related to the creation of the joint venture Froneri (see Note 14.3).

None of the other disposals of the year were significant.

2.2 Acquisitions of businesses

The major classes of assets acquired and liabilities assumed at the acquisition date are:

In millions of CHF

	2017	2016
Property, plant and equipment	54	8
Intangible assets ^(a)	326	560
Inventories and other assets	72	64
Financial debt	(20)	—
Employee benefits, deferred taxes and provisions	(110)	—
Other liabilities	(41)	(43)
Fair value of identifiable net assets	281	589

(a) Mainly trademarks and trade names.

Since the valuation of the assets and liabilities of recently acquired businesses is still in process, the values are determined provisionally.

The goodwill arising on acquisitions and the cash outflow are:

In millions of CHF

	2017	2016
Fair value of consideration transferred	729	682
Non-controlling interests ^(a)	49	100
Subtotal	778	782
Fair value of identifiable net assets	(281)	(589)
Goodwill	497	193

(a) Non-controlling interests have been measured based on their proportionate interest in the recognised amounts of net assets of the entities acquired.

In millions of CHF

	2017	2016
Fair value of consideration transferred	729	682
Cash and cash equivalents acquired	(18)	(13)
Consideration payable	(78)	(96)
Payment of consideration payable on prior years acquisitions and other	63	12
Cash outflow on acquisitions	696	585

The consideration transferred consists of payments made in cash with some consideration remaining payable.

Acquisition-related costs

Acquisition-related costs have been recognised under other operating expenses in the income statement (see Note 4.2) for an amount of CHF 27 million (2016: CHF 17 million).

Acquisition after 31 December 2017

On 5 December 2017, the Group announced that it has agreed to acquire Atrium Innovations, a global leader in nutritional health products for USD 2.3 billion in cash. It will enhance the Nestlé Health Science's Consumer Care portfolio with value-added solutions such as probiotics, plant-based protein nutrition, meal replacements and an extensive multivitamin line. It represents annual sales of about USD 700 million made in the US, Canada and Europe. The transaction is expected to close in the first quarter of 2018 following the completion of customary approvals and closing conditions.

2.3 Disposals of businesses

During the year, there were no significant disposals of businesses.

In 2016, assets and liabilities disposed of were mainly composed of assets held for sale (primarily fixed assets, goodwill and inventories) and liabilities held for sale (primarily pension liabilities and accounts payables) related to the formation of the joint venture Froneri (see Note 14.3). The major part of those assets and liabilities were presented in Zone EMENA, with minor portions in the Zone AOA, Zone AMS and Other businesses reportable segments.

In 2016, the loss on disposals (see Note 4.2) was mainly composed of the disposal of businesses related to the creation of the joint venture Froneri and of other non-significant disposals. With regards of Froneri, the net loss on disposal amounted to CHF 90 million. It included the result of recycling in the income statement of the cumulative translation losses in other comprehensive income of CHF 385 million as well as some costs related to the creation of this joint venture.

In 2016, the profit on disposals (see Note 4.2) was mainly composed of a remeasurement of a disposal group held for sale at end of 2015 following its reclassification during the year as non-current assets as a result of a decision not to sell the business following identification of new business opportunities for expansion.

In 2017 and 2016, cash inflow on disposals of businesses relates to several non-significant disposals. With regards to the disposal of the ice cream and frozen food business in 2016, a non-cash consideration of CHF 1243 million was received from Froneri in the form of equity and shareholder loans.

2.4 Assets held for sale

Assets held for sale and disposal groups

Non-current assets held for sale and disposal groups are presented separately in the current section of the balance sheet when the following criteria are met: the Group is committed to selling the asset or disposal group, an active plan of sale has commenced, and the sale is expected to be completed within 12 months. Immediately before the initial classification of the assets and disposal groups as held for sale, the carrying amounts of the assets (or all the assets and liabilities in the disposal groups) are measured in accordance with the applicable accounting policy. Assets held for sale and disposal groups are subsequently measured at the lower of their carrying amount and fair value less cost to sell. Assets held for sale are no longer amortised or depreciated.

As of 31 December 2017, assets held for sale are mainly composed of the US confectionery business. A sale agreement has been signed on 16 January 2018, and completion of the transaction and the loss of control is expected before the end of the first quarter of 2018. The assets reclassified (primarily fixed assets and inventory) are part of the Zone AMS operating segment. The related cumulative translation loss in other comprehensive income has been estimated at CHF 30 million and will be recognised at the date the control is lost. The estimated gain on the transaction amounts to about CHF 2 billion.

2.5 Acquisitions of non-controlling interests

Acquisitions and disposals of non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity holders in their capacity as equity holders. For purchases of shares from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. The same principle is applied to disposals of shares to non-controlling interests.

During the year, the Group increased its ownership interests in certain subsidiaries. In 2017 the most significant one was in China. The consideration paid to non-controlling interests in cash amounted to CHF 526 million and the decrease of non-controlling interests amounted to CHF 152 million. Part of the consideration was recorded as a liability in previous years for CHF 518 million. During the year 2017, the equity attributable to shareholders of the parent was positively impacted by CHF 144 million.

In 2016 the most significant ones were in Israel and China. The consideration paid to non-controlling interests in cash amounted to CHF 1208 million and the decrease of non-controlling interests amounted to CHF 267 million. Part of the consideration had been recorded as a liability in previous years for CHF 311 million. The equity attributable to shareholders of the parent was negatively impacted by CHF 630 million.

3. Analyses by segment

Nestlé is organised into three geographic zones and several globally managed businesses. The Company manufactures and distributes food and beverage products in the following categories: powdered and liquid beverages, water, milk products and ice cream, prepared dishes and cooking aids, confectionery and petcare. Nestlé also manufactures and distributes nutritional science products through its globally managed business Nestlé Health Science and science-based solutions that contribute to the health of skin, hair and nails through Nestlé Skin Health. The Group has factories in 85 countries and sales in 189 countries and employs around 323 000 people.

Segment reporting

Operating segments reflect the Group's management structure and the way financial information is regularly reviewed by the Group's chief operating decision maker (CODM), which is defined as the Executive Board.

The CODM considers the business from both a geographic and product perspective, through three geographic Zones and several Globally Managed Businesses (GMB). Zones and GMB that meet the quantitative threshold of 10% of total sales or trading operating profit for all operating segments, are presented on a stand-alone basis as reportable segments. Even though it does not meet the reporting threshold, Nestlé Waters is reported separately for consistency with long-standing practice of the Group. Therefore, the Group's reportable operating segments are:

- Zone Europe, Middle East and North Africa (EMENA);
- Zone Americas (AMS);
- Zone Asia, Oceania and sub-Saharan Africa (AOA);
- Nestlé Waters;
- Nestlé Nutrition.

Other business activities and operating segments, including GMB that do not meet the threshold, like Nespresso, Nestlé Health Science and Nestlé Skin Health, are combined and presented in Other businesses. Following a change of business structure, effective as from 1 January 2017, Nestlé Professional has been managed as a Regionally Managed Business instead of a Globally Managed Business and consequently reported as part of Zone EMENA, Zone AMS and Zone AOA. 2016 comparatives have been restated.

As some operating segments represent geographic Zones, information by product is also disclosed. The seven product groups that are disclosed represent the highest categories of products that are followed internally.

Segment results (Trading operating profit) represent the contribution of the different segments to central overheads, unallocated research and development costs and the trading operating profit of the Group. Specific corporate expenses as well as specific research and development costs are allocated to the corresponding segments. In addition to the Trading operating profit, Underlying Trading operating profit is shown on a voluntary basis because it is one of the key metrics used by Group Management to monitor the Group.

Depreciation and amortisation includes depreciation of property, plant and equipment and amortisation of intangible assets.

No segment assets and liabilities are regularly provided to the CODM to assess segment performance or to allocate resources and therefore segment assets and liabilities are not disclosed. However the Group discloses the invested capital, goodwill and intangible assets by segment and by product on a voluntary basis.

Invested capital comprises property, plant and equipment, trade receivables and some other receivables, assets held for sale, inventories, prepayments and accrued income as well as specific financial assets associated to the segments, less trade payables and some other payables, liabilities directly associated with assets held for sale, non-current other payables as well as accruals and deferred income.

Goodwill and intangible assets are not included in invested capital since the amounts recognised are not comparable between segments due to differences in the intensity of acquisition activity and changes in accounting standards which were applicable at various points in time when the Group undertook significant acquisitions. Nevertheless, an allocation of goodwill and intangible assets by segment and product and the related impairment expenses are provided.

Inter-segment eliminations represent inter-company balances between the different segments.

Invested capital and goodwill and intangible assets by segment represent the situation at the end of the year, while the figures by product represent the annual average, as this provides a better indication of the level of invested capital.

Capital additions represent the total cost incurred to acquire property, plant and equipment, intangible assets and goodwill, including those arising from business combinations. Capital expenditure represents the investment in property, plant and equipment only.

Unallocated items represent items whose allocation to a segment or product would be arbitrary. They mainly comprise:

- corporate expenses and related assets/liabilities;
- research and development costs and related assets/liabilities; and
- some goodwill and intangible assets.

3.1 Operating segments

Revenue and results

In millions of CHF

2017

	Sales ^(a)	Underlying Trading operating profit ^(b)	Trading operating profit	Net other trading income/(expenses) ^(c)	of which impairment of property, plant and equipment	of which restructuring costs	Depreciation and amortisation
Zone EMENA	16 535	2 990	2 768	(222)	(67)	(110)	(531)
Zone AMS	28 479	5 791	5 459	(332)	(32)	(172)	(781)
Zone AOA	16 224	3 265	3 123	(142)	(89)	(21)	(514)
Nestlé Waters	7 955	1 012	948	(64)	(30)	(21)	(337)
Nestlé Nutrition	10 361	2 384	2 282	(102)	(25)	(34)	(383)
Other businesses ^(d)	10 237	1 625	1 174	(451)	(116)	(286)	(492)
Unallocated items ^(e)	—	(2 338)	(2 521)	(183)	(7)	(29)	(189)
Total	89 791	14 729	13 233	(1 496)	(366)	(673)	(3 227)

In millions of CHF

2016 *

	Sales ^(a)	Underlying Trading operating profit ^(b)	Trading operating profit	Net other trading income/(expenses) ^(c)	of which impairment of property, plant and equipment	of which restructuring costs	Depreciation and amortisation
Zone EMENA	17 428	3 020	2 888	(132)	(33)	(107)	(501)
Zone AMS	28 130	5 537	5 356	(181)	(20)	(112)	(777)
Zone AOA	15 904	3 171	3 085	(86)	(58)	(15)	(525)
Nestlé Waters	7 926	990	946	(44)	(20)	(7)	(335)
Nestlé Nutrition	10 326	2 389	2 342	(47)	(13)	(13)	(356)
Other businesses ^(d)	9 755	1 503	1 407	(96)	(8)	(45)	(483)
Unallocated items ^(e)	—	(2 303)	(2 331)	(28)	(5)	(1)	(155)
Total	89 469	14 307	13 693	(614)	(157)	(300)	(3 132)

* 2016 comparatives have been restated following the change of business structure, effective as from 1 January 2017, for Nestlé Professional (NP) from a Globally Managed to a Regionally Managed Business.

(a) Inter-segment sales are not significant.

(b) Trading operating profit before Net other trading income/(expenses).

(c) Included in Trading operating profit.

(d) Mainly Nespresso, Nestlé Health Science and Nestlé Skin Health.

(e) Refer to the Segment reporting accounting policies above for the definition of unallocated items.

Invested capital and other information

In millions of CHF

	Invested capital	Goodwill and intangible assets	Impairment of goodwill and non-commercialised intangible assets	Impairment of intangible assets	Capital additions	of which capital expenditure	2017
Zone EMENA	5 762	1 815	—	(30)	786	725	
Zone AMS	8 001	8 018	—	—	1 430	1 200	
Zone AOA	3 848	3 133	(227)	—	554	539	
Nestlé Waters	2 714	1 475	(3)	(2)	594	545	
Nestlé Nutrition	5 496	15 290	—	—	542	331	
Other businesses ^(a)	2 143	10 572	(2 809)	(2)	1 260	421	
Unallocated items ^(b) and inter-segment eliminations	1 462	10 060	—	(118)	413	173	
Total	29 426	50 363	(3 039)	(152)	5 579	3 934	

In millions of CHF

	Invested capital	Goodwill and intangible assets	Impairment of goodwill and non-commercialised intangible assets	Impairment of intangible assets	Capital additions	of which capital expenditure	2016 *
Zone EMENA	4 787	1 682	(2)	—	826	791	
Zone AMS	7 973	8 210	(67)	—	1 148	1 083	
Zone AOA	4 125	3 324	(365)	—	602	574	
Nestlé Waters	2 481	1 534	(5)	(14)	556	496	
Nestlé Nutrition	5 554	15 506	—	—	558	414	
Other businesses ^(a)	2 276	12 878	—	(3)	1 449	451	
Unallocated items ^(b) and inter-segment eliminations	1 544	10 270	—	(27)	323	201	
Total	28 740	53 404	(439)	(44)	5 462	4 010	

* 2016 comparatives have been restated following the change of business structure, effective as from 1 January 2017, for Nestlé Professional (NP) from a Globally Managed to a Regionally Managed Business.

(a) Mainly Nespresso, Nestlé Health Science and Nestlé Skin Health.

(b) Refer to the Segment reporting accounting policies above for the definition of unallocated items.

3.2 Products

Revenue and results

In millions of CHF

2017

	Sales	Underlying Trading operating profit ^(a)	Trading operating profit	Net other trading income/(expenses) ^(b)	of which impairment of property, plant and equipment	of which restructuring costs
Powdered and Liquid Beverages	20 408	4 461	4 302	(159)	(50)	(56)
Water	7 455	968	905	(63)	(30)	(20)
Milk products and Ice cream	13 447	2 509	2 326	(183)	(65)	(77)
Nutrition and Health Science	15 257	2 961	2 425	(536)	(133)	(319)
Prepared dishes and cooking aids	11 957	2 103	1 933	(170)	(37)	(77)
Confectionery	8 805	1 387	1 237	(150)	(35)	(55)
PetCare	12 462	2 678	2 626	(52)	(9)	(40)
Unallocated items ^(c)	—	(2 338)	(2 521)	(183)	(7)	(29)
Total	89 791	14 729	13 233	(1 496)	(366)	(673)

In millions of CHF

2016 *

	Sales	Underlying Trading operating profit ^(a)	Trading operating profit	Net other trading income/(expenses) ^(b)	of which impairment of property, plant and equipment	of which restructuring costs
Powdered and Liquid Beverages	19 792	4 270	4 129	(141)	(54)	(68)
Water	7 414	950	906	(44)	(20)	(8)
Milk products and Ice cream	14 331	2 759	2 649	(110)	(30)	(60)
Nutrition and Health Science	15 038	2 900	2 775	(125)	(18)	(44)
Prepared dishes and cooking aids	12 148	1 940	1 838	(102)	(9)	(81)
Confectionery	8 679	1 237	1 192	(45)	(13)	(32)
PetCare	12 067	2 554	2 535	(19)	(8)	(6)
Unallocated items ^(c)	—	(2 303)	(2 331)	(28)	(5)	(1)
Total	89 469	14 307	13 693	(614)	(157)	(300)

* 2016 comparatives have been restated following the change of business structure, effective as from 1 January 2017, for Nestlé Professional (NP) from a Globally Managed to a Regionally Managed Business.

(a) Trading operating profit before Net other trading income/(expenses).

(b) Included in Trading operating profit.

(c) Refer to the Segment reporting accounting policies above for the definition of unallocated items.

**Invested capital
and other information**

In millions of CHF

2017

	Invested capital			
	Goodwill and intangible assets		Impairment of goodwill and non-commercialised intangible assets	Impairment of intangible assets
Powdered and Liquid Beverages	5 544			
Water	2 590			
Milk products and Ice cream	3 491			
Nutrition and Health Science	7 073			
Prepared dishes and cooking aids	3 105			
Confectionery	3 026			
PetCare	3 940			
Unallocated items ^(a) and intra-group eliminations	1 584			
Total	30 353			
		51 931	(3 039)	(152)

In millions of CHF

2016 *

	Invested capital			
	Goodwill and intangible assets		Impairment of goodwill and non-commercialised intangible assets	Impairment of intangible assets
Powdered and Liquid Beverages	5 610			
Water	2 408			
Milk products and Ice cream	4 166			
Nutrition and Health Science	7 168			
Prepared dishes and cooking aids	3 308			
Confectionery	2 902			
PetCare	3 602			
Unallocated items ^(a) and intra-group eliminations	1 432			
Total	30 596			
		52 592	(439)	(44)

* 2016 comparatives have been restated following the change of business structure, effective as from 1 January 2017, for Nestlé Professional (NP) from a Globally Managed to a Regionally Managed Business.

(a) Refer to the Segment reporting accounting policies above for the definition of unallocated items.

3.3a Reconciliation from Underlying Trading operating profit to profit before taxes, associates and joint ventures

In millions of CHF

	2017	2016
Underlying Trading operating profit ^(a)	14 729	14 307
Net other trading income/(expenses)	(1 496)	(614)
Trading operating profit	13 233	13 693
Impairment of goodwill and non-commercialised intangible assets	(3 039)	(439)
Net other operating income/(expenses) excluding impairment of goodwill and non-commercialised intangible assets	(82)	(91)
Operating profit	10 112	13 163
Net financial income/(expense)	(619)	(637)
Profit before taxes, associates and joint ventures	9 493	12 526

(a) Trading operating profit before Net other trading income/(expenses).

3.3b Reconciliation from invested capital to total assets

In millions of CHF

	2017	2016
Invested capital as per Note 3.1	29 426	28 740
Liabilities included in invested capital	24 154	23 301
Subtotal	53 580	52 041
Intangible assets and goodwill as per Note 3.1	50 363	53 404
Other assets	26 437	26 456
Total assets	130 380	131 901

3.4 Customers

There is no single customer amounting to 10% or more of Group's revenues.

3.5 Geography

Sales and non-current assets in Switzerland and countries which individually represent at least 10% of the Group sales or 10% of the Group non-current assets are disclosed separately.

The analysis of sales is stated by customer location.

Non-current assets relate to property, plant and equipment, intangible assets and goodwill. Property, plant and equipment and intangible assets are attributed to the country of their legal owner. Goodwill is attributed to the countries of the subsidiaries where the related acquired business is operated.

In millions of CHF

	2017		2016	
	Sales	Non-current assets	Sales	Non-current assets
USA	26 678	25 932	26 704	27 436
Greater China Region	6 578	7 418	6 536	8 408
Switzerland	1 262	15 693	1 475	14 475
Rest of the world	55 273	29 095	54 754	30 639
Total	89 791	78 138	89 469	80 958

4. Net other trading and operating income/(expenses)

Other trading income/(expenses)

These comprise restructuring costs, impairment of property, plant and equipment and intangible assets (other than goodwill and non-commercialised intangible assets), litigations and onerous contracts, result on disposal of property, plant and equipment, and specific other income and expenses that fall within the control of operating segments.

Restructuring costs are restricted to dismissal indemnities and employee benefits paid to terminated employees upon the reorganisation of a business or function. It does not include dismissal indemnities paid for normal attrition, poor performance, professional misconduct, etc.

Other operating income/(expenses)

These comprise impairment of goodwill and non-commercialised intangible assets, results on disposals of businesses (including impairment and subsequent remeasurement of businesses classified as held for sale, as well as other directly related disposal costs like restructuring costs directly linked to businesses disposed of and legal, advisory and other professional fees), acquisition-related costs, the effect of the hyperinflation accounting, and income and expenses that fall beyond the control of operating segments and relate to events such as natural disasters and expropriation of assets.

4.1 Net other trading income/(expenses)

In millions of CHF

	Notes	2017	2016
Other trading income		111	99
Restructuring costs		(673)	(300)
Impairment of property, plant and equipment and intangible assets ^(a)	8/9	(518)	(201)
Litigations and onerous contracts ^(b)		(328)	(155)
Miscellaneous trading expenses		(88)	(57)
Other trading expenses		(1 607)	(713)
Total net other trading income/(expenses)		(1 496)	(614)

(a) Excluding non-commercialised intangible assets.

(b) Mainly relates to numerous separate legal cases (for example labour, civil and tax litigations) and several separate onerous contracts.

4.2 Net other operating income/(expenses)

In millions of CHF

	Notes	2017	2016
Profit on disposal of businesses	2	60	203
Miscellaneous operating income		319	151
Other operating income		379	354
Loss on disposal of businesses	2	(192)	(203)
Impairment of goodwill and non-commercialised intangible assets	9	(3 039)	(439)
Miscellaneous operating expenses		(269)	(242)
Other operating expenses		(3 500)	(884)
Total net other operating income/(expenses)		(3 121)	(530)

5. Net financial income/(expense)

Net financial income/(expense) includes net financing cost of net financial debt and net interest income/(expense) on defined benefit plans.

Net financing cost comprises the interest income earned on cash and cash equivalents and short-term investments, as well as the interest expense on financial debt (collectively termed "net financial debt"). These headings also include other income and expense such as exchange differences on net financial debt and results on related foreign currency and interest rate hedging instruments. Certain borrowing costs are capitalised as explained under the section on Property, plant and equipment.

In millions of CHF

	Notes	2017	2016
Interest income		122	99
Interest expense		(535)	(543)
Net financing cost of net financial debt		(413)	(444)
Interest income on defined benefit plans		30	22
Interest expense on defined benefit plans		(231)	(210)
Net interest income/(expense) on defined benefit plans	10	(201)	(188)
Other		(5)	(5)
Net financial income/(expense)		(619)	(637)

6. Inventories

Raw materials and purchased finished goods are valued at the lower of purchase cost calculated using the FIFO (first-in, first-out) method and net realisable value. Work in progress, sundry supplies and manufactured finished goods are valued at the lower of their weighted average cost and net realisable value. The cost of inventories includes the gains/losses on cash flow hedges for the purchase of raw materials and finished goods.

In millions of CHF

	2017	2016
Raw materials, work in progress and sundry supplies	3 864	3 619
Finished goods	5 415	5 008
Allowance for write-down to net realisable value	(218)	(226)
	9 061	8 401

Inventories amounting to CHF 289 million (2016: CHF 271 million) are pledged as security for financial liabilities.

7. Trade and other receivables/payables

7.1 Trade and other receivables by type

In millions of CHF

	2017	2016
Trade receivables	10 199	10 023
Other receivables	2 223	2 388
	12 422	12 411

The five major customers represent 12% (2016: 12%) of trade and other receivables, none of them individually exceeding 7% (2016: 7%).

7.2 Past due and allowance for doubtful receivables

Allowances for doubtful receivables represent the Group's estimates of losses that could arise from the failure or inability of customers to make payments when due (except if due to commercial disputes, for example over pricing or promotions). These estimates are based on the ageing of customers' balances, specific credit circumstances and the Group's historical bad receivables experience.

7. Trade and other receivables/payables

In millions of CHF

	2017	2016
Not past due	10 965	11 086
Past due 1–30 days	851	812
Past due 31–60 days	245	178
Past due 61–90 days	108	105
Past due 91–120 days	87	59
Past due more than 120 days	514	522
Allowance for doubtful receivables	(348)	(351)
	12 422	12 411

Based on the historic trend and expected performance of the customers, the Group believes that the above allowance for doubtful receivables sufficiently covers the risk of default.

7.3 Trade and other payables by type

In millions of CHF

	2017	2016
Due within one year		
Trade payables	12 899	12 284
Social security and sundry taxes and levies	2 281	2 032
Other payables	3 692	4 313
	18 872	18 629

8. Property, plant and equipment

Property, plant and equipment are shown on the balance sheet at their historical cost.

Depreciation is provided on components that have homogenous useful lives by using the straight-line method so as to depreciate the initial cost down to the residual value over the estimated useful lives. The residual values are 30% on head offices and nil for all other asset types.

The useful lives are as follows:

Buildings	20 – 40 years
Machinery and equipment	10 – 25 years
Tools, furniture, information technology and sundry equipment	3 – 15 years
Vehicles	3 – 10 years
Land is not depreciated.	

Useful lives, components and residual amounts are reviewed annually. Such a review takes into consideration the nature of the assets, their intended use including but not limited to the closure of facilities and the evolution of the technology and competitive pressures that may lead to technical obsolescence.

Depreciation of property, plant and equipment is allocated to the appropriate headings of expenses by function in the income statement.

Borrowing costs incurred during the course of construction are capitalised if the assets under construction are significant and if their construction requires a substantial period to complete (typically more than one year). The capitalisation rate is determined on the basis of the short-term borrowing rate for the period of construction. Premiums capitalised for leasehold land or buildings are amortised over the length of the lease. Government grants are recognised as deferred income which is released to the income statement over the useful life of the related assets. Grants that are not related to assets are credited to the income statement when they are received, if there is reasonable assurance that the terms of the grant will be met.

8. Property, plant and equipment

In millions of CHF

	Land and buildings	Machinery and equipment	Tools, furniture and other equipment	Vehicles	Total
Gross value					
At 1 January 2017	17 380	30 166	7 653	731	55 930
Currency retranslations	(96)	(17)	106	(27)	(34)
Capital expenditure ^(a)	1 031	2 061	799	43	3 934
Disposals	(94)	(499)	(494)	(100)	(1 187)
Reclassification (to)/from held for sale	(215)	(568)	(47)	(17)	(847)
Modification of the scope of consolidation	42	(20)	1	—	23
At 31 December 2017	18 048	31 123	8 018	630	57 819
Accumulated depreciation and impairments					
At 1 January 2017	(5 727)	(16 708)	(5 472)	(469)	(28 376)
Currency retranslations	(44)	(51)	(23)	18	(100)
Depreciation	(480)	(1 584)	(724)	(65)	(2 853)
Impairments	(166)	(177)	(17)	(6)	(366)
Disposals	63	454	474	83	1 074
Reclassification to/(from) held for sale	109	400	35	11	555
Modification of the scope of consolidation	2	17	3	—	22
At 31 December 2017	(6 243)	(17 649)	(5 724)	(428)	(30 044)
Net at 31 December 2017	11 805	13 474	2 294	202	27 775
Gross value					
At 1 January 2016	16 359	28 554	7 254	732	52 899
Currency retranslations	50	200	109	6	365
Capital expenditure ^(a)	1 124	2 048	782	56	4 010
Disposals	(94)	(561)	(497)	(63)	(1 215)
Reclassification (to)/from held for sale	(39)	(58)	14	—	(83)
Modification of the scope of consolidation	(20)	(17)	(9)	—	(46)
At 31 December 2016	17 380	30 166	7 653	731	55 930
Accumulated depreciation and impairments					
At 1 January 2016	(5 263)	(15 468)	(5 144)	(448)	(26 323)
Currency retranslations	(58)	(139)	(44)	(2)	(243)
Depreciation	(462)	(1 551)	(709)	(73)	(2 795)
Impairments	(46)	(96)	(15)	—	(157)
Disposals	49	489	467	56	1 061
Reclassification to/(from) held for sale	46	48	(31)	(2)	61
Modification of the scope of consolidation	7	9	4	—	20
At 31 December 2016	(5 727)	(16 708)	(5 472)	(469)	(28 376)
Net at 31 December 2016	11 653	13 458	2 181	262	27 554

(a) Including borrowing costs.

At 31 December 2017, property, plant and equipment include CHF 938 million of assets under construction (2016: CHF 703 million). Net property, plant and equipment held under finance leases amount to CHF 109 million (2016: CHF 133 million). Net property, plant and equipment of CHF 291 million are pledged as security for financial liabilities (2016: CHF 301 million).

At 31 December 2017, the Group was committed to expenditure amounting to CHF 527 million (2016: CHF 645 million).

Impairment of property, plant and equipment

Reviews of the carrying amount of the Group's property, plant and equipment are performed when there is an indication of impairment. An indicator could be unfavourable development of a business under competitive pressures or severe economic slowdown in a given market as well as reorganisation of the operations to leverage their scale.

In assessing value in use, the estimated future cash flows are discounted to their present value, based on the time value of money and the risks specific to the country where the assets are located. The risks specific to the asset are included in the determination of the cash flows.

Impairment of property, plant and equipment arises mainly from the plans to optimise industrial manufacturing capacities by closing or selling inefficient production facilities (in 2017, mainly related to Nestlé Skin Health).

9. Goodwill and intangible assets

Goodwill

Goodwill is initially recognised during a business combination (see Note 2). Subsequently it is measured at cost less impairment.

Intangible assets

This heading includes intangible assets that are internally generated or acquired, either separately or in a business combination, when they are identifiable and can be reliably measured. Internally generated intangible assets (essentially management information system software) are capitalised provided that there is an identifiable asset that will be useful in generating future benefits in terms of savings, economies of scale, etc. Payments made to third parties in order to in-license or acquire intellectual property rights, compounds and products are capitalised as non-commercialised intangible assets, as they are separately identifiable and are expected to generate future benefits. Non-commercialised intangible assets are not amortised, but tested for impairment (see Impairment of goodwill and intangible assets below). Any impairment charge is recorded in the consolidated income statement under Other operating expenses. They are reclassified as commercialised intangible assets once development is complete, usually when approval for sales has been granted by the relevant regulatory authority.

Indefinite life intangible assets mainly comprise certain brands, trademarks and intellectual property rights. They are not amortised but tested for impairment annually or more frequently if an impairment indicator is triggered. The assessment of the classification of intangible assets as indefinite is reviewed annually.

Finite life intangible assets are amortised over the shorter of their contractual or useful economic lives. They comprise mainly management information systems, patents and rights to carry on an activity (e.g. exclusive rights to sell products or to perform a supply activity). Finite life intangible assets are amortised on a straight-line basis assuming a zero residual value: management information systems over a period ranging from 3 to 5 years; other finite intangible assets over the estimated useful life or the related contractual period, generally 5 to 20 years or longer, depending on specific circumstances. Useful lives and residual values are reviewed annually. Amortisation of finite life intangible assets starts when they are available for use and is allocated to the appropriate headings of expenses by function in the income statement.

Research and development

Internal research costs are charged to the income statement in the year in which they are incurred. Development costs are only recognised as assets on the balance sheet if all the recognition criteria set by IAS 38 – Intangible Assets are met before the products are launched on the market. Development costs are generally charged to the income statement in the year in which they are incurred due to uncertainties inherent in the development of new products because the expected future economic benefits cannot be reliably determined. As long as the products have not reached the market place, there is no reliable evidence that positive future cash flows would be obtained.

Capitalised development costs are subsequently accounted for as described in the section Intangible assets above.

In millions of CHF

	Goodwill	Brands and intellectual property rights	Operating rights and others	Management information systems	Total intangible assets	of which internally generated
Gross value						
At 1 January 2017	36 654	17 447	2 848	4 486	24 781	4 049
of which indefinite useful life	—	16 200	33	—	16 233	—
Currency retranslations	(769)	(173)	(85)	9	(249)	18
Expenditure	—	86	214	469	769	384
Disposals	—	(9)	(49)	(5)	(63)	(2)
Reclassification (to)/from held for sale	—	—	—	(2)	(2)	(2)
Modification of the scope of consolidation ^(a)	487	209	36	1	246	—
At 31 December 2017	36 372	17 560	2 964	4 958	25 482	4 447
of which indefinite useful life	—	16 218	32	—	16 250	—
of which non-commercialised intangible assets	—	34	194	—	228	—
Accumulated amortisation and impairments						
At 1 January 2017	(3 647)	(315)	(465)	(3 604)	(4 384)	(3 307)
of which indefinite useful life	—	(20)	(10)	—	(30)	—
Currency retranslations	56	(3)	3	(15)	(15)	(19)
Amortisation	—	(88)	(132)	(154)	(374)	(120)
Impairments ^(b)	(3 033)	(37)	(1)	(120)	(158)	(118)
Disposals	—	8	49	4	61	2
Reclassification to/(from) held for sale	—	—	—	1	1	1
Modification of the scope of consolidation	—	—	2	—	2	—
At 31 December 2017	(6 624)	(435)	(544)	(3 888)	(4 867)	(3 561)
of which indefinite useful life	—	(52)	(10)	—	(62)	—
of which non-commercialised intangible assets	—	(6)	—	—	(6)	—
Net at 31 December 2017	29 748	17 125	2 420	1 070	20 615	886
of which indefinite useful life ^(c)	—	16 166	22	—	16 188	—
of which non-commercialised intangible assets	—	28	194	—	222	—

(a) Goodwill: acquisition of businesses amounts to CHF 497 million and disposal of businesses to CHF 10 million.

(b) Of which CHF 6 million of non-commercialised intangible assets.

(c) Annual impairment tests are performed in connection with goodwill impairment tests. Depending on the items tested, the level at which the test is applied is the goodwill CGU or lower.

In millions of CHF

	Goodwill	Brands and intellectual property rights	Operating rights and others	Management information systems	Total intangible assets	of which internally generated
Gross value						
At 1 January 2016	35 946	16 648	2 502	4 118	23 268	3 795
of which indefinite useful life	—	15 418	32	—	15 450	—
Currency retranslations	588	163	51	70	284	20
Expenditure	—	14	340	328	682	260
Disposals	—	—	(68)	(16)	(84)	(14)
Reclassification (to)/from held for sale	—	209	26	(12)	223	(11)
Modification of the scope of consolidation ^(a)	120	413	(3)	(2)	408	(1)
At 31 December 2016	36 654	17 447	2 848	4 486	24 781	4 049
of which indefinite useful life	—	16 200	33	—	16 233	—
of which non-commercialised intangible assets	—	20	159	—	179	—
Accumulated amortisation and impairments						
At 1 January 2016	(3 174)	(217)	(375)	(3 440)	(4 032)	(3 195)
of which indefinite useful life	—	(19)	—	—	(19)	—
Currency retranslations	(34)	3	(6)	(51)	(54)	(22)
Amortisation	—	(87)	(140)	(110)	(337)	(83)
Impairments	(439)	—	(10)	(34)	(44)	(32)
Disposals	—	—	63	16	79	13
Reclassification to/(from) held for sale	—	(14)	(4)	11	(7)	11
Modification of the scope of consolidation	—	—	7	4	11	1
At 31 December 2016	(3 647)	(315)	(465)	(3 604)	(4 384)	(3 307)
of which indefinite useful life	—	(20)	(10)	—	(30)	—
of which non-commercialised intangible assets	—	—	—	—	—	—
Net at 31 December 2016	33 007	17 132	2 383	882	20 397	742
of which indefinite useful life ^(b)	—	16 180	23	—	16 203	—
of which non-commercialised intangible assets	—	20	159	—	179	—

(a) Goodwill: acquisition of businesses amounts to CHF 193 million and disposal of businesses to CHF 73 million.

(b) Annual impairment tests are performed in connection with goodwill impairment tests. Depending on the items tested, the level at which the test is applied is the goodwill CGU or lower.

At 31 December 2017, the Group was committed to expenditure amounting to CHF 9 million (2016: CHF 10 million).

In addition to the above, the Group has entered into long-term agreements to in-license or acquire intellectual property or operating rights from some third parties or associates (related parties). If agreed objectives or performance targets are achieved, these agreements may require potential milestone payments and other payments by the Group, which may be capitalised as non-commercialised intangible assets (see accounting policy in Note 9 – Intangible assets).

As of 31 December 2017, the Group's committed payments (undiscounted and not risk-adjusted) and their estimated timing are:

In millions of CHF

	2017			2016		
	Unconditional commitments	Potential milestone payments	Total	Unconditional commitments	Potential milestone payments	Total
Within one year	2	85	87	—	41	41
In the second year	—	156	156	—	126	126
In the third and fourth year	—	284	284	—	268	268
Thereafter	—	1 198	1 198	—	1 290	1 290
Total	2	1 723	1 725	—	1 725	1 725
of which related parties	—	1 105	1 105	—	1 167	1 167

Impairment of goodwill and intangible assets (including non-commercialised intangible assets)

Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment at least annually and when there is an indication of impairment. Finite life intangible assets are tested when there is an indication of impairment.

The annual impairment tests are performed at the same time each year and at the cash generating unit (CGU) level. The Group defines its CGU for goodwill impairment testing based on the way that it monitors and derives economic benefits from the acquired goodwill. For indefinite life intangible assets, the Group defines its CGU as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Finally, the CGU for impairment test of non-commercialised intangible assets is defined at the level of the intangible asset itself. The impairment tests are performed by comparing the carrying value of the assets of these CGU with their recoverable amount, based on their value in use, which corresponds to their future projected cash flows discounted at an appropriate pre-tax rate of return. Usually, the cash flows correspond to estimates made by Group Management in financial plans and business strategies covering a period of five years after making adjustments to consider the assets in their current condition. They are then projected to perpetuity using a multiple which corresponds to a steady or declining growth rate. The Group assesses the uncertainty of these estimates by making sensitivity analyses. The discount rate reflects the current assessment of the time value of money and the risks specific to the CGU (essentially country risk). The business risk is included in the determination of the cash flows. Both the cash flows and the discount rates include inflation.

An impairment loss in respect of goodwill is never subsequently reversed.

9.1 Impairment

9.1.1 Impairment charge during the year

The 2017 impairment charge mainly relates to the Nestle Skin Health CGU and other various non-significant impairments of goodwill (predominantly in Zone AOA) and intangible assets (predominantly in Unallocated items).

The Nestle Skin Health CGU is composed mainly of goodwill and intangible assets. These have arisen mainly from the acquisitions in 2014 of the remaining 50% stake in Galderma and of the commercialisation rights in the United States and Canada from Valeant Pharmaceuticals International.

The annual impairment test for the Nestlé Skin Health CGU was concluded during year-end closing. This test was based on financial projections prepared after a complete strategy review done by Nestlé Skin Health's new management. The review looked at the maturity and competitive environment of the worldwide skincare market and the mixed results of recent new products launches, brand or geographic expansion. The analysis drove substantial changes in Nestlé Skin Health's portfolio and focus leading to significant restructuring activities initiated in late 2017. These translated to revised forecasted sales and margins, and a reduction of the period of cash flows projection to 5 years.

As a result, a goodwill impairment charge of CHF 2799 million has been recognised under the heading Other operating expenses in the income statement. The 2017 carrying amount of the Nestle Skin Health CGU now amounts to CHF 7569 million, which includes CHF 332 million of goodwill and CHF 4621 million of intangible assets with indefinite useful life.

The recoverable amount of the CGU has been determined based on a value-in-use calculation (see Note 9.1.2). A discount rate of 8.7% (2016: 6.7%), impacted in 2017 by the increase of the risk free rates and the weight of the different cash flows of the CGU, was used in this calculation.

There was no significant impairment of the carrying amounts of other assets of the CGU. The goodwill is included in the Other businesses segment disclosed in Note 3.1.

In 2016, there were various impairments of goodwill (predominantly in Zone AOA) and intangible assets (predominantly in Unallocated items). None of them were individually significant.

9.1.2 Annual impairment tests

Impairment reviews have been conducted for more than 200 items of goodwill and intangible assets with indefinite useful lives, allocated to more than 50 Cash Generating Units (CGU).

The following five CGUs have been considered as significant either with regard to the total goodwill or to the total intangible assets with indefinite useful life for which detailed results are presented hereafter: Wyeth Infant Nutrition, PetCare Zone AMS, Nestlé Skin Health, DSD for Frozen Pizza and Ice Cream – USA and Nestlé Infant Nutrition.

In millions of CHF

	2017			2016
	Goodwill	Intangible assets with indefinite useful life	Total	Goodwill
Wyeth Infant Nutrition	4 567	4 508	9 075	4 624
PetCare Zone AMS	7 812	379	8 191	8 180
Nestlé Skin Health ^(a)	332	4 621	4 953	3 182
DSD for Frozen Pizza and Ice Cream – USA	2 485	1 749	4 234	2 602
Nestlé Infant Nutrition	3 673	1 299	4 972	3 851
Subtotal	18 869	12 556	31 425	22 439
as % of total carrying amount	63%	78%	68%	68%
Other CGUs	10 879	3 632	14 511	10 568
Total	29 748	16 188	45 936	33 007
				16 203
				49 210

(a) After impairment (see Note 9.1.1).

For each CGUs, except for Nestlé Skin Health (see Note 9.1.1), the recoverable amount is higher than its carrying amount. The recoverable amount has been determined based upon a value-in-use calculation. Cash flows have been projected over the next 5 years. They have been extrapolated using a steady or declining terminal growth rate and discounted at a pre-tax weighted average rate.

The following table summarises the key assumptions for each significant CGU:

					2017
	Period of cash flow projections	Annual sales growth	Annual margin evolution	Terminal growth rate	Pre-tax discount rate
Wyeth Infant Nutrition	5 years	-1% to 6%	Stable	3.2%	8.0%
PetCare Zone AMS	5 years	2% to 4%	Declining	2.0%	9.0%
Nestlé Skin Health	5 years	4% to 7%	Improvement	2.3%	8.7%
DSD for Frozen Pizza and Ice Cream – USA	5 years	-1% to 0%	Improvement	1.8%	8.7%
Nestlé Infant Nutrition	5 years	1% to 4%	Improvement	3.5%	11.6%

				2016	
	Period of cash flow projections	Annual sales growth	Annual margin evolution	Terminal growth rate	Pre-tax discount rate
Wyeth Infant Nutrition	5 years	0% to 7%	Improvement	3.2%	7.2%
PetCare Zone AMS	5 years	3% to 5%	Stable	2.0%	7.7%
Nestlé Skin Health	10 years	12% to 19%	Improvement	1.9%	6.7%
DSD for Frozen Pizza and Ice Cream – USA	5 years	1%	Improvement	1.5%	7.7%
Nestlé Infant Nutrition	5 years	2% to 4%	Improvement	3.7%	11.1%

- The pre-tax discount rates have been computed based on external sources of information.
- The cash flows for the first five years were based upon financial plans approved by Group Management which are consistent with the Group's approved strategy for this period. They are based on past performance and current initiatives.
- The terminal growth rates have been determined to reflect the long-term view of the nominal evolution of the business.

Management believes that no reasonably possible change in any of the above key assumptions would cause the CGU's recoverable amount to fall below the carrying value of the CGUs except for:

- the CGU Nestlé Skin Health for which any negative change would lead to further impairment, and
- the CGU DSD for Frozen Pizza and Ice Cream – USA for which the following changes in the material assumptions lead to a situation where the value in use equals the carrying amount:

	Sensitivity
Sales growth (CAGR)	Decrease by 410 basis points
Margin improvement	Decrease by 50 basis points
Terminal growth rate	Decrease by 110 basis points
Pre-tax discount rate	Increase by 140 basis points

10. Employee benefits

10.1 Employee remuneration

The Group's salaries of CHF 12 350 million (2016: CHF 12 427 million) and welfare expenses of CHF 4221 million (2016: CHF 4290 million) represent a total of CHF 16 571 million (2016: CHF 16 717 million). In addition, certain Group employees are eligible to long-term incentives in the form of equity compensation plans, for which the cost amounts to CHF 247 million (2016: CHF 227 million). Employee remuneration is allocated to the appropriate headings of expenses by function.

10.2 Post-employment benefits

The liabilities of the Group arising from defined benefit obligations, and the related current service cost, are determined using the projected unit credit method. Actuarial advice is provided both by external consultants and by actuaries employed by the Group. The actuarial assumptions used to calculate the defined benefit obligations vary according to the economic conditions of the country in which the plan is located. Such plans are either externally funded (in the form of independently administered funds) or unfunded. The deficit or excess of the fair value of plan assets over the present value of the defined benefit obligation is recognised as a liability or an asset on the balance sheet.

Pension cost charged to the income statement consists of service cost (current and past service cost, gains and losses arising from curtailment and settlement) and administration costs (other than costs of managing plan assets), which are allocated to the appropriate heading by function, and net interest expense or income, which is presented as part of net financial income/(expense). The actual return less interest income on plan assets, changes in actuarial assumptions, and differences between actuarial assumptions and what has actually occurred are reported in other comprehensive income.

Some benefits are also provided by defined contribution plans. Contributions to such plans are charged to the income statement as incurred.

Certain disclosures are presented by geographic area. The three regions disclosed are Europe, Middle East and North Africa (EMENA), Americas (AMS) and Asia, Oceania and sub-Saharan Africa (AOA). Each region includes the corresponding Zones as well as the portion of the GMB activity in that region.

Pensions and retirement benefits

Apart from legally required social security arrangements, the majority of Group employees are eligible for benefits through pension plans in case of retirement, death in service, disability and in case of resignation. Those plans are either defined contribution plans or defined benefit plans based on pensionable remuneration and length of service. All pension plans comply with local tax and legal restrictions in their respective country, including funding obligations.

The Group manages its pension plans by geographic area and the major plans, classified as defined benefit plans under IAS 19, are located in EMEA (Switzerland, United Kingdom and Germany) and in AMS (USA). In accordance with applicable legal frameworks, these plans have Boards of Trustees or General Assemblies which are generally independent from the Group and are responsible for the management and governance of the plans.

In Switzerland, Nestlé's pension plan is a cash balance plan where contributions are expressed as a percentage of the pensionable salary. The pension plan guarantees the amount accrued on the members' savings accounts, as well as a minimum interest on those savings accounts. At retirement date, the savings accounts are converted into pensions. However, members may opt to receive a part of the pension as a lump sum. Increases of pensions in payment are granted on a discretionary basis by the Board of Trustees, subject to the financial situation of the plan. To be noted that there is also a defined benefit plan that has been closed to new entrants in 2013 and whose members below age 55 have been transferred to the cash balance plan. This heritage plan is a hybrid between a cash balance plan and a plan based on a final pensionable salary. Finally, the Group has committed to make additional contributions up to a maximum of CHF 440 million, in order to mitigate the impact of changes in mortality and decrease in conversion rates.

In the United Kingdom, Nestlé's pension plan is an arrangement combining a defined benefit career average section with salary revaluation plus a defined contribution section. It should be noted that the defined benefit section was closed to new entrants during 2016. In the defined benefit section members accrue a pension defined on the average of their salaries during their career at Nestlé since 2010. The salaries are automatically revalued according to inflation subject to caps. Pensions earned before 2010 are also revalued according to inflation subject to a cap and similarly, pensions in payment are mandatorily adjusted, as well. At retirement, there is a lump sum option. Up to 31 July 2017, members employed before 1 July 2016 had the option to switch between the defined benefit section and the defined contribution section. Finally, the funding of the shortfall of the Nestle UK Pension Fund (a related party) is defined on the basis of a triennial independent actuarial valuation in accordance with local regulations. In accordance with the last valuation, an amount of GBP 89 million has been paid by Nestle UK Ltd during the year in accordance with the agreed schedule of contributions. The undiscounted future payments after 31 December 2017 related to the shortfall amount to GBP 493 million (GBP 172 million between 2018 to 2019, GBP 172 million between 2020 to 2021 and GBP 149 million in 2022).

Nestlé's pension plan in Germany is a cash balance plan, where members benefit from a guarantee on their savings accounts. Contributions to the plan are expressed as a percentage of the pensionable salary. Increases to pensions in payment are granted in accordance with legal requirements. There is also a heritage plan, based on final pensionable salary, which has been closed to new entrants in 2006.

In the USA, Nestlé's primary pension plan is non-contributory for the employees. The plan is a pension equity design, under which members earn pension credits each year based on a schedule related to the sum of their age and service with Nestlé. A member's benefit is the sum of the annual pension credits earned multiplied by an average earning payable as a lump sum. However, in lieu of the lump sum, members have the option of converting the benefit to a monthly pension annuity. The plan does not provide for automatic pension increases.

Post-employment medical benefits and other employee benefits

Subsidiaries, principally in AMS, maintain medical benefit plans, classified as defined benefit plans under IAS 19, which cover eligible retired employees. The obligations for other employee benefits consist mainly of end of service indemnities, which do not have the character of pensions.

Risks related to defined benefit plans

The main risks to which the Group is exposed in relation to operating defined benefit plans are:

- mortality risk: the assumptions adopted by the Group make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the plans and consequently increases in the plans' liabilities. In order to minimise this risk, mortality assumptions are reviewed on a regular basis.
- market and liquidity risks: these are the risks that the investments do not meet the expected returns over the medium to long-term. This also encompasses the mismatch between assets and liabilities. In order to minimise the risks, the structure of the portfolios is reviewed and asset-liability matching analyses are performed on a regular basis.

As certain of the Group's pension arrangements permit benefits to be adjusted in the case that downside risks emerge, therefore the Group does not always have full exposure to the risks described above.

Plan amendments and restructuring events

Plans within the Group are regularly reviewed as to whether they are aligned with market practice in the local context. Should a review indicate that a plan needs to be changed, prior agreement with the local Board of Trustees or the General Assembly, the regulator and, if applicable, the members, is sought before implementing plan changes.

During the year, there were individually non-significant plan amendments and restructuring activities leading to curtailments. The related past service costs of CHF 94 million have been recognised in the income statement primarily under marketing and administration costs.

Asset-liability management and funding arrangement

Plan trustees or General Assemblies are responsible for determining the mix of asset classes and target allocations of the Nestlé's plans with the support of investment advisors. Periodic reviews of the asset mix are made by mandating external consultants to perform asset liability matching analyses. Such analyses aim at comparing dynamically the fair value of assets and the liabilities in order to determine the most adequate strategic asset allocation.

The overall investment policy and strategy for the Group's funded defined benefit plans is guided by the objective of achieving an investment return which, together with the contributions paid, is sufficient to maintain reasonable control over the various funding risks of the plans. As those risks evolve with the development of capital markets and asset management activities, the Group addresses the assessment and control process of the major investment pension risks. In order to protect the Group's defined benefit plans funding ratio and to mitigate the financial risks, protective measures on the investment strategies are in force. To the extent possible, the risks are shared equally amongst the different stakeholders.

10.2a Reconciliation of assets and liabilities recognised in the balance sheet

In millions of CHF

	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
Present value of funded obligations	27 347	62	27 409	27 201	52	27 253
Fair value of plan assets	(24 656)	(35)	(24 691)	(23 013)	(24)	(23 037)
Excess of liabilities/(assets) over funded obligations	2 691	27	2 718	4 188	28	4 216
Present value of unfunded obligations	862	2 018	2 880	775	2 021	2 796
Unrecognised assets	23	—	23	43	—	43
Net defined benefit liabilities/(assets)	3 576	2 045	5 621	5 006	2 049	7 055
Other employee benefit liabilities			1 098			1 055
Net liabilities			6 719			8 110
Reflected in the balance sheet as follows:						
Employee benefit assets			(392)			(310)
Employee benefit liabilities			7 111			8 420
Net liabilities			6 719			8 110

10.2b Funding situation by geographic area of defined benefit plans

In millions of CHF

	EMENA	AMS	AOA	Total	EMENA	AMS	AOA	Total
Present value of funded obligations	20 425	5 247	1 737	27 409	20 055	5 285	1 913	27 253
Fair value of plan assets	(17 675)	(5 341)	(1 675)	(24 691)	(15 985)	(5 261)	(1 791)	(23 037)
Excess of liabilities/(assets) over funded obligations	2 750	(94)	62	2 718	4 070	24	122	4 216
Present value of unfunded obligations	472	2 082	326	2 880	421	2 099	276	2 796

10.2c Movement in the present value of defined benefit obligations

In millions of CHF

	2017		2016			
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
At 1 January	27 976	2 073	30 049	27 110	1 784	28 894
of which funded defined benefit plans	27 201	52	27 253	26 411	52	26 463
of which unfunded defined benefit plans	775	2 021	2 796	699	1 732	2 431
Currency retranslations	415	(76)	339	(645)	133	(512)
Service cost	689	52	741	798	51	849
of which current service cost	778	57	835	800	54	854
of which past service cost	(89)	(5)	(94)	(2)	(3)	(5)
Interest expense	649	111	760	723	98	821
Actuarial (gains)/losses	144	56	200	1 723	140	1 863
Benefits paid on funded defined benefit plans	(1 484)	(5)	(1 489)	(1 108)	(5)	(1 113)
Benefits paid on unfunded defined benefit plans	(73)	(129)	(202)	(46)	(115)	(161)
Modification of the scope of consolidation	(1)	(2)	(3)	(2)	(1)	(3)
Reclassification to/(from) held for sale	—	—	—	29	(12)	17
Transfer from/(to) defined contribution plans	(106)	—	(106)	(606)	—	(606)
At 31 December	28 209	2 080	30 289	27 976	2 073	30 049
of which funded defined benefit plans	27 347	62	27 409	27 201	52	27 253
of which unfunded defined benefit plans	862	2 018	2 880	775	2 021	2 796

10.2d Movement in fair value of defined benefit plan assets

In millions of CHF

	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
At 1 January	(23 013)	(24)	(23 037)	(22 353)	(25)	(22 378)
Currency retranslations	(326)	(1)	(327)	566	(1)	565
Interest income	(560)	—	(560)	(633)	(1)	(634)
Actual return on plan assets, excluding interest income	(1 685)	(9)	(1 694)	(1 427)	2	(1 425)
Employees' contributions	(141)	—	(141)	(138)	—	(138)
Employer contributions	(547)	(6)	(553)	(733)	(4)	(737)
Benefits paid on funded defined benefit plans	1 484	5	1 489	1 108	5	1 113
Administration expenses	21	—	21	21	—	21
Modification of the scope of consolidation	5	—	5	2	—	2
Reclassification to/(from) held for sale	—	—	—	(32)	—	(32)
Transfer (from)/to defined contribution plans	106	—	106	606	—	606
At 31 December	(24 656)	(35)	(24 691)	(23 013)	(24)	(23 037)

The major categories of plan assets as a percentage of total plan assets of the Group's defined benefit plans are as follows:

	2017	2016
Equities	28%	29%
of which US equities	12%	13%
of which European equities	9%	8%
of which other equities	7%	8%
Debts	45%	43%
of which government debts	32%	30%
of which corporate debts	13%	13%
Real estate	11%	10%
Alternative investments	11%	14%
of which hedge funds	7%	9%
of which private equities	4%	4%
of which commodities	0%	1%
Cash/Deposits	5%	4%

Equity, government debts and commodities represent 60% (2016: 60%) of the plan assets. Almost all of them are quoted in an active market. Corporate debts, real estate, hedge funds and private equities represent 35% (2016: 36%) of the plan assets. Almost all of them are either not quoted or quoted in a market which is not active.

The plan assets of funded defined benefit plans include property occupied by subsidiaries with a fair value of CHF 23 million (2016: CHF 26 million). Furthermore, funded defined benefit plans are invested in Nestlé S.A. (or related) shares to the extent of CHF 35 million (2016: CHF 39 million). The Group's investment management principles allow such investment only when the position in Nestlé S.A. (or related) shares is passive, i.e. in line with the weighting in the underlying benchmark.

The Group expects to contribute CHF 715 million to its funded defined benefit plans in 2018.

10.2e Expenses recognised in the income statement

In millions of CHF

	2017			2016		
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
Service cost	689	52	741	798	51	849
Employees' contributions	(141)	—	(141)	(138)	—	(138)
Net interest (income)/expense	90	111	201	91	97	188
Administration expenses	21	—	21	21	—	21
Defined benefit expenses	659	163	822	772	148	920
Defined contribution expenses			335			325
Total			1 157			1 245

The expenses for defined benefit and defined contribution plans are allocated to the appropriate headings of expenses by function.

10.2f Remeasurement of defined benefit plans reported in other comprehensive income

In millions of CHF

	2017		2016			
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
Actual return on plan assets, excluding interest income	1 685	9	1 694	1 427	(2)	1 425
Experience adjustments on plan liabilities	(81)	10	(71)	251	(45)	206
Change in demographic assumptions on plan liabilities	55	(1)	54	(224)	11	(213)
Change in financial assumptions on plan liabilities	(118)	(65)	(183)	(1 750)	(106)	(1 856)
Transfer from/(to) unrecognised assets and other	19	—	19	(13)	—	(13)
Remeasurement of defined benefit plans	1 560	(47)	1 513	(309)	(142)	(451)

10.2g Principal financial actuarial assumptions

The principal financial actuarial assumptions are presented by geographic area. Each item is a weighted average in relation to the relevant underlying component.

	2017				2016			
	EMENA	AMS	AOA	Total	EMENA	AMS	AOA	Total
Discount rates	1.5%	4.5%	4.4%	2.5%	1.5%	5.1%	4.4%	2.6%
Expected rates of salary increases	1.7%	2.7%	4.6%	2.3%	1.9%	2.8%	4.5%	2.4%
Expected rates of pension adjustments	1.3%	0.4%	1.6%	1.1%	1.3%	0.5%	1.7%	1.1%
Medical cost trend rates				5.3%				5.5%

10.2h Mortality tables and life expectancies by geographic area for Group's major defined benefit pension plans

Expressed in years

Country	Mortality table	2017	2016	2017	2016
		Life expectancy at age 65 for a male member currently aged 65		Life expectancy at age 65 for a female member currently aged 65	
EMENA					
Switzerland	LPP 2015	22.0	21.9	23.9	23.9
United Kingdom	S2NA	21.8	21.5	23.1	23.1
Germany	Heubeck Richttafeln 2005 G modifiziert	20.1	20.1	23.6	23.6
AMS					
USA	RP-2014	20.9	20.9	23.0	22.9

Life expectancy is reflected in the defined benefit obligations by using mortality tables of the country in which the plan is located. When those tables no longer reflect recent experience, they are adjusted by appropriate loadings.

10.2i Sensitivity analyses on present value of defined benefit obligations by geographic area

The table below gives the present value of the defined benefit obligations when major assumptions are changed.

In millions of CHF

	2017				2016			
	EMENA	AMS	AOA	Total	EMENA	AMS	AOA	Total
As reported	20 897	7 329	2 063	30 289	20 476	7 384	2 189	30 049
Discount rates								
Increase of 50 basis points	19 308	6 901	1 966	28 175	18 878	6 994	2 092	27 964
Decrease of 50 basis points	22 724	7 815	2 172	32 711	22 319	7 808	2 299	32 426
Expected rates of salary increases								
Increase of 50 basis points	21 064	7 390	2 094	30 548	20 641	7 449	2 220	30 310
Decrease of 50 basis points	20 742	7 268	2 035	30 045	20 324	7 322	2 161	29 807
Expected rates of pension adjustments								
Increase of 50 basis points	22 074	7 384	2 124	31 582	21 634	7 442	2 250	31 326
Decrease of 50 basis points	20 264	7 291	2 044	29 599	19 869	7 321	2 171	29 361
Medical cost trend rates								
Increase of 50 basis points	20 898	7 381	2 065	30 344	20 476	7 434	2 191	30 101
Decrease of 50 basis points	20 896	7 281	2 061	30 238	20 475	7 340	2 187	30 002
Mortality assumption								
Setting forward the tables by 1 year	20 205	7 177	2 031	29 413	19 794	7 236	2 157	29 187
Setting back the tables by 1 year	21 600	7 479	2 095	31 174	21 168	7 532	2 220	30 920

All sensitivities are calculated using the same actuarial method as for the disclosed present value of the defined benefit obligations at year-end.

10.2j Weighted average duration of defined benefit obligations by geographic area

Expressed in years

	2017				2016			
	EMENA	AMS	AOA	Total	EMENA	AMS	AOA	Total
At 31 December	19.6	17.2	12.8	18.7	17.0	11.6	10.3	15.2

11. Provisions and contingencies

Provisions

Provisions comprise liabilities of uncertain timing or amount that arise from restructuring plans, environmental, litigation and other risks. Provisions are recognised when a legal or constructive obligation stemming from a past event exists and when the future cash outflows can be reliably estimated. Provisions are measured at the present value of the expenditures unless the impact of discounting is immaterial. Obligations arising from restructuring plans are recognised when detailed formal plans have been established and when there is a valid expectation that such plans will be carried out by either starting to implement them or announcing their main features. Obligations under litigation reflect Group Management's best estimate of the outcome based on the facts known at the balance sheet date.

Contingent assets and liabilities

Contingent assets and liabilities are possible rights and obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not fully within the control of the Group.

11.1 Provisions

In millions of CHF

	Restructuring	Environmental	Legal and tax	Other	Total
At 1 January 2017	583	27	2 118	532	3 260
Currency retranslations	19	(1)	(35)	5	(12)
Provisions made during the year ^(a)	619	2	404	173	1 198
Amounts used	(234)	(2)	(246)	(101)	(583)
Reversal of unused amounts	(58)	(1)	(408)	(105)	(572)
Modification of the scope of consolidation	—	—	18	(1)	17
At 31 December 2017	929	25	1 851	503	3 308
of which expected to be settled within 12 months					863
 At 1 January 2016	459	21	2 087	598	3 165
Currency retranslations	4	1	72	10	87
Provisions made during the year ^(a)	284	10	422	179	895
Amounts used	(120)	(1)	(287)	(56)	(464)
Reversal of unused amounts	(56)	(4)	(174)	(161)	(395)
Reclassification (to)/from held for sale	12	—	(2)	1	11
Modification of the scope of consolidation	—	—	—	(39)	(39)
At 31 December 2016	583	27	2 118	532	3 260
of which expected to be settled within 12 months					620

(a) Including discounting of provisions.

Restructuring

Restructuring provisions arise from a number of projects across the Group. These include plans to optimise production, sales and administration structures, mainly in the geographies EMEA (in 2017, mainly related to Nestlé Skin Health) and AMS (in 2017, mainly in USA). Restructuring provisions are expected to result in future cash outflows when implementing the plans (usually over the following two to three years).

Legal and tax

Legal provisions have been set up to cover legal and administrative proceedings that arise in the ordinary course of the business. Tax provisions include tax disputes and income tax uncertainties. It covers numerous separate cases whose detailed disclosure could be detrimental to the Group interests. The Group does not believe that any of these cases will have a material adverse impact on its financial position. The timing of outflows is uncertain as it depends upon the outcome of the cases. Group Management does not believe it is possible to make assumptions on the evolution of the cases beyond the balance sheet date.

Other

Other provisions are mainly constituted by onerous contracts and various damage claims having occurred during the year but not covered by insurance companies. Onerous contracts result from unfavourable leases, breach of contracts or supply agreements above market prices in which the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received or for which no benefits are expected to be received.

11.2 Contingencies

The Group is exposed to contingent liabilities amounting to a maximum potential payment of CHF 2024 million (2016: CHF 1893 million) representing potential litigations of CHF 1979 million (2016: CHF 1874 million) and other items of CHF 45 million (2016: CHF 19 million). Potential litigations relate mainly to labour, civil and tax litigations in Latin America.

Contingent assets for litigation claims in favour of the Group amount to a maximum potential recoverable amount of CHF 461 million (2016: CHF 201 million), mainly in Latin America.

12. Financial instruments

Financial assets

Financial assets are initially recognised at fair value plus directly attributable transaction costs. However when a financial asset at fair value to income statement is recognised, the transaction costs are expensed immediately. Subsequent remeasurement of financial assets is determined by their categorisation that is revisited at each reporting date.

The settlement date is used for both initial recognition and subsequent derecognition of financial assets as these transactions are generally under contracts whose terms require delivery within the time frame established by regulation or convention in the market place (regular-way purchase or sale).

At each balance sheet date, the Group assesses whether its financial assets are to be impaired. Impairment losses are recognised in the income statement where there is objective evidence of impairment, such as where the issuer is in bankruptcy, default or other significant financial difficulty.

Financial assets are derecognised (in full or partly) when substantially all the Group's rights to cash flows from the respective assets have expired or have been transferred and the Group has neither exposure to substantially all the risks inherent in those assets nor entitlement to rewards from them.

Classes and categories of financial instruments

The Group classifies its financial instruments into the following categories: loans and receivables, financial assets designated at fair value through income statement, held-for-trading, available-for-sale assets and financial liabilities at amortised cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes the following classes of financial assets: loans; trade and other receivables; and cash at bank and in hand.

Subsequent to initial measurement, loans and receivables are carried at amortised cost using the effective interest rate method less appropriate allowances for doubtful receivables (see Note 7.2).

Financial instruments at fair value through income statement

Certain financial assets are designated at fair value through income statement because this reduces an accounting mismatch which would otherwise arise due to the remeasurement of certain liabilities using current market prices as inputs.

Held-for-trading assets and liabilities are derivative financial instruments. Subsequent to initial measurement, these items are carried at fair value and all their gains and losses, realised and unrealised, are recognised in the income statement unless they are part of a hedging relationship (refer to hedge accounting, see Note 12.2d).

Available-for-sale assets

Available-for-sale assets are those non-derivative financial assets that are either designated as such upon initial recognition or are not classified in any of the other categories of financial assets. This category includes the following classes of financial assets: bonds and bond funds, equities and equity funds, commercial paper, time deposits and other investments.

Subsequent to initial measurement, available-for-sale assets are stated at fair value with all gains or losses recognised against other comprehensive income until their disposal when such gains or losses are recognised in the income statement.

Interest and dividends from available-for-sale assets are recognised in the income statement.

Financial liabilities at amortised cost

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs.

Subsequent to initial measurement, financial liabilities are recognised at amortised cost. The difference between the initial carrying amount of the financial liabilities and their redemption value is recognised in the income statement over the contractual terms using the effective interest rate method. This category includes the following classes of financial liabilities: trade and other payables; commercial paper; bonds and other financial liabilities.

Financial liabilities at amortised cost are further classified as current and non-current depending whether these will fall due within 12 months after the balance sheet date or beyond.

Financial liabilities are derecognised (in full or partly) when either the Group is discharged from its obligation, they expire, are cancelled or replaced by a new liability with substantially modified terms.

12.1 Financial assets and liabilities**12.1a By class and by category**

In millions of CHF

	Loans, receivables and liabilities at amortised cost ^(a)	2017			2016		
		At fair value to income statement	Available for sale	Total categories	At fair value to income statement	Available for sale	Total categories
Classes							
Cash at bank and in hand	2 202	—	—	2 202	3 341	—	3 341
Commercial paper	—	—	4 600	4 600	—	3 677	3 677
Time deposits	—	—	1 331	1 331	—	1 318	1 318
Bonds and debt funds	—	396	3 778	4 174	—	379	3 433
Equity and equity funds	—	428	114	542	—	386	215
Other financial assets	723	29	995	1 747	1 235	44	987
Liquid assets ^(b) and non-current financial assets	2 925	853	10 818	14 596	4 576	809	9 630
Trade and other receivables	12 422	—	—	12 422	12 411	—	12 411
Derivative assets ^(c)	—	231	—	231	—	550	—
Total financial assets	15 347	1 084	10 818	27 249	16 987	1 359	9 630
Trade and other payables	(21 374)	—	—	(21 374)	(21 016)	—	(21 016)
Financial debt	(26 468)	—	—	(26 468)	(23 209)	—	(23 209)
Derivative liabilities ^(c)	—	(507)	—	(507)	—	(1 068)	—
Total financial liabilities	(47 842)	(507)	—	(48 349)	(44 225)	(1 068)	—
Net financial position	(32 495)	577	10 818	(21 100)	(27 238)	291	9 630
of which at fair value	—	577	10 818	11 395	—	291	9 630
							9 921

(a) Carrying amount of these instruments is a reasonable approximation of their fair value. For bonds included in financial debt, see Note 12.1d.

(b) Liquid assets are composed of cash and cash equivalents and short-term investments.

(c) Include derivatives held in hedge relationships and those that are undesignated (categorised as held-for-trading), see Note 12.2d.

12.1b Fair value hierarchy of financial instruments

The Group classifies the fair value of its financial instruments in the following hierarchy, based on the inputs used in their valuation:

- i) The fair value of financial instruments quoted in active markets is based on their quoted closing price at the balance sheet date. Examples include exchange-traded commodity derivatives and other financial assets such as investments in equity and debt securities.
- ii) The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions. For example, the fair value of forward exchange contracts, currency swaps and interest rate swaps is determined by discounting estimated future cash flows.
- iii) The fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs). When the fair value of unquoted instruments cannot be measured with sufficient reliability, the Group carries such instruments at cost less impairment, if applicable.

In millions of CHF

	2017	2016
Derivative assets	11	63
Bonds and debt funds	735	649
Equity and equity funds	227	297
Other financial assets	42	21
Derivative liabilities	(65)	(100)
Prices quoted in active markets (Level 1)	950	930
Commercial paper	4 600	3 677
Time deposits	1 331	1 318
Derivative assets	220	487
Bonds and debt funds	3 417	3 142
Equity and equity funds	278	265
Other financial assets	783	829
Derivative liabilities	(442)	(968)
Valuation techniques based on observable market data (Level 2)	10 187	8 750
Valuation techniques based on unobservable input (Level 3)	258	241
Total financial instruments at fair value	11 395	9 921

There have been no significant transfers between the different hierarchy levels in 2017 and in 2016.

12.1c Changes in liabilities arising from financing activities

In millions of CHF

	2017	2016
At 1 January	(23 850)	(21 923)
Currency translations and exchange differences	125	(315)
Changes in fair values	86	64
Changes arising from acquisition and disposal of businesses	(19)	2
Inflows/(outflows) on interest derivatives	(71)	(45)
Inflows from bonds and other non-current financial debt	(6 406)	(1 695)
Outflows from bonds and other non-current financial debt	2 489	1 430
Inflows/(outflows) from current financial debt	1 009	(1 368)
At 31 December	(26 637)	(23 850)
of which current financial debt	(10 536)	(12 118)
of which non-current financial debt	(15 932)	(11 091)
of which derivatives hedging financial debt	(169)	(641)

12.1d Bonds

In millions of CHF

Issuer			Face value in millions	Coupon	Effective interest rate	Year of issue/ maturity	Comments	2017	2016
Nestlé Holdings, Inc., USA	AUD	200	4.00%	4.11%	2012–2017			—	148
	NOK	1 000	2.25%	2.31%	2012–2017			—	118
	NOK	3 000	2.50%	2.66%	2012–2017			—	354
	USD	900	1.38%	1.46%	2012–2017			—	920
	GBP	250	1.63%	1.71%	2013–2017			—	312
	CHF	250	2.63%	2.66%	2007–2018	(a)		251	259
	USD	500	1.25%	1.32%	2012–2018			488	511
	AUD	175	3.75%	3.84%	2013–2018	(a)		133	131
	AUD	200	3.88%	4.08%	2013–2018	(b)		152	147
	AUD	400	4.13%	4.33%	2013–2018	(c)		305	296
	USD	400	1.38%	1.50%	2013–2018			390	408
	USD	500	2.00%	2.17%	2013–2019			487	509
	USD	500	2.25%	2.41%	2013–2019			487	510
	USD	400	2.00%	2.06%	2014–2019			390	408
	USD	650	2.13%	2.27%	2014–2020			633	662
	AUD	250	4.25%	4.43%	2014–2020	(a)		196	192
	AUD	175	3.63%	3.77%	2014–2020	(a)		138	134
	NOK	1 000	2.75%	2.85%	2014–2020	(a)		122	122
	GBP	500	1.75%	1.79%	2015–2020	(d)		660	630
	USD	550	1.88%	2.03%	2016–2021			535	559
	USD	600	1.38%	1.52%	2016–2021			583	610
	GBP	500	1.00%	1.17%	2017–2021	(b)		654	—
	USD	800	2.38%	2.55%	2017–2022			775	—
	USD	650	2.38%	2.50%	2017–2022			632	—
	USD	300	2.25%	2.35%	2017–2022			292	—
	EUR	850	0.88%	0.92%	2017–2025	(b)		989	—
	CHF	550	0.25%	0.24%	2017–2027	(b)		551	—
	CHF	150	0.55%	0.54%	2017–2032	(b)		150	—
Subtotal								9 993	7 940

In millions of CHF

Issuer		Face value in millions	Coupon	Effective interest rate	Year of issue/ maturity	Comments	2017	2016
Subtotal from previous page							9 993	7 940
Nestlé Finance International Ltd., Luxembourg	AUD	125	4.63%	4.86%	2012–2017		—	92
	EUR	500	1.50%	1.61%	2012–2019		583	536
	EUR	500	1.25%	1.30%	2013–2020		583	537
	EUR	500	2.13%	2.20%	2013–2021		582	536
	EUR	500	0.75%	0.90%	2014–2021		581	534
	EUR	850	1.75%	1.89%	2012–2022		986	907
	GBP	400	2.25%	2.34%	2012–2023	(e)	549	531
	EUR	500	0.75%	0.92%	2015–2023	(f)	586	544
	EUR	500	0.38%	0.54%	2017–2024		578	—
	EUR	750	1.25%	1.32%	2017–2029		869	—
	EUR	750	1.75%	1.83%	2017–2037		865	—
Other bonds							254	278
Total carrying amount (*)							17 009	12 435
of which due within one year							1 720	1 954
of which due after one year							15 289	10 481
Fair value (*) of bonds, based on prices quoted (level 2)							17 350	12 755

(*) Carrying amount and fair value of bonds exclude accrued interest.

- (a) Subject to an interest rate and/or currency swap that creates a liability at floating rates in the currency of the issuer.
- (b) Subject to an interest rate and currency swap that creates a liability at fixed rates in the currency of the issuer.
- (c) This bond is composed of:
 - AUD 300 million subject to an interest rate and currency swap that creates a liability at fixed rates in the currency of the issuer; and
 - AUD 100 million subject to an interest rate and currency swap that creates a liability at floating rates in the currency of the issuer.
- (d) This bond is composed of:
 - GBP 400 million issued in 2015 and subject to an interest rate and currency swap that creates a liability at fixed rates in the currency of the issuer; and
 - GBP 100 million issued in 2016 and subject to an interest rate and currency swap that creates a liability at floating rates in the currency of the issuer.
- (e) Subject to an interest rate swap.
- (f) Out of which EUR 375 million is subject to an interest rate swap.

Several bonds are hedged by currency and/or interest derivatives. The fair value of these derivatives is shown under derivative assets for CHF 144 million (2016: CHF 98 million) and under derivative liabilities for CHF 265 million (2016: CHF 797 million).

12.2 Financial risks

In the course of its business, the Group is exposed to a number of financial risks: credit risk, liquidity risk, market risk (including foreign currency risk and interest rate risk, commodity price risk and equity price risk). This note presents the Group's objectives, policies and processes for managing its financial risk and capital.

Financial risk management is an integral part of the way the Group is managed. The Board of Directors determines the financial control principles as well as the principles of financial planning. The Chief Executive Officer organises, manages and monitors all financial risks, including asset and liability matters.

The Asset and Liability Management Committee (ALMC), chaired by the Chief Financial Officer, is the governing body for the establishment and subsequent execution of the Nestlé Group's Financial Asset and Liability Management Policy. It ensures implementation of strategies and achievement of objectives of the Group's financial asset and liabilities management, which are executed by the Centre Treasury, the Regional Treasury Centres and, in specific local circumstances, by the subsidiaries. Approved treasury management guidelines define and classify risks as well as determine, by category of transaction, specific approval, execution and monitoring procedures. The activities of the Centre Treasury and of the Regional Treasury Centres are supervised by an independent Middle Office, which verifies the compliance of the strategies and/or operations with the approved guidelines and decisions taken by the ALMC.

12.2a Credit risk

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises on financial assets (liquid, non-current and derivative) and on trade and other receivables.

The Group aims to minimise the credit risk of liquid assets, non-current financial assets and derivative assets through the application of risk management policies. Credit limits are set based on each counterparty's size and risk of default. The methodology used to set the credit limit considers the counterparty's balance sheet, credit ratings, risk ratios and default probabilities. Counterparties are monitored regularly, taking into consideration the evolution of the above parameters, as well as their share prices and credit default swaps. As a result of this review, changes on credit limits and risk allocation are carried out. The Group avoids the concentration of credit risk on its liquid assets by spreading them over several institutions and sectors.

Trade receivables are subject to credit limits, control and approval procedures in all the subsidiaries. Due to its large geographic base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables (see Note 7). Nevertheless, commercial counterparties are constantly monitored following the similar methodology used for financial counterparties.

The maximum exposure to credit risk resulting from financial activities, without considering netting agreements and without taking into account any collateral held or other credit enhancements, is equal to the carrying amount of the Group's financial assets.

Credit rating of financial assets

This includes liquid assets, non-current financial assets and derivative assets. The source of the credit ratings is Standard & Poor's; if not available, the Group uses other credit rating equivalents. The Group deals mainly with financial institutions located in Switzerland, the European Union and North America.

In millions of CHF

	2017	2016
Investment grade A– and above	10 552	10 845
Investment grade BBB+, BBB and BBB–	2 047	2 366
Non-investment grade (BB+ and below)	967	1 128
Not rated ^(a)	1 261	1 226
	14 827	15 565

(a) Mainly equity securities and other investments for which no credit rating is available.

12.2b Liquidity risk

Liquidity risk management

Liquidity risk is the risk that a company may encounter difficulties in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets. Such risk may result from inadequate market depth or disruption or refinancing problems. The Group's objective is to manage this risk by limiting exposures in financial instruments that may be affected by liquidity problems and by maintaining sufficient back-up facilities. The Group does not expect any refinancing issues and in October 2017 successfully extended the tenor of both its revolving credit facilities by one year:

- A new USD 4.7 billion and EUR 2.5 billion revolving credit facility with an initial maturity date of October 2018. The Group has the ability to convert the facility into a one year term loan.
- A USD 3.0 billion and EUR 1.8 billion revolving credit facility with a new maturity date of October 2022.

The facilities serve primarily as a backstop to the Group's short-term debt.

Contractual maturities of financial liabilities and derivatives (including interest)

In millions of CHF

2017

	(18 872)	(136)	(118)	(2 250)	(21 376)	(21 374)	Carrying amount
	In the first year	In the second year	In the third to the fifth year	After the fifth year	Contractual amount		
Trade and other payables							
Commercial paper ^(a)	(5 727)	—	—	—	(5 727)	(5 716)	
Bonds ^(a)	(2 016)	(2 212)	(8 627)	(5 613)	(18 468)	(17 009)	
Other financial debt	(3 179)	(418)	(230)	(61)	(3 888)	(3 743)	
Total financial debt	(10 922)	(2 630)	(8 857)	(5 674)	(28 083)	(26 468)	
Financial liabilities (excluding derivatives)	(29 794)	(2 766)	(8 975)	(7 924)	(49 459)	(47 842)	
Non-currency derivative assets	24	8	10	3	45	44	
Non-currency derivative liabilities	(98)	(16)	(11)	—	(125)	(124)	
Gross amount receivable from currency derivatives	10 497	46	1 831	1 734	14 108	13 983	
Gross amount payable from currency derivatives	(10 655)	(97)	(2 112)	(1 867)	(14 731)	(14 179)	
Net derivatives	(232)	(59)	(282)	(130)	(703)	(276)	
of which derivatives under cash flow hedges ^(b)	(111)	(16)	(11)	—	(138)	(138)	
Trade and other payables	(18 629)	(149)	(356)	(1 925)	(21 059)	(21 016)	
Commercial paper ^(a)	(7 180)	—	—	—	(7 180)	(7 171)	
Bonds ^(a)	(2 210)	(1 956)	(6 938)	(2 204)	(13 308)	(12 435)	
Other financial debt	(3 092)	(118)	(478)	(88)	(3 776)	(3 603)	
Total financial debt	(12 482)	(2 074)	(7 416)	(2 292)	(24 264)	(23 209)	
Financial liabilities (excluding derivatives)	(31 111)	(2 223)	(7 772)	(4 217)	(45 323)	(44 225)	
Non-currency derivative assets	96	9	17	5	127	125	
Non-currency derivative liabilities	(130)	(27)	(28)	—	(185)	(183)	
Gross amount receivable from currency derivatives	14 421	878	1 113	—	16 412	16 307	
Gross amount payable from currency derivatives	(14 511)	(1 017)	(1 383)	—	(16 911)	(16 767)	
Net derivatives	(124)	(157)	(281)	5	(557)	(518)	
of which derivatives under cash flow hedges ^(b)	34	(26)	(28)	—	(20)	(18)	

(a) Commercial paper of CHF 4726 million (2016: CHF 6333 million) and bonds of CHF 953 million (2016: CHF 171 million) have maturities of less than three months.

(b) The periods when the cash flow hedges affect the income statement do not differ significantly from the maturities disclosed above.

12.2c Market risk

The Group is exposed to risk from movements in foreign currency exchange rates, interest rates and market prices that affect its assets, liabilities and future transactions.

Foreign currency risk

The Group is exposed to foreign currency risk from transactions and translation.

Transactional exposures arise from transactions in foreign currency. They are managed within a prudent and systematic hedging policy in accordance with the Group's specific business needs through the use of currency forwards, futures, swaps and options.

Exchange differences recorded in the income statement represented a loss of CHF 99 million in 2017 (2016: loss of CHF 147 million). They are allocated to the appropriate headings of expenses by function.

Translation exposure arises from the consolidation of the financial statements of foreign operations in Swiss francs, which is, in principle, not hedged.

Value at Risk (VaR) based on historic data for a 250-day period and a confidence level of 95% results in a potential one-day loss for currency risk of less than CHF 10 million in 2017 and 2016.

The Group cannot predict the future movements in exchange rates, therefore the above VaR number neither represents actual losses nor considers the effects of favourable movements in underlying variables. Accordingly, the VaR number may only be considered indicative of future movements to the extent the historic market patterns repeat in the future.

Interest rate risk

The Group is exposed primarily to fluctuation in USD and EUR interest rates. Interest rate risk on financial debt is managed based on duration and interest management targets set by the ALMC through the use of fixed rate debt and interest rate swaps.

Taking into account the impact of interest derivatives, the proportion of financial debt subject to fixed interest rates for a period longer than one year represents 59% (2016: 45%).

Based on the structure of net debt at year end, an increase of interest rates of 100 basis points would cause an additional expense in Net financing cost of net debt of CHF 29 million (2016: CHF 49 million).

Price risk

Commodity price risk

Commodity price risk arises from transactions on the world commodity markets for securing the supplies of green coffee, cocoa beans and other commodities necessary for the manufacture of some of the Group's products.

The Group's objective is to minimise the impact of commodity price fluctuations and this exposure is hedged in accordance with the Nestlé Group policy on commodity price risk management. The Global Procurement Organisation is responsible for managing commodity price risk on the basis of internal directives and centrally determined limits, generally through the use of exchange-traded commodity derivatives. The commodity price risk exposure of future purchases is managed using a combination of derivatives (mainly futures and options) and executory contracts. As a result of the short product business cycle of the Group, the majority of the anticipated future raw material transactions outstanding at the balance sheet date are expected to occur in the next year.

Equity price risk

The Group is exposed to equity price risk on investments. To manage the price risk arising from these investments, the Group diversifies its portfolios in accordance with the Guidelines set by the Board of Directors.

12.2d Derivative assets and liabilities and hedge accounting

Derivative financial instruments

The Group's derivatives mainly consist of currency forwards, options and swaps; commodity futures and options; interest rate forwards, futures, options and swaps. Derivatives are mainly used to manage exposures to foreign exchange, interest rate and commodity price risk as described in section 12.2c Market risk.

Derivatives are initially recognised at fair value. They are subsequently remeasured at fair value on a regular basis and at each reporting date as a minimum, with all their gains and losses, realised and unrealised, recognised in the income statement unless they are in a qualifying hedging relationship.

Hedge accounting

The Group designates and documents the use of certain derivatives and other financial assets or financial liabilities as hedging instruments against changes in fair values of recognised assets and liabilities (fair value hedges) and highly probable forecast transactions (cash flow hedges). The effectiveness of such hedges is assessed at inception and verified at regular intervals and at least on a quarterly basis, using prospective and retrospective testing.

Fair value hedges

The Group uses fair value hedges to mitigate foreign currency and interest rate risks of its recognised assets and liabilities.

Changes in fair values of hedging instruments designated as fair value hedges and the adjustments for the risks being hedged in the carrying amounts of the underlying transactions are recognised in the income statement.

Cash flow hedges

The Group uses cash flow hedges to mitigate a particular risk associated with a recognised asset or liability or highly probable forecast transactions, such as anticipated future export sales, purchases of equipment and raw materials, as well as the variability of expected interest payments and receipts.

The effective part of the changes in fair value of hedging instruments is recognised in other comprehensive income, while any ineffective part is recognised immediately in the income statement. When the hedged item results in the recognition of a non-financial asset or liability, including acquired businesses, the gains or losses previously recognised in other comprehensive income are included in the measurement of the cost of the asset or of the liability. Otherwise the gains or losses previously recognised in other comprehensive income are removed and recognised in the income statement at the same time as the hedged transaction.

Undesignated derivatives

Derivatives which are not designated in a hedging relationship are classified as undesignated derivatives. They are acquired in the frame of approved risk management policies even though hedge accounting is not applied.

By type

In millions of CHF

		2017			2016
	Contractual or notional amounts	Fair value assets	Fair value liabilities	Contractual or notional amounts	Fair value assets
Fair value hedges					
Currency forwards and swaps	2 376	8	27	4 563	202
Interest rate forwards, futures and swaps	964	31	—	905	40
Interest rate and currency swaps	4 291	113	265	2 909	58
Cash flow hedges					
Currency forwards, swaps and options	6 647	62	89	7 917	161
Interest rate forwards, futures and swaps	1 368	—	46	1 432	—
Commodity futures and options	1 488	12	77	1 541	85
Undesignated derivatives					
Currency forwards, swaps and options	676	4	2	955	4
Commodity futures and options	59	1	1	—	—
	17 869	231	507	20 222	550
					1 068
Conditional offsets ^(a)					
Derivative assets and liabilities		(145)	(145)		(101)
Use of cash collateral received or deposited		(30)	(210)		(36)
Balances after conditional offsets		56	152		413
					315

(a) Represent amounts that would be offset in case of default, insolvency or bankruptcy of counterparties.

Impact on the income statement of fair value hedges

In millions of CHF

	2017		2016
on hedged items	377		(254)
on hedging instruments	(375)		257

Ineffective portion of gains/(losses) of cash flow hedges and net investment hedges is not significant.

12.2e Capital risk management

The Group's capital management is driven by the impact on shareholders of the level of total capital employed. It is the Group's policy to maintain a sound capital base to support the continued development of its business.

The Board of Directors seeks to maintain a prudent balance between different components of the Group's capital. The ALMC monitors the capital structure and the net financial debt by currency. Net financial debt is defined as current and non-current financial liabilities less cash and cash equivalents and short-term investments.

The operating cash flow-to-net financial debt ratio highlights the ability of a business to repay its debts. As at 31 December 2017, the ratio was 75.4% (2016: 112.0%).

The Group's subsidiaries have complied with local statutory capital requirements as appropriate.

13. Taxes

The Group is subject to taxes in different countries all over the world. Taxes and fiscal risks recognised in the Consolidated Financial Statements reflect Group Management's best estimate of the outcome based on the facts known at the balance sheet date in each individual country. These facts may include but are not limited to change in tax laws and interpretation thereof in the various jurisdictions where the Group operates. They may have an impact on the income tax as well as the resulting assets and liabilities. Any differences between tax estimates and final tax assessments are charged to the income statement in the period in which they are incurred, unless anticipated.

Taxes include current and deferred taxes on profit as well as actual or potential withholding taxes on current and expected transfers of income from subsidiaries and tax adjustments relating to prior years. Income tax is recognised in the income statement, except to the extent that it relates to items directly taken to equity or other comprehensive income, in which case it is recognised against equity or other comprehensive income.

Deferred taxes are based on the temporary differences that arise when taxation authorities recognise and measure assets and liabilities with rules that differ from the principles of the Consolidated Financial Statements. They also arise on temporary differences stemming from tax losses carried forward.

Deferred taxes are calculated under the liability method at the rates of tax expected to prevail when the temporary differences reverse subject to such rates being substantially enacted at the balance sheet date. Any changes of the tax rates are recognised in the income statement unless related to items directly recognised against equity or other comprehensive income. Deferred tax liabilities are recognised on all taxable temporary differences excluding non-deductible goodwill. Deferred tax assets are recognised on all deductible temporary differences provided that it is probable that future taxable income will be available.

13.1 Taxes recognised in the income statement

In millions of CHF

	2017	2016
Components of taxes		
Current taxes ^(a)	(3 391)	(3 677)
Deferred taxes ^{(b)(c)}	235	(504)
Taxes reclassified to other comprehensive income	361	(234)
Taxes reclassified to equity	16	2
Total taxes	(2 779)	(4 413)
Reconciliation of taxes		
Expected tax expense at weighted average applicable tax rate	(3 163)	(3 331)
Tax effect of non-deductible or non-taxable items	(83)	(97)
Prior years' taxes	248	(36)
Transfers to unrecognised deferred tax assets	(131)	(74)
Transfers from unrecognised deferred tax assets	18	9
Changes in tax rates ^{(b)(c)}	823	(481)
Withholding taxes levied on transfers of income	(491)	(403)
Total taxes	(2 779)	(4 413)

- (a) Current taxes related to prior years include a tax income of CHF 212 million (2016: tax income of CHF 4 million).
- (b) In 2016, this item included a one-time charge of CHF 0.5 billion related to deferred tax, arising in Switzerland, in accordance with a new cantonal tax law.
- (c) In 2017, this item includes a one-time income of CHF 0.8 billion related to deferred tax, arising in the USA, in accordance with the federal tax reform.

The expected tax expense at weighted average applicable tax rate is the result from applying the domestic statutory tax rates to profits before taxes of each entity in the country it operates. For the Group, the weighted average applicable tax rate varies from one year to the other depending on the relative weight of the profit of each individual entity in the Group's profit as well as the changes in the statutory tax rates.

13.2 Reconciliation of deferred taxes by type of temporary differences recognised on the balance sheet

In millions of CHF

	Property, plant and equipment	Goodwill and intangible assets	Employee benefits	Inventories, receivables, payables and provisions	Unused tax losses and unused tax credits	Other	Total
At 1 January 2017	(1 723)	(3 248)	2 049	1 060	340	(294)	(1 816)
Currency retranslations	24	70	(19)	(10)	(10)	6	61
Deferred tax (expense)/income	359	384	(548)	(57)	44	53	235
Modification of the scope of consolidation	13	(101)	—	8	6	2	(72)
At 31 December 2017	(1 327)	(2 895)	1 482	1 001	380	(233)	(1 592)
At 1 January 2016	(1 755)	(2 520)	1 709	1 013	309	(176)	(1 420)
Currency retranslations	(52)	(7)	47	41	40	3	72
Deferred tax (expense)/income	76	(742)	299	12	(14)	(135)	(504)
Reclassification to/from held for sale	4	11	(2)	2	—	16	31
Modification of the scope of consolidation	4	10	(4)	(8)	5	(2)	5
At 31 December 2016	(1 723)	(3 248)	2 049	1 060	340	(294)	(1 816)

In millions of CHF

	2017	2016
Reflected in the balance sheet as follows:		
Deferred tax assets	1 967	2 049
Deferred tax liabilities	(3 559)	(3 865)
Net assets/(liabilities)	(1 592)	(1 816)

13.3 Unrecognised deferred taxes

The deductible temporary differences as well as the unused tax losses and tax credits for which no deferred tax assets are recognised expire as follows:

In millions of CHF

	2017	2016
Within one year	177	77
Between one and five years	431	348
More than five years	2 602	1 943
	3 210	2 368

At 31 December 2017, the unrecognised deferred tax assets amount to CHF 655 million (2016: CHF 473 million). In addition, the Group has not recognised deferred tax liabilities in respect of unremitted earnings that are considered indefinitely reinvested in foreign subsidiaries. At 31 December 2017, these earnings amount to CHF 25.7 billion (2016: CHF 22.4 billion). They could be subject to withholding and other taxes on remittance.

14. Associates and joint ventures

Associates are companies where the Group has the power to exercise a significant influence but does not exercise control. Significant influence may be obtained when the Group has 20% or more of the voting rights in the investee or has obtained a seat on the Board of Directors or otherwise participates in the policy-making process of the investee.

Joint ventures are contractual arrangements over which the Group exercises joint control with partners and where the parties have rights to the net assets of the arrangement.

Associates and joint ventures are accounted for using the equity method. The interest in the associate or joint venture also includes long-term loans which are in substance extensions of the Group's investment in the associate or joint venture. The net assets and results are adjusted to comply with the Group's accounting policies. The carrying amount of goodwill arising from the acquisition of associates and joint ventures is included in the carrying amount of investments in associates and joint ventures.

In millions of CHF

	2017				2016			
	L'Oréal	Other associates	Joint ventures	Total	L'Oréal	Other associates	Joint ventures	Total
At 1 January	7 453	1 183	2 073	10 709	7 275	955	445	8 675
Currency retranslations	632	44	125	801	(40)	20	(12)	(32)
Investments	—	148	45	193	—	249	1 769	2 018
Divestments	—	(5)	(52)	(57)	—	—	—	—
Share of results	927	(145)	46	828	787	20	13	820
Impairment	—	—	—	—	—	(50)	—	(50)
Share of other comprehensive income	(298)	—	110	(188)	(68)	(1)	(95)	(164)
Dividends and interest received	(465)	(27)	(90)	(582)	(444)	(28)	(47)	(519)
Other	(65)	—	(11)	(76)	(57)	18	—	(39)
At 31 December	8 184	1 198	2 246	11 628	7 453	1 183	2 073	10 709

Investments in joint ventures mainly relate to Froneri (see Note 14.3).

As part of the investment, loans granted by the Group to joint ventures amount to CHF 1841 million at 31 December 2017 (2016: CHF 1695 million).

Income from associates and joint ventures

In millions of CHF

	2017	2016
Share of results	828	820
Impairment	—	(50)
Profit on disposal of other associates	(4)	—
	824	770

14.1 L'Oréal

The Group holds 129 881 021 shares in L'Oréal (which ultimate parent company is domiciled in France), the world leader in cosmetics, representing a 23.2% participation in its equity after elimination of its treasury shares (2016: 129 881 021 shares representing a 23.2% participation).

At 31 December 2017, the market value of the shares held amounts to CHF 28.0 billion (2016: CHF 24.2 billion).

Summarised financial information of L'Oréal

In billions of CHF

	2017	2016
Total current assets	12.9	10.8
Total non-current assets	28.4	27.5
Total assets	41.3	38.3
Total current liabilities	10.7	9.9
Total non-current liabilities	1.6	2.1
Total liabilities	12.3	12.0
Total equity	29.0	26.3
Total sales	29.0	28.2
Profit from continuing operations	4.3	3.4
Profit from discontinued operations	(0.3)	—
Other comprehensive income	(1.3)	(0.3)
Total comprehensive income	2.7	3.1

Reconciliation of the carrying amount

In billions of CHF

	2017	2016
Share held by the Group in the equity of L'Oréal	6.7	6.1
Goodwill and other adjustments	1.5	1.4
Carrying amount of L'Oréal	8.2	7.5

14.2 Other associates

The Group holds a number of other associates that are individually not material.

14.3 Joint ventures

The Group holds a number of joint ventures operating in the food and beverage activities. These joint ventures are individually not material to the Group, the main ones being Froneri (as from end of September 2016) and Cereal Partners Worldwide.

At the end of September 2016, the Group launched a joint venture with Britain's R&R Ice Cream called Froneri. Nestlé and R&R contributed their ice cream businesses across Europe, the Middle East (excluding Israel), Argentina, Australia, Brazil, the Philippines and South Africa to form the new company. Nestlé also contributed part of its European frozen food business, as well as its chilled dairy business in the Philippines (see Note 2.1).

A list of the principal joint ventures and associates is provided in the section Companies of the Nestlé Group, joint arrangements and associates.

15. Earnings per share

	2017	2016
Basic earnings per share (in CHF)	2.32	2.76
Net profit (in millions of CHF)	7 183	8 531
Weighted average number of shares outstanding (in millions of units)	3 092	3 091
Diluted earnings per share (in CHF)	2.32	2.75
Net profit, net of effects of dilutive potential ordinary shares (in millions of CHF)	7 183	8 531
Weighted average number of shares outstanding, net of effects of dilutive potential ordinary shares (in millions of units)	3 098	3 097
Reconciliation of weighted average number of shares outstanding (in millions of units)		
Weighted average number of shares outstanding used to calculate basic earnings per share	3 092	3 091
Adjustment for share-based payment schemes, where dilutive	6	6
Weighted average number of shares outstanding used to calculate diluted earnings per share	3 098	3 097

16. Cash flow statement

16.1 Operating profit

In millions of CHF

	2017	2016
Profit for the year	7 538	8 883
Income from associates and joint ventures	(824)	(770)
Taxes	2 779	4 413
Financial income	(152)	(121)
Financial expense	771	758
	10 112	13 163

16.2 Non-cash items of income and expense

In millions of CHF

	2017	2016
Depreciation of property, plant and equipment	2 853	2 795
Impairment of property, plant and equipment	366	157
Impairment of goodwill	3 033	439
Amortisation of intangible assets	374	337
Impairment of intangible assets	158	44
Net result on disposal of businesses	132	—
Net result on disposal of assets	29	36
Non-cash items in financial assets and liabilities	(380)	(208)
Equity compensation plans	146	165
Other	20	42
	6 731	3 807

16.3 Decrease/(increase) in working capital

In millions of CHF

	2017	2016
Inventories	(838)	(238)
Trade and other receivables	(55)	(46)
Prepayments and accrued income	(51)	(2)
Trade and other payables	520	1 914
Accruals and deferred income	181	173
	(243)	1 801

16.4 Variation of other operating assets and liabilities

In millions of CHF

	2017	2016
Variation of employee benefits assets and liabilities	(71)	(167)
Variation of provisions	244	40
Other	220	181
	393	54

16.5 Net cash flows from treasury activities

In millions of CHF

	2017	2016
Interest paid	(534)	(534)
Interest and dividends received	119	96
Net cash flows from derivatives used to hedge foreign operations	(2)	115
Net cash flows from trading derivatives	(6)	(4)
	(423)	(327)

16.6 Reconciliation of free cash flow and net financial debt

In millions of CHF

	2017	2016
Operating cash flow	13 486	15 582
Capital expenditure	(3 934)	(4 010)
Expenditure on intangible assets	(769)	(682)
Investments (net of divestments) in associates and joint ventures	(140)	(748)
Other investing activities	(134)	(34)
Free cash flow	8 509	10 108
Acquisition of businesses	(696)	(585)
Financial liabilities and short-term investments acquired in business combinations	(19)	—
Disposal of businesses	140	271
Financial liabilities and short-term investments transferred on disposal of businesses	—	2
Acquisition (net of disposal) of non-controlling interests	(526)	(1 208)
Dividend paid to shareholders of the parent	(7 126)	(6 937)
Dividends paid to non-controlling interests	(342)	(432)
Purchase (net of sale) of treasury shares	(3 295)	760
Reclassification of financial investments from non-current financial assets to net financial debt	16	109
Outflows from non-current treasury investments	(26)	(39)
Cash inflows from hedging derivatives on net debt	(644)	74
Currency retranslations and exchange differences	34	(583)
Other movements	13	(28)
(Increase)/decrease of net financial debt	(3 962)	1 512
Net financial debt at beginning of year	(13 913)	(15 425)
Net financial debt at end of year	(17 875)	(13 913)
of which		
Current financial debt	(10 536)	(12 118)
Non-current financial debt	(15 932)	(11 091)
Cash and cash equivalents	7 938	7 990
Short-term investments	655	1 306

16.7 Cash and cash equivalents at end of year

Cash and cash equivalents include cash at bank and in hand and other short-term highly liquid investments with maturities of three months or less from the initial recognition.

In millions of CHF

	2017	2016
Cash at bank and in hand	2 202	3 341
Time deposits	1 330	1 292
Commercial paper	4 406	3 357
7 938	7 990	

17. Equity

17.1 Share capital issued

The ordinary share capital of Nestlé S.A. authorised, issued and fully paid is composed of 3 112 160 000 registered shares with a nominal value of CHF 0.10 each (2016: 3 112 160 000 registered shares). Each share confers the right to one vote. No shareholder may be registered with the right to vote for shares which it holds, directly or indirectly, in excess of 5% of the share capital. Shareholders have the right to receive dividends.

In 2016, the share capital changed as a consequence of the Share Buy-Back Programme launched in 2014. The cancellation of shares was approved at the Annual General Meeting of 7 April 2016. The share capital was reduced by 76 240 000 shares from CHF 319 million to CHF 311 million.

On 27 June 2017, the Group announced that the Board of Directors approved a share buy-back programme of up to CHF 20 billion to be completed by the end of June 2020.

It is subject to market conditions and strategic opportunities.

17.2 Conditional share capital

The conditional capital of Nestlé S.A. amounts to CHF 10 million as in the preceding year. It confers the right to increase the ordinary share capital, through the exercise of conversion or option rights in connection with debentures and other financial market instruments, by the issue of a maximum of 100 000 000 registered shares with a nominal value of CHF 0.10 each. Thus the Board of Directors has at its disposal a flexible instrument enabling it, if necessary, to finance the activities of the Company through convertible debentures.

17.3 Treasury shares

Number of shares in millions of units

	2017	2016
Purpose of holding		
Trading	4.2	4.3
Share Buy-Back Programme	41.6	—
Long-Term Incentive Plans	8.8	9.9
	54.6	14.2

At 31 December 2017, the treasury shares held by the Group represent 1.8% of the share capital (2016: 0.5%). Their market value amounts to CHF 4576 million (2016: CHF 1033 million).

17.4 Number of shares outstanding

Number of shares in millions of units	Shares issued	Treasury shares	Outstanding shares
At 1 January 2017	3 112.2	(14.2)	3 098.0
Purchase of treasury shares	—	(43.6)	(43.6)
Treasury shares delivered in respect of options exercised	—	0.9	0.9
Treasury shares delivered in respect of equity compensation plans	—	2.3	2.3
At 31 December 2017	3 112.2	(54.6)	3 057.6
At 1 January 2016	3 188.4	(103.9)	3 084.5
Purchase of treasury shares	—	(4.0)	(4.0)
Sale of treasury shares	—	13.8	13.8
Treasury shares delivered in respect of options exercised	—	0.8	0.8
Treasury shares delivered in respect of equity compensation plans	—	2.9	2.9
Treasury shares cancelled	(76.2)	76.2	—
At 31 December 2016	3 112.2	(14.2)	3 098.0

17.5 Translation reserve and other reserves

The translation reserve and the other reserves represent the cumulative amount attributable to shareholders of the parent of items that may be reclassified subsequently to the income statement.

The translation reserve comprises the cumulative gains and losses arising from translating the financial statements of foreign operations that use functional currencies other than Swiss Francs. It also includes the changes in the fair value of hedging instruments used for net investments in foreign operations.

The other reserves comprise the fair value reserve and the hedging reserve of the subsidiaries. The fair value reserve includes the gains and losses on remeasuring available-for-sale financial instruments and the hedging reserve consists of the effective portion of the gains and losses on hedging instruments related to hedged transactions that have not yet occurred.

The other reserves also comprise our share in the items that may be reclassified subsequently to the income statement by the associates and joint ventures (reserves equity accounted for).

17.6 Retained earnings

Retained earnings represent the cumulative profits as well as remeasurement of defined benefit plans attributable to shareholders of the parent.

17.7 Non-controlling interests

The non-controlling interests comprise the portion of equity of subsidiaries that are not owned, directly or indirectly, by Nestlé S.A. These non-controlling interests are individually not material for the Group.

17.8 Other comprehensive income

In millions of CHF

	Translation reserve	Fair value reserves	Hedging reserves	Reserves of associates and joint ventures	Retained earnings	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
2017								
Currency retranslations								
– Recognised	(726)	—	(1)	95	—	(632)	(18)	(650)
– Reclassified to income statement	—	—	—	—	—	—	—	—
– Taxes	92	—	—	—	—	92	—	92
	(634)	—	(1)	95	—	(540)	(18)	(558)
Fair value adjustments on available-for-sale financial instruments								
– Recognised	—	135	—	—	—	135	—	135
– Reclassified to income statement	—	(136)	—	—	—	(136)	—	(136)
– Taxes	—	(9)	—	—	—	(9)	—	(9)
	—	(10)	—	—	—	(10)	—	(10)
Fair value adjustments on cash flow hedges								
– Recognised	—	—	(225)	—	—	(225)	(5)	(230)
– Reclassified to income statement	—	—	166	—	—	166	3	169
– Taxes	—	—	6	—	—	6	—	6
	—	—	(53)	—	—	(53)	(2)	(55)
Remeasurement of defined benefit plans								
– Recognised	—	—	—	—	1 524	1 524	(11)	1 513
– Taxes	—	—	—	—	(454)	(454)	4	(450)
	—	—	—	—	1 070	1 070	(7)	1 063
Share of other comprehensive income of associates and joint ventures								
– Recognised	—	—	—	(240)	52	(188)	—	(188)
– Reclassified to income statement	—	—	—	—	—	—	—	—
	—	—	—	(240)	52	(188)	—	(188)
Other comprehensive income for the year	(634)	(10)	(54)	(145)	1 122	279	(27)	252

In millions of CHF

	Translation reserve	Fair value reserves	Hedging reserves	Reserves of associates and joint ventures	Retained earnings	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
2016								
Currency retranslations								
– Recognised	721	–	(2)	(7)	–	712	(10)	702
– Reclassified to income statement	390	–	–	–	–	390	–	390
– Taxes	(59)	–	–	–	–	(59)	–	(59)
	1 052	–	(2)	(7)	–	1 043	(10)	1 033
Fair value adjustments on available-for-sale financial instruments								
– Recognised	–	110	–	–	–	110	1	111
– Reclassified to income statement	–	(94)	–	–	–	(94)	–	(94)
– Taxes	–	(1)	–	–	–	(1)	–	(1)
	–	15	–	–	–	15	1	16
Fair value adjustments on cash flow hedges								
– Recognised	–	–	62	–	–	62	(1)	61
– Reclassified to income statement	–	–	(48)	–	–	(48)	–	(48)
– Taxes	–	–	(14)	–	–	(14)	–	(14)
	–	–	–	–	–	–	(1)	(1)
Remeasurement of defined benefit plans								
– Recognised	–	–	–	–	(452)	(452)	1	(451)
– Taxes	–	–	–	–	308	308	–	308
	–	–	–	–	(144)	(144)	1	(143)
Share of other comprehensive income of associates and joint ventures								
– Recognised	–	–	–	(154)	(10)	(164)	–	(164)
– Reclassified to income statement	–	–	–	–	–	–	–	–
	–	–	–	(154)	(10)	(164)	–	(164)
Other comprehensive income for the year	1 052	15	(2)	(161)	(154)	750	(9)	741

17.9 Reconciliation of the other reserves

In millions of CHF

	Fair value reserves	Hedging reserves	Reserves of associates and joint ventures	Total
At 1 January 2017	46	(15)	1 167	1 198
Other comprehensive income for the year	(10)	(54)	(145)	(209)
At 31 December 2017	36	(69)	1 022	989
At 1 January 2016	31	(13)	1 327	1 345
Other comprehensive income for the year	15	(2)	(161)	(148)
Other movements	—	—	1	1
At 31 December 2016	46	(15)	1 167	1 198

17.10 Dividend

In accordance with Swiss law and the Company's Articles of Association, dividend is treated as an appropriation of profit in the year in which it is ratified at the Annual General Meeting and subsequently paid.

The dividend related to 2016 was paid on 12 April 2017 in accordance with the decision taken at the Annual General Meeting on 6 April 2017. Shareholders approved the proposed dividend of CHF 2.30 per share, resulting in a total dividend of CHF 7126 million.

Dividend payable is not accounted for until it has been ratified at the Annual General Meeting. At the meeting on 12 April 2018, a dividend of CHF 2.35 per share will be proposed, resulting in an estimated total dividend of CHF 7216 million. For further details, refer to the Financial Statements of Nestlé S.A.

The Financial Statements for the year ended 31 December 2017 do not reflect this proposed distribution, which will be treated as an appropriation of profit in the year ending 31 December 2018.

18. Lease commitments

Leasing agreements which transfer to the Group substantially all the rewards and risks of ownership of an asset are treated as finance leases. All other leases are classified as operating leases.

Assets acquired under finance leases are capitalised and depreciated in accordance with the Group's policy on property, plant and equipment unless the lease term is shorter. The associated finance lease obligations are included under financial debt and the finance charge is presented as part of net financing cost of net debt.

Rentals under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

18.1 Operating leases

In millions of CHF

	2017	2016
Minimum lease payments (Future value)		
Within one year	733	726
In the second year	606	596
In the third to the fifth year	1 180	1 086
After the fifth year	1 014	831
	3 533	3 239

Lease commitments relate mainly to buildings and vehicles. The operating lease charge for the year 2017 amounts to CHF 808 million (2016: CHF 788 million).

18.2 Finance leases

In millions of CHF

	2017	2016		
Minimum lease payments	Present value	Future value	Present value	Future value
Within one year	44	46	42	45
In the second year	22	25	42	46
In the third to the fifth year	52	66	58	73
After the fifth year	33	51	39	56
	151	188	181	220

The difference between the future value of the minimum lease payments and their present value represents the discount on the lease obligations.

19. Transactions with related parties

19.1 Compensation of the Board of Directors and the Executive Board

Board of Directors

Members of the Board of Directors receive an annual compensation that varies with the Board and the Committee responsibilities as follows:

- Board members: CHF 280 000;
- members of the Chairman's and Corporate Governance Committee: additional CHF 200 000 (Chair CHF 300 000);
- members of the Compensation Committee: additional CHF 70 000 (Chair CHF 150 000);
- members of the Nomination and Sustainability Committee: additional CHF 40 000 (Chair CHF 100 000); and
- members of the Audit Committee: additional CHF 100 000 (Chair CHF 150 000).

The Chairman and the CEO Committee fees are included in their total compensation.

Half of the compensation is paid through the granting of Nestlé S.A. shares at the ex-dividend closing price. These shares are subject to a three-year blocking period.

With the exception of the Chairman and the CEO, members of the Board of Directors also receive an annual expense allowance of CHF 15 000 each. This allowance covers travel and hotel accommodation in Switzerland, as well as sundry out-of-pocket expenses. For Board members from outside Europe, the Company reimburses additionally their airline tickets. When the Board meets outside of Switzerland, all expenses are borne and paid directly by the Company.

The Chairman is entitled to a cash compensation, as well as Nestlé S.A. shares which are blocked for three years.

In millions of CHF

	2017	2016
Chairman's compensation	5	6
Other Board members		
Remuneration – cash	3	3
Shares	2	2
Total (a)	10	11

(a) For the detailed disclosures regarding the remunerations of the Board of Directors that are required by Swiss law, refer to the Compensation report of Nestlé S.A. with the audited sections highlighted with a blue bar.

Executive Board

The total annual remuneration of the members of the Executive Board comprises a salary, a bonus (based on the individual's performance and the achievement of the Group's objectives), equity compensation and other benefits. Members of the Executive Board can choose to receive part or all of their bonus in Nestlé S.A. shares at the average closing price of the last ten trading days of January of the year of the payment of the bonus. The CEO has to take a minimum of 50% in shares. These shares are subject to a three-year blocking period.

In millions of CHF

	2017	2016
Remuneration – cash	15	16
Bonus – cash	8	8
Bonus – shares	5	8
Equity compensation plans ^(a)	14	14
Pension	3	5
Total ^(b)	45	51

(a) Equity compensation plans are equity-settled share-based payment transactions whose cost is recognised over the vesting period as required by IFRS 2.

(b) For the detailed disclosures regarding the remunerations of the Executive Board that are required by Swiss law, refer to the Compensation report of Nestlé S.A. with the audited sections highlighted with a blue bar.

19.2 Transactions with associates and joint ventures

The main transactions with associates and joint ventures are:

- royalties received on brand licensing;
- dividends and interest received as well as loans granted (see Note 14);
- research and development commitments (see Note 9);
- in-licensing and intellectual property purchase (see Note 9).

19.3 Other transactions

Nestlé Capital Advisers S.A. (NCA), one of the Group's subsidiaries, is an unregulated investment and actuarial adviser, based in Switzerland. Further to actuarial advice, NCA renders investment consulting services to some of the Group's pension funds, either directly or indirectly via the Robusta mutual fund umbrella, but NCA never executes trading and investment transactions. The fees received by NCA in 2017 for those activities amounted to CHF 9 million (2016: CHF 10 million).

Nestlé Capital Management Ltd (NCM) is a 100% subsidiary of NCA. Until 30 November 2017, NCM was an asset manager authorised and regulated by the Financial Conduct Authority, in the United Kingdom. NCM ceased its activities during 2017 and will be wound-up in 2018. NCM managed some of the assets of the Group's pension funds. In this function, NCM executed trading and investment transactions on behalf of these pension funds directly or for the Robusta mutual funds pension investment vehicles. The fees received by NCM in 2017 for those activities amounted to CHF 6 million (2016: CHF 19 million). The assets under direct management represented CHF 10.4 billion at 31 December 2016.

In addition, Robusta Asset Management Ltd (RAML), a 100% subsidiary of NCA, is in charge of selecting and monitoring investment managers for the Robusta mutual funds pension investment vehicles. RAML has delegated most of its activities to third parties, including NCA and hence no fee income is generated by RAML. Any remaining expenses are covered by means of fees deducted from its assets under management. The assets under supervision of RAML amounted to CHF 7.9 billion at 31 December 2017 (2016: CHF 9.5 billion; of this amount CHF 6.5 billion of assets were under direct management of NCM at 31 December 2016).

For information regarding the Group's pension plans, which are considered as related parties, please refer to Note 10 Employee benefits.

Furthermore, throughout 2017, no director of the Group had a personal interest in any transaction of significance for the business of the Group.

20. Guarantees

At 31 December 2017 and 31 December 2016, the Group has no significant guarantees given to third parties.

21. Events after the balance sheet date

The values of assets and liabilities at the balance sheet date are adjusted if there is evidence that subsequent adjusting events warrant a modification of these values. These adjustments are made up to the date of approval of the Consolidated Financial Statements by the Board of Directors.

At 14 February 2018, the date of approval for issue of the Consolidated Financial Statements by the Board of Directors, the Group has no subsequent events which warrant a modification of the value of its assets and liabilities. There are no subsequent events which require any additional disclosure except the estimated gain on the disposal of the US confectionery business mentioned in Note 2.4 Assets held for sale.

Statutory Auditor's Report

To the General Meeting of Nestlé S.A., Cham & Vevey

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Nestlé S.A. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 64 to 142) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters



Revenue recognition



Carrying value of goodwill and indefinite life intangible assets



Income taxes

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Revenue recognition

Key Audit Matter

Revenue from the sale of goods is recognised at the moment when the significant risks and rewards of ownership have been transferred to the buyer; and is measured net of pricing allowances, other trade discounts, and price promotions to customers (collectively 'trade spend').

The judgements required by management to estimate trade spend accruals are complex due to the diverse range of contractual agreements and commercial terms across the Group's markets.

There is a risk that revenue may be overstated because of fraud, resulting from the pressure local management may feel to achieve performance targets. Revenue is also an important element of how the Group measures its performance, upon which management are incentivised.

The Group focuses on revenue as a key performance measure, which could create an incentive for revenue to be recognised before the risks and rewards have been transferred.

Our response

We considered the appropriateness of the Group's revenue recognition accounting policies, including the recognition and classification criteria for trade spend.

Due to the high reliance of revenue recognition on IT, we evaluated the integrity of the general IT control environment and tested the operating effectiveness of key IT application controls. We performed detailed testing over the completeness and accuracy of the underlying customer master data, by assessing mandatory fields and critical segregation of duties.

Additionally we identified transactions that deviated from the standard process for further investigation and validated the existence and accuracy of this population. We also tested the operating effectiveness of controls over the calculation and monitoring of trade spend.

Furthermore, we performed a monthly trend analysis of revenue by market by considering both internal and external benchmarks, overlaying our understanding of each market, to compare the reported results with our expectation.

We also considered the accuracy of the Group's description of the accounting policy related to revenue, and whether revenue is adequately disclosed throughout the consolidated financial statements.

For further information on revenue recognition refer to the following:

- Note 1, "Accounting policies"
- Note 3, "Analyses by segment"



Carrying value of goodwill and indefinite life intangible assets

Key Audit Matter

The Group has goodwill of CHF 29,748 million and indefinite life intangible assets of CHF 16,188 million as at 31 December 2017 which are required to be tested for impairment at least on an annual basis. The recoverability of these assets is dependent on achieving sufficient level of future net cash flows.

Management apply judgement in allocating these assets to individual cash generating units ('CGUs') as well as in assessing the future performance and prospects of each CGU and determining the appropriate discount rates.

Our response

We evaluated the accuracy of impairment tests applied to significant amounts of goodwill and indefinite life intangible assets, the appropriateness of the assumptions used, and the methodology used by management to prepare its cash flow forecasts.

For a sample of CGUs, identified based on quantitative and qualitative factors and including among others the Nestlé Skin Health CGU, we assessed the historical accuracy of the plans and forecasts by comparing the forecasts used in the prior year model to the actual performance in the current year. We compared these against the latest plans and forecasts approved by management.

In 2017 an impairment loss of CHF 2,799 million was recognised in respect of Nestlé Skin Health, following a strategy review that triggered substantial changes to the CGU's portfolio and focus.

We then challenged the robustness of the key assumptions used to determine the recoverable amount, including identification of the CGU, forecast cash flows, long term growth rates and the discount rate based on our understanding of the commercial prospects of the related assets. In addition, we identified and analysed changes in assumptions from prior periods, made an assessment of the appropriateness of assumptions, and performed a comparison of assumptions with publicly available data.

We also considered the appropriateness of disclosures in relation to impairment sensitivities and disclosures in relation to the impairment recognised in respect of Nestlé Skin Health.

For further information on the carrying value of goodwill and indefinite life intangible assets refer to the following:

- Note 1, "Accounting policies"
- Note 9, "Goodwill and intangible assets"



Income taxes

Key Audit Matter

The Group operates across multiple tax jurisdictions around the world, and is thus regularly subject to tax challenges and audits by local tax authorities on various matters including intragroup financing, pricing and royalty arrangements, different business models and other transaction-related matters.

Where the amount of tax liabilities or assets is uncertain, the Group recognises provisions that reflect management's best estimate of the most likely outcome based on the facts known in the relevant jurisdiction.

Our response

We evaluated management's judgment of tax risks, estimates of tax exposures and contingencies by involving our local country tax specialists. Third party opinions, past and current experience with the tax authorities in the respective jurisdiction and our tax specialists' own expertise were used to assess the appropriateness of management's best estimate of the most likely outcome of each uncertain tax position.

Our audit approach included additional reviews performed at Group level to consider the Group's uncertain tax positions viewed from a worldwide perspective - in particular for transfer prices, intragroup financing and payments in relation to centralised business models where multiple jurisdictions and tax authorities are involved. We drew on our own tax expertise and knowledge gained with other similar groups to conclude on management's best estimate of the outcome on the Group's worldwide uncertain tax positions as they relate to more than one jurisdiction.

For further information on income taxes refer to the following:

- Note 1, "Accounting policies"
- Note 11, "Provisions and contingencies"
- Note 13, "Taxes"

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the

related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG SA



Scott Cormack
Licensed Audit Expert
Auditor in Charge



Lukas Marty
Licensed Audit Expert

Geneva, 14 February 2018

Financial information – 5 year review

In millions of CHF (except for data per share and employees)

	2017	2016
Results		
Sales	89 791	89 469
Underlying Trading operating profit *	14 729	14 307
as % of sales	16.4%	16.0%
Trading operating profit *	13 233	13 693
as % of sales	14.7%	15.3%
Taxes	2 779	4 413
Profit for the year attributable to shareholders of the parent (Net profit)	7 183	8 531
as % of sales	8.0%	9.5%
Total amount of dividend	7 216 (b)	7 126
Depreciation of property, plant and equipment	2 853	2 795
Balance sheet and Cash flow statement		
Current assets	32 190	32 042
Non-current assets	98 190	99 859
Total assets	130 380	131 901
Current liabilities	36 054	37 517
Non-current liabilities	31 549	28 403
Equity attributable to shareholders of the parent	61 504	64 590
Non-controlling interests	1 273	1 391
Net financial debt *	17 875	13 913
Ratio of net financial debt to equity (gearing)	29.1%	21.5%
Operating cash flow	13 486	15 582
as % of net financial debt	75.4%	112.0%
Free cash flow *	8 509	10 108
Capital expenditure	3 934	4 010
as % of sales	4.4%	4.5%
Data per share		
Weighted average number of shares outstanding (in millions of units)	3 092	3 091
Basic earnings per share	2.32	2.76
Underlying earnings per share *	3.55	3.40
Dividend	2.35 (b)	2.30
Pay-out ratio based on basic earnings per share	101.3% (b)	83.3%
Stock prices (high)	86.40	80.05
Stock prices (low)	71.45	67.00
Yield (a)	2.7/3.3 (b)	2.9/3.4
Market capitalisation	256 223	226 310
Number of employees (in thousands)	323	328

* Certain financial performance measures, that are not defined by IFRS, are used by management to assess the financial and operational performance of the Group. The "Alternative Performance Measures" document published under <https://www.nestle.com/investors/publications> provides the definition of these non-IFRS financial performance measures.

(a) Calculated on the basis of the dividend for the year concerned, which is paid in the following year, and on high/low stock prices.

(b) As proposed by the Board of Directors of Nestlé S.A.

2015	2014	2013	
			Results
88 785	91 612	92 158	Sales
14 032	14 816	14 892	Underlying Trading operating profit *
15.8%	16.2%	16.2%	as % of sales
13 382	14 019	14 047	Trading operating profit *
15.1%	15.3%	15.2%	as % of sales
3 305	3 367	3 256	Taxes
9 066	14 456	10 015	Profit for the year attributable to shareholders of the parent (Net profit)
10.2%	15.8%	10.9%	as % of sales
6 937	6 950	6 863	Total amount of dividend
2 861	2 782	2 864	Depreciation of property, plant and equipment
			Balance sheet and Cash flow statement
29 434	33 961	30 066	Current assets
94 558	99 489	90 376	Non-current assets
123 992	133 450	120 442	Total assets
33 321	32 895	32 917	Current liabilities
26 685	28 671	23 386	Non-current liabilities
62 338	70 130	62 575	Equity attributable to shareholders of the parent
1 648	1 754	1 564	Non-controlling interests
15 425	12 325	14 690	Net financial debt *
24.7%	17.6%	23.5%	Ratio of net financial debt to equity (gearing)
14 302	14 700	14 992	Operating cash flow
92.7%	119.3%	102.1%	as % of net financial debt
9 945	14 137	10 486	Free cash flow *
3 872	3 914	4 928	Capital expenditure
4.4%	4.3%	5.3%	as % of sales
			Data per share
3 129	3 188	3 191	Weighted average number of shares outstanding (in millions of units)
2.90	4.54	3.14	Basic earnings per share
3.31	3.44	3.50	Underlying earnings per share *
2.25	2.20	2.15	Dividend
77.6%	48.5%	68.5%	Pay-out ratio based on basic earnings per share
77.00	73.30	70.00	Stock prices (high)
64.55	63.85	59.20	Stock prices (low)
2.9/3.5	3.0/3.4	3.1/3.6	Yield ^(a)
229 947	231 136	208 279	Market capitalisation
335	339	333	Number of employees (in thousands)

Companies of the Nestlé Group, joint arrangements and associates

In the context of the SIX Swiss Exchange Directive on Information relating to Corporate Governance, the disclosure criteria of the principal affiliated companies are as follows:

- operating companies are disclosed if their sales exceed CHF 10 million or equivalent;
- financial companies are disclosed if either their equity exceeds CHF 10 million or equivalent and/or the total balance sheet is higher than CHF 50 million or equivalent;
- joint ventures and associates are disclosed if the share held by the Group in their profit exceeds CHF 10 million or equivalent and/or the Group's investment in them exceeds CHF 50 million or equivalent

Entities directly held by Nestlé S.A. that are below the disclosure criteria are listed with a°.

All companies listed below are fully consolidated except for:

- 1) Joint ventures accounted for using the equity method;
- 2) Joint operations accounted for in proportion to the Nestlé contractual specified share (usually 50%);
- 3) Associates accounted for using the equity method.

Countries within the continents are listed according to the alphabetical order of the country names.

Percentage of capital shareholding corresponds to voting powers unless stated otherwise.

- △ Companies listed on the stock exchange
 ◇ Sub-holding, financial and property companies

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings by Nestlé S.A.	Currency	Capital	
Europe						
Austria						
Galderma Austria GmbH	Linz		100%	EUR	35 000	
Nespresso Österreich GmbH & Co. OHG	Wien		100%	EUR	35 000	
Nestlé Österreich GmbH	Wien	34.4%	100%	EUR	7 270 000	
Azerbaijan						
Nestlé Azerbaijan LLC	Baku		100%	100%	USD	200 000
Belarus						
LLC Nestlé Bel	° Minsk		100%	100%	BYN	410 000
Belgium						
Centre de Coordination Nestlé S.A.	◇ Bruxelles	91.5%	100%	EUR	4 298 971 818	
Nespresso Belgique S.A.	Bruxelles	100%	100%	EUR	550 000	
Nestlé Belgilux S.A.	Bruxelles	56.9%	100%	EUR	64 924 438	
Nestlé Catering Services N.V.	Bruxelles		100%	EUR	14 035 500	
Nestlé Waters Benelux S.A.	Etalle		100%	EUR	5 601 257	
Bosnia and Herzegovina						
Nestlé Adriatic BH d.o.o.	Sarajevo		100%	100%	BAM	2 151

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Bulgaria					
Nestlé Bulgaria A.D.	Sofia	100%	100%	BGN	10 234 933
Croatia					
Nestlé Adriatic d.o.o.	Zagreb	100%	100%	HRK	14 685 500
Czech Republic					
Nestlé Cesko s.r.o.	Praha	100%	100%	CZK	300 000 000
Tivall CZ, s.r.o.	Krupka		100%	CZK	400 000 000
Cereal Partners Czech Republic, s.r.o.	1) Praha		50%	CZK	23 100 000
Denmark					
Nestlé Danmark A/S	Copenhagen	100%	100%	DKK	44 000 000
Nestlé Professional Food A/S	Rønne		100%	DKK	12 000 000
Glycom A/S	3) Copenhagen	35.7%	35.7%	DKK	1 383 655
Finland					
Puljonki Oy	Juuka		100%	EUR	85 000
Suomen Nestlé Oy	Helsinki	100%	100%	EUR	6 000 000
France					
Centres de Recherche et Développement Nestlé S.A.S.	Noisiel		100%	EUR	3 138 230
Galderma International S.A.S.	Courbevoie		100%	EUR	940 020
Galderma Q-Med S.A.S.	Nanterre		100%	EUR	3 769 870
Galderma Research and Development SNC	Biot		100%	EUR	30 322 851
Herta S.A.S.	Noisiel		100%	EUR	12 908 610
Laboratoires Galderma S.A.S.	Alby-sur-Chéran		100%	EUR	14 015 454
Nespresso France S.A.S.	Paris		100%	EUR	1 360 000
Nestlé Entreprises S.A.S.	◊ Noisiel	84%	100%	EUR	739 559 392
Nestlé France S.A.S.	Noisiel		100%	EUR	130 925 520
Nestlé France M.G. S.A.S.	Noisiel		100%	EUR	50 000
Nestlé Health Science France S.A.S.	Noisiel		100%	EUR	57 943 072
Nestlé Purina PetCare France S.A.S.	Noisiel		100%	EUR	21 091 872
Nestlé Waters S.A.S.	◊ Issy-les-Moulineaux		100%	EUR	254 825 042
Nestlé Waters France S.A.S.	◊ Issy-les-Moulineaux		100%	EUR	44 856 149
Nestlé Waters Management & Technology S.A.S.	Issy-les-Moulineaux		100%	EUR	38 113
Nestlé Waters Marketing & Distribution S.A.S.	Issy-les-Moulineaux		100%	EUR	26 740 940
Nestlé Waters Services S.A.S.	Issy-les-Moulineaux		100%	EUR	1 356 796
Nestlé Waters Supply Est S.A.S.	Issy-les-Moulineaux		100%	EUR	17 539 660
Nestlé Waters Supply Sud S.A.S.	Issy-les-Moulineaux		100%	EUR	7 309 106
Société des Produits Alimentaires de Caudry S.A.S.	Noisiel		100%	EUR	8 670 319
Société Immobilière de Noisiel S.A.	◊ Noisiel		100%	EUR	22 753 550
Société Industrielle de Transformation de Produits Agricoles S.A.S.	Noisiel		100%	EUR	9 718 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings by Nestlé S.A.	Currency	Capital
France (continued)					
Cereal Partners France SNC	1) Noisiel		50%	EUR	3 000 000
L'Oréal S.A. ^(a)	△3) Paris	23.2%	23.2%	EUR	112 103 818
Listed on the Paris stock exchange, market capitalisation EUR 103.7 billion, quotation code (ISIN) FR0000120321					
Lactalis Nestlé Produits Frais S.A.S.	3) Laval	40%	40%	EUR	69 208 832
Georgia					
Nestlé Georgia LLC	° Tbilisi	100%	100%	CHF	700 000
Germany					
Bübchen-Werk Ewald Hermes Pharmazeutische Fabrik GmbH	Soest		100%	EUR	25 565
Galderma Laboratorium GmbH	Düsseldorf		100%	EUR	800 000
Nestlé Deutschland AG	Frankfurt am Main		100%	EUR	214 266 628
Nestlé Product Technology Centre Lebensmittel fors chung GmbH	Freiburg i. Br.		100%	EUR	52 000
Nestlé Unternehmungen Deutschland GmbH	◊ Frankfurt am Main		100%	EUR	60 000 000
Nestlé Waters Deutschland GmbH	Frankfurt am Main		100%	EUR	10 566 000
Terra Canis GmbH	München		80%	EUR	60 336
C.P.D. Cereal Partners Deutschland GmbH & Co. OHG	1) Frankfurt am Main		50%	EUR	511 292
Trunks GmbH	3) Braunschweig		25%	EUR	2 360 000
Trunks Süd GmbH	3) München		25%	EUR	260 000
Greece					
Nespresso Hellas S.A.	Maroussi	100%	100%	EUR	500 000
Nestlé Hellas S.A.	Maroussi	100%	100%	EUR	5 269 765
C.P.W. Hellas Breakfast Cereals S.A.	1) Maroussi		50%	EUR	201 070
Hungary					
Nestlé Hungária Kft.	Budapest	100%	100%	HUF	6 000 000 000
Cereal Partners Hungária Kft.	1) Budapest		50%	HUF	22 000 000
Italy					
Fastlog S.p.A.	Assago		100%	EUR	154 935
Galderma Italia S.p.A.	Milano		100%	EUR	612 000
Nespresso Italiana S.p.A.	Assago		100%	EUR	250 000
Nestlé Italiana S.p.A.	Assago	100%	100%	EUR	25 582 492
Sanpellegrino S.p.A.	San Pellegrino Terme		100%	EUR	58 742 145
Kazakhstan					
Nestlé Food Kazakhstan LLP	Almaty	100%	100%	KZT	91 900

^(a) Voting powers amount to 23.2%

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Lithuania					
UAB „Nestlé Baltics”	Vilnius	100%	100%	EUR	31 856
Luxembourg					
Compagnie Financière du Haut-Rhin S.A.	◊ Luxembourg	100%	100%	EUR	105 200 000
Nespresso Luxembourg Sàrl	Luxembourg	100%	100%	EUR	12 525
Nestlé Finance International Ltd	◊ Luxembourg	100%	100%	EUR	440 000
Nestlé Treasury International S.A.	◊ Luxembourg	100%	100%	EUR	1 000 000
NTC-Europe S.A.	◊ Luxembourg	100%	100%	EUR	3 565 000
Macedonia					
Nestlé Adriatik Makedonija d.o.o.e.l.	Skopje-Karpos	100%	100%	MKD	31 065 780
Malta					
Nestlé Malta Ltd	Lija	99.9%	100%	EUR	116 470
Moldova					
LLC Nestlé	◊ Chisinau	100%	100%	USD	1 000
Netherlands					
East Springs International N.V.	◊ Amsterdam	100%	100%	EUR	25 370 000
Galderma BeNeLux B.V.	Rotterdam	100%	100%	EUR	18 002
Nespresso Nederland B.V.	Amsterdam	100%	100%	EUR	680 670
Nestlé Nederland B.V.	Amsterdam	100%	100%	EUR	11 346 000
Tivall Netherlands B.V.	Zeist	100%	100%	EUR	18 000
Norway					
A/S Nestlé Norge	Lysaker	100%	100%	NOK	81 250 000
Poland					
Galderma Polska Z o.o.	Warszawa	100%	100%	PLN	93 000
Nestlé Polska S.A.	Warszawa	100%	100%	PLN	42 800 000
Nestlé Waters Polska S.A.	Warszawa	100%	100%	PLN	196 100 000
Cereal Partners Poland Torun-Pacific Sp. Z o.o.	1) Torun	50%	50%	PLN	14 572 838
Portugal					
Nestlé Business Services Lisbon, S.A.	◊ Oeiras	100%	100%	EUR	50 000
Nestlé Portugal S.A.	Oeiras	100%	100%	EUR	30 000 000
Prolacto-Lacticínios de São Miguel S.A.	Ponta Delgada	100%	100%	EUR	700 000
Cereal Associados Portugal A.E.I.E.	1) Oeiras	50%	50%	EUR	99 760
Republic of Ireland					
Nestlé (Ireland) Ltd	Dublin	100%	100%	EUR	1 270
Wyeth Nutritionals Ireland Ltd	Askeaton	100%	100%	USD	10 000 000
WyNutri Ltd	Dublin	100%	100%	USD	1

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Republic of Serbia					
Nestlé Adriatic S d.o.o., Beograd-Surcin	Beograd-Surcin	100%	100%	RSD	12 222 327 814
Romania					
Nestlé Romania S.R.L.	Bucharest	100%	100%	RON	132 906 800
Russia					
Nestlé Kuban LLC	Timashevsk	67.4%	100%	RUB	21 041 793
Nestlé Rossiya LLC	Moscow	84.1%	100%	RUB	880 154 115
ooo Galderma LLC	Moscow		100%	RUB	25 000 000
Cereal Partners Rus, LLC	1) Moscow	35%	50%	RUB	39 730 861
Slovak Republic					
Nestlé Slovensko s.r.o.	Prievidza	100%	100%	EUR	13 277 568
Slovenia					
Nestlé Adriatic Trgovina d.o.o.	° Ljubljana	100%	100%	EUR	8 763
Spain					
Laboratorios Galderma, S.A.	Madrid		100%	EUR	432 480
Nestlé España S.A.	Esplugues de Llobregat (Barcelona)	100%	100%	EUR	100 000 000
Nestlé Global Services Spain, S.L.	° Esplugues de Llobregat (Barcelona)	100%	100%	EUR	3 000
Nestlé Purina PetCare España S.A.	Castellbisbal (Barcelona)		100%	EUR	12 000 000
Productos del Café S.A.	Reus (Tarragona)		100%	EUR	6 600 000
Cereal Partners España A.E.I.E.	1) Esplugues de Llobregat (Barcelona)		50%	EUR	120 202
Sweden					
Galderma Nordic AB	Uppsala	100%	SEK	31 502 698	
Nestlé Sverige AB	Helsingborg	100%	SEK	20 000 000	
O-Med AB	Uppsala	100%	SEK	24 845 500	
Tivall Sweden AB	Malmoë	100%	SEK	100 000	
Switzerland					
DPA (Holding) S.A.	° Vevey	100%	100%	CHF	100 000
Entreprises Maggi S.A.	° Cham	100%	100%	CHF	100 000
Galderma S.A.	Cham		100%	CHF	178 100
Galderma Pharma S.A.	° Lausanne		100%	CHF	48 900 000
Galderma Schweiz AG	Egerkingen		100%	CHF	100 000
Intercona Re AG	° Châtel-St-Denis		100%	CHF	35 000 000
Materna-Nestlé GmbH	° Zug	100%	100%	CHF	20 000
Nespresso IS Services S.A.	° Lausanne	100%	100%	CHF	100 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Switzerland (continued)					
Nestec S.A.	Vevey	100%	100%	CHF	5 000 000
Nestlé Capital Advisers S.A.	Vevey	100%	100%	CHF	400 000
Nestlé Finance S.A.	◊ Cham		100%	CHF	30 000 000
Nestlé Health Science S.A.	◊ Epalinges	100%	100%	CHF	100 000
Nestlé Institute of Health Sciences S.A.	Ecublens		100%	CHF	100 000
Nestlé International Travel Retail S.A.	Vevey	100%	100%	CHF	3 514 000
Nestlé Nespresso S.A.	Lausanne	100%	100%	CHF	2 000 000
Nestlé Operational Services Worldwide S.A.	Bussigny-près-Lausanne	100%	100%	CHF	100 000
Nestlé Skin Health S.A.	◊ Lausanne	100%	100%	CHF	100 000
Nestlé Ventures S.A.	◊ Vevey	100%	100%	CHF	250 000
Nestlé Waters (Suisse) S.A.	Henniez		100%	CHF	5 000 000
Nestrade S.A.	La Tour-de-Peilz	100%	100%	CHF	6 500 000
Nutrition-Wellness Venture AG	◊ Vevey	100%	100%	CHF	100 000
Provestor AG	◊◊ Cham	100%	100%	CHF	2 000 000
Servcom S.A.	◊ La Tour-de-Peilz	100%	100%	CHF	50 000
Société des Produits Nestlé S.A.	Vevey	100%	100%	CHF	34 750 000
Sofinol S.A.	Manno		100%	CHF	3 000 000
Somafa S.A.	◊◊ Cham	100%	100%	CHF	400 000
Spirig Pharma AG	Egerkingen		100%	CHF	600 000
The Proactiv Company Sàrl	Lausanne		75%	CHF	20 000
Vetropa S.A.	◊◊ Fribourg	100%	100%	CHF	2 500 000
Beverage Partners Worldwide (Europe) AG	◊◊◊ Zürich	50%	50%	CHF	1 000 000
CPW Operations Sàrl	¹) Prilly	50%	50%	CHF	20 000
CPW S.A.	¹) Prilly	50%	50%	CHF	10 000 000
Microbiome Diagnostics Partners S.A.	◊◊ Epalinges	50%	50%	CHF	100 000
Eckes-Granini (Suisse) S.A.	²) Henniez		49%	CHF	2 000 000
Turkey					
Erikli Dagitim ve Pazarlama A.S.	Bursa		100%	TRY	3 849 975
Erikli Su ve Mesrubat Sanayi ve Ticaret A.S.	Bursa		100%	TRY	12 700 000
Nestlé Türkiye Gida Sanayi A.S.	Istanbul	99.9%	99.9%	TRY	35 000 000
Nestlé Waters Gida ve Mesrubat Sanayi Ticaret A.S.	Bursa		100%	TRY	8 000 000
Cereal Partners Gida Ticaret Limited Sirketi	¹) Istanbul		50%	TRY	87 020 000
Ukraine					
LLC Nestlé Ukraine	Kyiv	100%	100%	USD	150 000
PJSC „Lviv Confectionery Factory Svitoch”	Lviv	97%	97%	UAH	88 111 060
PRJSC Volynholding	Torchyn	90.5%	100%	UAH	100 000
United Kingdom					
Galderma (UK) Ltd	Watford		100%	GBP	1 500 000
Nespresso UK Ltd	Gatwick		100%	GBP	275 000
Nestec York Ltd	Gatwick		100%	GBP	500 000
Nestlé Capital Management Ltd	Gatwick		100%	GBP	2 000 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
United Kingdom (continued)					
Nestlé Holdings (UK) PLC	◊ Gatwick	93.7%	100%	GBP	77 940 000
Nestlé Purina PetCare (UK) Ltd	Gatwick		100%	GBP	44 000 000
Nestlé UK Ltd	Gatwick		100%	GBP	129 972 342
Nestlé Waters UK Ltd	Gatwick		100%	GBP	640
Osem UK Ltd	London		100%	GBP	2 000
Proactiv Skin Health Ltd	London		75%	GBP	101
Vitaflor (International) Ltd	Liverpool		100%	GBP	625 379
Cereal Partners UK	1) Herts		50%	GBP	—
Froneri Ltd ^(b)	1) Northallerton	22.2%	44.9%	EUR	13 000
Phagenesis Ltd	°3) Manchester	29.2%	29.2%	GBP	16 146

(b) Excluding non voting preference shares. Voting powers amount to 50%

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Africa					
Algeria					
Nestlé Algérie SpA	Alger	<0.1%	49%	DZD	2 600 000 000
Nestlé Industrie Algérie SpA	° Alger	49%	49%	DZD	1 100 000 000
Nestlé Waters Algérie SpA	Blida		49%	DZD	377 606 250
Angola					
Nestlé Angola Lda	Luanda	100%	100%	AOA	1 443 600 000
Burkina Faso					
Nestlé Burkina Faso S.A.	Ouagadougou		100%	XOF	50 000 000
Cameroon					
Nestlé Cameroun S.A.	Douala	100%	100%	XAF	4 323 960 000
Chad					
Nestlé Chad S.A.	N'Djamena	100%	100%	XAF	50 000 000
Côte d'Ivoire					
Centre de Recherche et de Développement					
Nestlé Abidjan S.A.	Abidjan	100%	XOF	10 000 000	
Nestlé Côte d'Ivoire S.A.	△ Abidjan	79.6%	86.5%	XOF	5 517 600 000
Listed on the Abidjan stock exchange, market capitalisation XOF 41.9 billion, quotation code (ISIN) CI0009240728					
Democratic Republic of the Congo					
Nestlé Congo S.A.R.L	Kinshasa	100%	100%	USD	33 200 000
Egypt					
Caravan Marketing Company S.A.E.	Giza	100%	100%	EGP	33 000 000
Nestlé Egypt S.A.E.	Giza	100%	100%	EGP	80 722 000
Nestlé Waters Egypt S.A.E.	Cairo	63.8%	EGP	90 140 000	
Ethiopia					
Nestlé Waters Ethiopia Share Company	Addis Ababa		51%	ETB	223 450 770
Gabon					
Nestlé Gabon, S.A.	Libreville	90%	90%	XAF	344 000 000
Ghana					
Nestlé Central and West Africa Ltd	Accra	100%	100%	GHS	95 796 000
Nestlé Ghana Ltd	Accra	76%	76%	GHS	20 100 000
Guinea					
Nestlé Guinée S.A.	Conakry	99%	99%	GNF	3 424 000 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Kenya					
Nestlé Equatorial African Region Ltd	Nairobi	100%	100%	KES	132 000 000
Nestlé Kenya Ltd	Nairobi	100%	100%	KES	226 100 400
Mali					
Nestlé Mali S.A.U.	Bamako		100%	XOF	10 000 000
Mauritius					
Nestlé's Products (Mauritius) Ltd	Port Louis	100%	100%	BSD	71 500
Morocco					
Nestlé Maghreb S.A.	° Casablanca	100%	100%	MAD	300 000
Nestlé Maroc S.A.	El Jadida	94.5%	94.5%	MAD	156 933 000
Mozambique					
Nestlé Moçambique Lda	° Maputo	100%	100%	MZN	2 474 909 200
Niger					
Nestlé Niger S.A.	Niamey		99.6%	XOF	50 000 000
Nigeria					
Nestlé Nigeria Plc	△ Ilupeju	66.2%	66.2%	NGN	396 328 126
Listed on the Nigerian Stock Exchange, market capitalisation NGN 1233.0 billion, quotation code (ISIN) NGNESTLE0006					
Senegal					
Nestlé Sénégal S.A.	Dakar	100%	100%	XOF	1 620 000 000
South Africa					
Galderma Laboratories South Africa (Pty) Ltd	Bryanston		100%	ZAR	375 000
Nestlé (South Africa) (Pty) Ltd	Johannesburg	100%	100%	ZAR	759 735 000
Clover Waters Proprietary Limited	3) Johannesburg		30%	ZAR	56 021 890
Tunisia					
Nestlé Tunisie S.A.	° Tunis	99.5%	99.5%	TND	8 438 280
Nestlé Tunisie Distribution S.A.	Tunis	<0.1%	99.5%	TND	100 000
Zambia					
Nestlé Zambia Trading Ltd	Lusaka	99.8%	100%	ZMW	2 317 500
Zimbabwe					
Nestlé Zimbabwe (Private) Ltd	Harare	100%	100%	USD	2 100 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Americas					
Argentina					
Eco de Los Andes S.A.	Buenos Aires	50.9%	ARS	92 524 285	
Galderma Argentina S.A.	Buenos Aires	100%	ARS	9 900 000	
Nestlé Argentina S.A.	Buenos Aires	100%	ARS	233 316 000	
Bolivia					
Industrias Alimentícias Fagal S.R.L.	Santa Cruz	98.5%	BOB	175 556 000	
Nestlé Bolivia S.A.	Santa Cruz	99%	BOB	191 900	
Brazil					
Chocolates Garoto S.A.	Vila Velha	100%	BRL	161 450 000	
Dairy Partners Americas Manufacturing Brasil Ltda	São Paulo	100%	BRL	39 468 974	
Galderma Brasil Ltda	São Paulo	100%	BRL	39 741 602	
Nestlé Brasil Ltda	São Paulo	100%	BRL	452 985 643	
Nestlé Nordeste Alimentos e Bebidas Ltda	Feira de Santana	100%	BRL	259 547 969	
Nestlé Sudeste Alimentos e Bebidas Ltda	São Paulo	100%	BRL	109 317 818	
Nestlé Sul – Alimentos e Bebidas Ltda	Carazinho	100%	BRL	73 049 736	
Nestlé Waters Brasil – Bebidas e Alimentos Ltda	São Paulo	100%	BRL	87 248 341	
Ralston Purina do Brasil Ltda	° Ribeirão Preto	100%	BRL	17 976 826	
SOCOPAL – Sociedade Comercial de Corretagem de Seguros e de Participações Ltda	° São Paulo	100%	BRL	2 155 600	
CPW Brasil Ltda	1) Caçapava	50%	BRL	7 885 520	
Dairy Partners Americas Brasil Ltda	3) São Paulo	49%	BRL	227 606 368	
Dairy Partners Americas Nordeste – Produtos Alimentícios Ltda	3) Garanhuns	49%	BRL	100 000	
Canada					
G. Production Canada Inc.	Baie D'Urfé (Québec)	100%	CAD	100	
Galderma Canada Inc.	Saint John (New Brunswick)	100%	CAD	100	
Nestlé Canada Inc.	Toronto (Ontario)	65.7%	CAD	47 165 540	
Nestlé Capital Canada Ltd	° Toronto (Ontario)	100%	CAD	1 010	
Cayman Islands					
Hsu Fu Chi International Limited	° Grand Cayman	60%	SGD	7 950 000	
Chile					
Galderma Chile Laboratorios Ltda	Santiago de Chile	100%	CLP	12 330 000	
Nespresso Chile S.A.	Santiago de Chile	99.7%	CLP	1 000 000	
Nestlé Chile S.A.	Santiago de Chile	99.7%	CLP	11 832 926 000	
Cereales CPW Chile Ltda	1) Santiago de Chile	50%	CLP	3 026 156 114	
Aguas CCU – Nestlé Chile S.A.	3) Santiago de Chile	49.8%	CLP	49 799 375 321	

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Colombia					
Comestibles La Rosa S.A.	Bogotá	52.4%	100%	COP	126 397 400
Dairy Partners Americas Manufacturing Colombia Ltda	Bogotá	99.8%	100%	COP	200 000 000
Galderma de Colombia S.A.	Bogotá		100%	COP	2 250 000 000
Nestlé de Colombia S.A.	Bogotá	100%	100%	COP	1 291 305 400
Nestlé Purina PetCare de Colombia S.A.	Bogotá	<0.1%	100%	COP	17 030 000 000
Costa Rica					
Compañía Nestlé Costa Rica S.A.	Heredia	100%	100%	CRC	18 000 000
Cuba					
Coralac S.A.	La Habana		60%	USD	6 350 000
Los Portales S.A.	La Habana		50%	USD	24 110 000
Nescor, S.A.	° Artemisa	50.9%	50.9%	USD	32 200 000
Dominican Republic					
Nestlé Dominicana S.A.	Santo Domingo	98.7%	99.9%	DOP	1 657 445 000
Silsa Dominicana S.A.	Santo Domingo		99.9%	USD	50 000
Ecuador					
Ecuajugos S.A.	Quito	100%	100%	USD	521 583
Industrial Surindu S.A.	Quito	<0.1%	100%	USD	3 000 000
Nestlé Ecuador S.A.	Quito	100%	100%	USD	1 776 760
El Salvador					
Nestlé El Salvador, S.A. de C.V.	San Salvador	100%	100%	USD	4 457 200
Guatemala					
Compañía de Servicios de Distribución, S.A.	° Guatemala City	100%	100%	GTO	50 000
Genoveva, S.A.	° Guatemala City	100%	100%	GTO	4 598 400
Industrias Consolidadas de Occidente, S.A.	° Chimaltenango	100%	100%	GTO	300 000
Malher Export S.A.	° Guatemala City	100%	100%	GTO	5 000
Malher, S.A.	Guatemala City	100%	100%	GTO	100 000 000
Nestlé Guatemala S.A.	Guatemala City	35%	100%	GTO	23 460 600
SERESA, Contratación de Servicios Empresariales, S.A.	Guatemala City	100%	100%	GTO	5 000
TESOCORP, S.A.	° Guatemala City	100%	100%	GTO	5 000
Honduras					
Malher de Honduras, S.A. de C.V.	° Tegucigalpa	83.2%	100%	HNL	25 000
Nestlé Hondureña S.A.	Tegucigalpa	95%	100%	PAB	200 000
Jamaica					
Nestlé Jamaica Ltd	Kingston	100%	100%	JMD	49 200 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Mexico					
Galderma México, S.A. de C.V.	México, D.F.		100%	MXN	2 385 000
Malhemex, S.A. de C.V.	° México, D.F.	100%	100%	MXN	50 000
Manantiales La Asunción, S.A.P.I. de C.V. ^(c)	México, D.F.		40%	MXN	1 035 827 492
Marcas Nestlé, S.A. de C.V.	México, D.F.	<0.1%	100%	MXN	500 050 000
Nescalín, S.A. de C.V.	° México, D.F.	100%	100%	MXN	445 826 740
Nespresso México, S.A. de C.V.	México, D.F.	<0.1%	100%	MXN	10 050 000
Nestlé Holding México, S.A. de C.V.	°° México, D.F.	100%	100%	MXN	50 000
Nestlé México, S.A. de C.V.	México, D.F.	<0.1%	100%	MXN	607 532 730
Nestlé Servicios Corporativos, S.A. de C.V.	México, D.F.	<0.1%	100%	MXN	170 100 000
Nestlé Servicios Industriales, S.A. de C.V.	México, D.F.		100%	MXN	1 050 000
Productos Gerber, S.A. de C.V.	Queretaro		100%	MXN	5 252 440
Ralston Purina México, S.A. de C.V.	México, D.F.		100%	MXN	9 257 112
Waters Partners Services México, S.A.P.I. de C.V. ^(c)	México, D.F.		40%	MXN	620 000
CPW México, S. de R.L. de C.V.	1) México, D.F.		50%	MXN	43 138 000
Nicaragua					
Compañía Centroamericana de Productos Lácteos, S.A.	Managua	66.1%	92.6%	NIO	10 294 900
Nestlé Nicaragua, S.A.	Managua	95%	100%	USD	150 000
Panama					
Nestlé Centroamérica, S.A.	Panamá City	100%	100%	USD	1 000 000
Nestlé Panamá, S.A.	Panamá City	100%	100%	PAB	17 500 000
Unilac, Inc.	° Panamá City	100%	100%	USD	750 000
Paraguay					
Nestlé Paraguay S.A.	Asunción	100%	100%	PYG	100 000 000
Peru					
Nestlé Marcas Perú, S.A.C.	Lima	50%	100%	PEN	5 536 832
Nestlé Perú, S.A.	Lima	99.5%	99.5%	PEN	88 998 365
Puerto Rico					
Nestlé Puerto Rico, Inc.	San Juan	100%	100%	USD	500 000
Payco Foods Corporation	Bayamon		100%	USD	890 000
Trinidad and Tobago					
Nestlé Caribbean, Inc.	Valsayn	95%	100%	USD	100 000
Nestlé Trinidad and Tobago Ltd	Valsayn	100%	100%	TTD	35 540 000

^(c) Voting powers amount to 51%

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
United States					
BBC New Holdings, LLC	◊ Wilmington (Delaware)		67.9%	USD	0
Blue Bottle Coffee, Inc.	Wilmington (Delaware)		67.9%	USD	0
Chameleon Cold Brew, LLC	Wilmington (Delaware)		100%	USD	0
Checkerboard Holding Company, Inc.	◊ Wilmington (Delaware)		100%	USD	1 001
Dreyer's Grand Ice Cream Holdings, Inc.	◊ Wilmington (Delaware)		100%	USD	10
Foundry Foods, Inc.	Wilmington (Delaware)		100%	USD	1
Galderma Research and Development, LLC	Wilmington (Delaware)		100%	USD	2 050 000
Gerber Life Insurance Company	◊ New York		100%	USD	148 500 000
Gerber Products Company	Fremont (Michigan)		100%	USD	1 000
Lieberman Productions LLC	Sacramento (California)		75%	USD	—
Malher, Inc.	Stafford (Texas)	67%	100%	USD	1 000
Merrick Pet Care, Inc.	Dallas (Texas)		100%	USD	1 000
Merrick Pet Care Holdings Corporation	◊ Wilmington (Delaware)		100%	USD	100
Nespresso USA, Inc.	Wilmington (Delaware)		100%	USD	1 000
Nestlé Capital Corporation	◊ Wilmington (Delaware)		100%	USD	1 000 000
Nestlé Dreyer's Ice Cream Company	Wilmington (Delaware)		100%	USD	1
Nestlé Health Science US Holdings, Inc.	◊ Wilmington (Delaware)		100%	USD	1
Nestlé HealthCare Nutrition, Inc.	Wilmington (Delaware)		100%	USD	50 000
Nestlé Holdings, Inc.	◊ Wilmington (Delaware)		100%	USD	100 000
Nestlé Insurance Holdings, Inc.	◊ Wilmington (Delaware)		100%	USD	10
Nestlé Nutrition R&D Centers, Inc.	Wilmington (Delaware)		100%	USD	10 000
Nestlé Prepared Foods Company	Philadelphia (Pennsylvania)		100%	USD	476 760
Nestlé Purina PetCare Company	St. Louis (Missouri)		100%	USD	1 000
Nestlé Purina PetCare Global Resources, Inc.	Wilmington (Delaware)		100%	USD	1 000
Nestlé R&D Center, Inc.	Wilmington (Delaware)		100%	USD	10 000
Nestlé Regional GLOBE Office North America, Inc.	Wilmington (Delaware)		100%	USD	1 000
Nestlé Transportation Company	Wilmington (Delaware)		100%	USD	100
Nestlé USA, Inc.	Wilmington (Delaware)		100%	USD	1 000
Nestlé Waters North America Holdings, Inc.	◊ Wilmington (Delaware)		100%	USD	10 000 000
Nestlé Waters North America, Inc.	Wilmington (Delaware)		100%	USD	10 700 000
NiMCo US, Inc.	◊ Wilmington (Delaware)	100%	100%	USD	1
NSH Services Inc.	Fort Worth (Texas)		100%	USD	981
Prometheus Laboratories Inc.	Los Angeles (California)		100%	USD	100
Red Maple Insurance Company	◊ Williston (Vermont)		100%	USD	1 200 000
Sweet Earth Inc.	Wilmington (Delaware)		100%	USD	0
The Häagen-Dazs Shoppe Company, Inc.	West Trenton (New Jersey)		100%	USD	0
The Proactiv Company LLC	Wilmington (Delaware)		75%	USD	—
The Stouffer Corporation	◊ Cleveland (Ohio)		100%	USD	0

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
United States (continued)					
Tribe Mediterranean Foods, Inc.	Wilmington (Delaware)		100%	USD	1
TSC Holdings, Inc.	Wilmington (Delaware)		100%	USD	100 000
Vitality Foodservice, Inc.	Dover (Delaware)		100%	USD	1 240
Waggin' Train LLC	Wilmington (Delaware)		100%	USD	—
Zuke's LLC	Wilmington (Delaware)		100%	USD	0
Aimmune Therapeutics, Inc.	3) Wilmington (Delaware)		14.9%	USD	5 086
Seres Therapeutics, Inc.	3) Cambridge (Massachusetts)		17%	USD	40 530
Uruguay					
Nestlé del Uruguay S.A.	Montevideo	100%	100%	UYU	9 495 189
Venezuela					
Nestlé Cadipro, S.A.	Caracas		100%	VEF	50 633 501
Nestlé Venezuela, S.A.	Caracas	100%	100%	VEF	516 590

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Asia					
Afghanistan					
Nestlé Afghanistan Ltd	° Kabul	100%	100%	USD	1 000 000
Bahrain					
Nestlé Bahrain Trading WLL	Manama	49%	49%	BHD	200 000
Al Manhal Water Factory (Bahrain) WLL	Manama		63%	BHD	300 000
Bangladesh					
Nestlé Bangladesh Limited	Dhaka	100%	100%	BDT	100 000 000
Greater China Region					
Anhui Yinlu Foods Co., Limited	Chuzhou	80%	80%	CNY	303 990 000
Chengdu Hsu Chi Foods Co., Limited	Chengdu		60%	CNY	40 000 000
Chengdu Yinlu Foods Co., Limited	Chengdu	80%	80%	CNY	215 800 000
Dongguan Andegu Plastic Packaging Material Limited	Dongguan		60%	HKD	10 000 000
Dongguan Hsu Chi Food Co., Limited	Dongguan		60%	HKD	700 000 000
Galderma Hong Kong Limited	Hong Kong		100%	HKD	10 000
Galderma Trading (Shanghai) Co., Limited	Shanghai		100%	EUR	400 000
Guangzhou Refrigerated Foods Limited	Guangzhou	95.5%	95.5%	CNY	390 000 000
Henan Hsu Fu Chi Foods Co., Limited	Zhumadian		60%	CNY	224 000 000
Hsu Fu Chi International Holdings Limited	° Hong Kong		60%	USD	100 000
Hubei Yinlu Foods Co., Limited	Hanchuan	80%	80%	CNY	353 000 000
Nestlé (China) Limited	Beijing	100%	100%	CNY	250 000 000
Nestlé Dongguan Limited	Dongguan	100%	100%	CNY	536 000 000
Nestlé Health Science (China) Ltd	Taizhou City		100%	USD	32 640 000
Nestlé Hong Kong Limited	Hong Kong	100%	100%	HKD	250 000 000
Nestlé Hulunbeir Limited	Hulunbeir	100%	100%	CNY	158 000 000
Nestlé Nespresso Beijing Limited	Beijing	100%	100%	CNY	7 000 000
Nestlé Purina PetCare Tianjin Limited	Tianjin	100%	100%	CNY	40 000 000
Nestlé Qingdao Limited	Laixi	100%	100%	CNY	930 000 000
Nestlé R&D (China) Limited	Beijing		100%	CNY	40 000 000
Nestlé Shanghai Limited	Shanghai	95%	95%	CNY	200 000 000
Nestlé Shuangcheng Limited	Shuangcheng	97%	97%	CNY	435 000 000
Nestlé Sources Shanghai Limited	Shanghai	100%	100%	CNY	1 149 700 000
Nestlé Sources Tianjin Limited	Tianjin	95%	95%	CNY	204 000 000
Nestlé Taiwan Limited	Taipei	100%	100%	TWD	100 000 000
Nestlé Tianjin Limited	Tianjin	100%	100%	CNY	785 000 000
Q-Med International Trading (Shanghai) Limited	Shanghai		100%	USD	600 000
Shandong Yinlu Foods Co., Limited	Jinan	80%	80%	CNY	146 880 000
Shanghai Nestlé Product Services Limited	Shanghai		100%	CNY	83 000 000
Shanghai Totole First Food Limited	Shanghai	100%	100%	CNY	72 000 000
Shanghai Totole Food Limited	Shanghai	100%	100%	USD	7 800 000
Sichuan Haoji Food Co., Limited	Puge	80%	80%	CNY	80 000 000
Suzhou Hexing Food Co., Limited	Suzhou	100%	100%	CNY	40 000 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Greater China Region (continued)					
Wyeth (Hong Kong) Holding Co., Limited	◊ Hong Kong	100%	100%	HKD	3 554 107 000
Wyeth (Shanghai) Trading Co., Limited	Shanghai		100%	USD	1 000 000
Wyeth Nutritional (China) Co., Limited	Suzhou		100%	CNY	900 000 000
Xiamen Yinlu Foods Group Co., Limited	Xiamen	80%	80%	CNY	496 590 000
Yunnan Dashan Drinks Co., Limited	Kunming	100%	100%	CNY	35 000 000
CPW Tianjin Limited	1) Tianjin		50%	CNY	305 000 000
India					
Galderma India Private Ltd	Mumbai		100%	INR	24 156 000
Nestlé India Ltd	△ New Delhi	34.3%	62.8%	INR	964 157 160
<i>Listed on the Bombay Stock Exchange (BSE Ltd), market capitalisation INR 756.4 billion, quotation code (ISIN) INE239A01016</i>					
Nestlé R&D Centre India Private Ltd	New Delhi	100%	100%	INR	2 101 380 000
Purina Petcare India Private Ltd	° New Delhi	97%	100%	INR	20 000 000
SMA Nutrition India Private Limited	° New Delhi	97%	100%	INR	22 000 000
Indonesia					
P.T. Nestlé Indonesia	Jakarta	90.2%	90.2%	IDR	152 753 440 000
P.T. Nestlé Trading Indonesia	° Jakarta	1%	90.3%	IDR	60 000 000 000
P.T. Wyeth Nutrition Sduaanam	Jakarta		90%	IDR	2 000 000 000
P.T. Nestlé Indofood Citarasa Indonesia	1) Jakarta	50%	50%	IDR	200 000 000 000
Iran					
Nestlé Iran (Private Joint Stock Company)	Tehran	89.7%	89.7%	IRR	358 538 000 000
Nestlé Waters Iranian	Tehran		100%	IRR	35 300 000 000
Israel					
Assamim Gift Parcels Ltd	Shoam		73.8%	ILS	103
Beit Hashita-Asis Food Industries Limited Partnership	Kibbutz Beit Hashita		100%	ILS	100
Materna Industries Limited Partnership	Kibbutz Maabarot		100%	ILS	10 000
Migdanot Habait Ltd	Shoam		100%	ILS	4 014
Nespresso Israel Ltd	Tel Aviv	100%	100%	ILS	1 000
Noga Ice Cream Limited Partnership	Shoam		100%	ILS	1 000
OSEM Food Industries Ltd	Shoam		100%	ILS	176
OSEM Group Commerce Limited Partnership	Shoam		100%	ILS	100
OSEM Investments Ltd	Shoam	100%	100%	ILS	110 644 443
Tivall Food Industries Ltd	Kiryat Gat		100%	ILS	41 861 167
Japan					
Blue Bottle Coffee Japan, G.K.	Tokyo		67.9%	JPY	10 000 000
Galderma K.K.	Tokyo		100%	JPY	10 000 000
Nestlé Japan Ltd	Kobe	100%	100%	JPY	10 000 000 000
Nestlé Nespresso K.K.	Kobe		100%	JPY	10 000 000
Nestlé Skin Health Y.K.	Tokyo		75%	JPY	3 000 000
The Proactiv Company K.K.	Tokyo		75%	JPY	10 000 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Jordan					
Ghadeer Mineral Water Co. WLL	Amman		75%	JOD	1 785 000
Nestlé Jordan Trading Company Ltd	Amman	77.8%	77.8%	JOD	410 000
Kuwait					
Nestlé Kuwait General Trading Company WLL	Safat	49%	49%	KWD	300 000
Lebanon					
Société des Eaux Minérales Libanaises S.A.L.	Hazmieh		100%	LBP	1 610 000 000
Société pour l'Exportation des Produits Nestlé S.A.	Baabda	100%	100%	CHF	1 750 000
SOHAT Distribution S.A.L.	Hazmieh		100%	LBP	160 000 000
Malaysia					
Nestlé (Malaysia) Bhd.	△◊ Petaling Jaya	72.6%	72.6%	MYR	234 500 000
<i>Listed on the Kuala Lumpur stock exchange, market capitalisation MYR 24.2 billion, quotation code (ISIN) MYL470700005</i>					
Nestlé Asean (Malaysia) Sdn. Bhd.	Petaling Jaya		72.6%	MYR	42 000 000
Nestlé Manufacturing (Malaysia) Sdn. Bhd.	Petaling Jaya		72.6%	MYR	132 500 000
Nestlé Products Sdn. Bhd.	Petaling Jaya		72.6%	MYR	25 000 000
Nestlé Regional Service Centre (Malaysia) Sdn. Bhd.	° Petaling Jaya	100%	100%	MYR	1 000 000
Purina PetCare (Malaysia) Sdn. Bhd.	Petaling Jaya	100%	100%	MYR	1 100 000
Wyeth Nutrition (Malaysia) Sdn. Bhd.	Petaling Jaya		100%	MYR	1 969 505
Cereal Partners (Malaysia) Sdn. Bhd.	¹) Petaling Jaya	50%	50%	MYR	2 500 000
Myanmar					
Nestlé Myanmar Limited	° Yangon	95%	95%	USD	5 000 000
Oman					
Nestlé Oman Trading LLC	Muscat	49%	49%	OMR	300 000
Pakistan					
Nestlé Pakistan Ltd	△ Lahore	59%	59%	PKR	453 495 840
<i>Listed on the Pakistan Stock Exchange, market capitalisation PKR 522.0 billion, quotation code (ISIN) PK0025101012</i>					
Palestinian Territories					
Nestlé Trading Private Limited Company	Bethlehem	97.5%	97.5%	JOD	200 000
Philippines					
Galderma Philippines, Inc.	Manila		100%	PHP	12 500 000
Nestlé Business Services AOA, Inc.	Bulacan	100%	100%	PHP	70 000 000
Nestlé Philippines, Inc.	Cabuyao	55%	100%	PHP	2 300 927 400
Penpro, Inc. (d)	◊ Makati City		88.5%	PHP	630 000 000
Wyeth Philippines, Inc.	Manila	100%	100%	PHP	610 418 100
CPW Philippines, Inc.	¹) Makati City	50%	50%	PHP	7 500 000

(d) Voting powers amount to 40%

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Qatar					
Al Manhal Water Factory Co. Ltd WLL	Doha		51%	QAR	5 500 000
Nestlé Qatar Trading LLC	Doha	49%	49%	QAR	1 680 000
Republic of Korea					
Galderma Korea Ltd	Seoul		100%	KRW	500 000 000
Nestlé Korea Yuhan Chaegim Hoesa	Seoul	100%	100%	KRW	15 594 500 000
Pulmuone Waters Co., Ltd	Gyeonggi-Do		51%	KRW	6 778 760 000
LOTTE-Nestlé (Korea) Co., Ltd	°1)	Cheongju	50%	KRW	52 783 120 000
Saudi Arabia					
Al Anhar Water Factory Co. Ltd	Jeddah		64%	SAR	7 500 000
Al Manhal Water Factory Co. Ltd	Riyadh		64%	SAR	7 000 000
Nestlé Saudi Arabia LLC	Jeddah		75%	SAR	27 000 000
Nestlé Water Factory Co. Ltd	Riyadh		64%	SAR	15 000 000
Pure Water Factory Co. Ltd	Madinah		64%	SAR	5 000 000
SHAS Company for Water Services Ltd	Riyadh		64%	SAR	13 500 000
Springs Water Factory Co. Ltd	Dammam		64%	SAR	5 000 000
Singapore					
Galderma Singapore Private Ltd	Singapore		100%	SGD	1 387 000
Nestlé R&D Center (Pte) Ltd	Singapore		100%	SGD	20 000 000
Nestlé Singapore (Pte) Ltd	Singapore	100%	100%	SGD	1 000 000
Nestlé TC Asia Pacific Pte Ltd	°	Singapore	100%	JPY	10 000 000 000
				SGD	2
Wyeth Nutritionals (Singapore) Pte Ltd	Singapore	100%	100%	SGD	2 059 971 715
Sri Lanka					
Nestlé Lanka PLC	△	Colombo	90.8%	90.8%	LKR
Listed on the Colombo stock exchange, market capitalisation LKR 87.4 billion, quotation code (ISIN) LK0128N00005					
Syria					
Nestlé Syria S.A.	Damascus	100%	100%	SYP	800 000 000
Thailand					
Arun Saeng Ltd	°	Bangkok	100%	100%	THB
Galderma (Thailand) Ltd	Bangkok		100%	THB	100 000 000
Nestlé (Thai) Ltd	Bangkok	100%	100%	THB	880 000 000
Nestlé Trading (Thailand) Ltd	°	Bangkok	100%	100%	THB
Perrier Vittel (Thailand) Ltd	Bangkok		100%	THB	235 000 000
Quality Coffee Products Ltd	Bangkok	49%	50%	THB	400 000 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings by Nestlé S.A.	Currency	Capital
United Arab Emirates					
Nestlé Dubai Manufacturing LLC	Dubai	49%	49%	AED	300 000
Nestlé Middle East FZE	Dubai	100%	100%	AED	3 000 000
Nestlé Middle East Manufacturing LLC	° Dubai	49%	49%	AED	300 000
Nestlé Middle East Marketing FZE	Dubai		100%	AED	1 000 000
Nestlé Treasury Centre-Middle East & Africa Ltd	◊ Dubai	100%	100%	USD	2 997 343 684
Nestlé UAE LLC	Dubai	49%	49%	AED	2 000 000
Nestlé Waters Factory H&O LLC	Dubai		48%	AED	22 300 000
CP Middle East FZCO	1) Dubai	50%	50%	AED	600 000
Uzbekistan					
Namangansut-Nafosat MChJ	° Namangan	53.9%	100%	UZS	46 227 969
Nestlé Uzbekistan MChJ	Namangan	96.4%	100%	USD	38 715 463
Vietnam					
La Vie Limited Liability Company	Long An		65%	USD	2 663 400
Nestlé Vietnam Ltd	Bien Hoa	100%	100%	KVND	1 261 151 498

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Oceania					
Australia					
Galderma Australia Pty Ltd	Belrose	100%	AUD	2 500 300	
Nestlé Australia Ltd	Sydney	100%	AUD	274 000 000	
Cereal Partners Australia Pty Ltd	1) Sydney	50%	AUD	107 800 000	
Fiji					
Nestlé (Fiji) Ltd	Lami	33%	FJD	3 000 000	
French Polynesia					
Nestlé Polynésie S.A.S.	Papeete	100%	XPF	5 000 000	
New Caledonia					
Nestlé Nouvelle-Calédonie S.A.S.	Nouméa	100%	XPF	64 000 000	
New Zealand					
Nestlé New Zealand Limited	Auckland	100%	NZD	300 000	
CPW New Zealand	1) Auckland	50%	NZD	—	
Papua New Guinea					
Nestlé (PNG) Ltd	Lae	100%	PGK	11 850 000	

Technical assistance, research and development units

All scientific research and technological development is undertaken in a number of dedicated centres, specialised as follows:

Technical Assistance	TA
Development centres	D
Research centres	R
Research & Development centres	R&D
Product Technology centres	PTC

The Technical Assistance centre is Nestec Ltd, a technical, scientific, commercial and business assistance company. The units of Nestec Ltd, specialised in all areas of the business, supply permanent know-how and assistance to operating companies in the Group within the framework of licence and equivalent contracts. Nestec Ltd is also responsible for all scientific research and technological development, which it undertakes itself or through affiliated companies.

The centres involved are listed below:

City of operations		
Switzerland		
Clinical Development Unit	Lausanne	R
Galderma R&D Centre	Egerkingen	R&D
Nestec Ltd	Vevey	TA
Nestlé Development Centre	Broc	D
Nestlé Institute of Health Sciences S.A.	Ecublens	R
Nestlé Product Technology Centre Beverage	Orbe	PTC
Nestlé Product Technology Centre Dairy	Konolfingen	PTC
Nestlé Product Technology Centre Nestlé Nutrition	Konolfingen	PTC
Nestlé Product Technology Centre Nestlé Professional	Orbe	PTC
Nestlé Research Centre	Lausanne	R
Nestlé System Technology Centre	Orbe	R and PTC
CPW R&D Centre	1) Orbe	R&D
Australia		
CPW R&D Centre	1) Rutherglen	R&D
Chile		
Nestlé Development Centre	Santiago de Chile	D
Côte d'Ivoire		
Nestlé R&D Centre	Abidjan	R&D
France		
Galderma R&D Centre	Biot	R&D
Nestlé Development Centre Dairy	Lisieux	D
Nestlé Product Technology Centre Water	Vittel	PTC
Nestlé R&D Centre	Aubigny	R&D

City of operations		
France (continued)		
Nestlé R&D Centre	Tours	R&D
Froneri Development Center Glaces S.A.S.	1) Beauvais	PTC
Germany		
Nestlé Product Technology Centre Food	Singen	PTC
Greater China Region		
Nestlé R&D Centre	Beijing	R&D
Nestlé R&D Centre	Shanghai	R&D
India		
Nestlé Development Centre	Gurgaon	D
Italy		
Nestlé R&D Centre	Sansepolcro	R&D
Mexico		
Nestlé R&D Centre	Queretaro	R&D
Republic of Ireland		
Nestlé Development Centre	Askeaton	D
Singapore		
Nestlé Development Centre	Singapore	D
Sweden		
Galderma R&D Centre	Uppsala	R&D
United Kingdom		
Nestlé Product Technology Centre Confectionery	York	PTC
United States		
Galderma R&D Centre	Fort Worth (Texas)	R&D
Nestlé Development Centre	Fremont (Michigan)	D
Nestlé Development Centre	Marysville (Ohio)	D
Nestlé Development Centre	Solon (Ohio)	D
Nestlé Product Technology Centre Health Science	Bridgewater (New Jersey)	PTC
Nestlé Product Technology Centre Ice Cream	Bakersfield (California)	PTC
Nestlé Product Technology Centre PetCare	St. Louis (Missouri)	PTC
Nestlé R&D Centre	San Diego (California)	R&D
Nestlé R&D Centre	St. Joseph (Missouri)	R&D

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Income statement for the year ended 31 December 2017

In millions of CHF

	Notes	2017	2016
Income from Group companies	2	12 316	10 626
Profit on disposal of assets	3	155	716
Other income		96	114
Financial income	4	407	220
Total income		12 974	11 676
Expenses recharged from Group companies	5	(2 514)	(2 501)
Personnel expenses		(107)	(120)
Other expenses		(155)	(195)
Write-downs and amortisation	6	(889)	(1 835)
Financial expense	7	(93)	(35)
Taxes	8	(631)	(542)
Total expenses		(4 389)	(5 228)
Profit for the year		8 585	6 448

Balance sheet as at 31 December 2017

before appropriations

In millions of CHF

	Notes	2017	2016
Assets			
Current assets			
Cash and cash equivalents	9	339	1 115
Other current receivables	10	724	737
Prepayments and accrued income		32	77
Total current assets		1 095	1 929
Non-current assets			
Financial assets	11	7 761	8 763
Shareholdings	12	32 006	31 175
Property, plant and equipment		1	1
Intangible assets		95	142
Total non-current assets		39 863	40 081
Total assets		40 958	42 010
Liabilities and equity			
Current liabilities			
Interest-bearing liabilities	13	2 734	2 050
Other current liabilities	14	2 162	1 645
Accruals and deferred income		17	48
Provisions	15	514	760
Total current liabilities		5 427	4 503
Non-current liabilities			
Interest-bearing liabilities	13	138	132
Provisions	15	507	501
Total non-current liabilities		645	633
Total liabilities		6 072	5 136
Equity			
Share capital	16/17	311	311
Legal retained earnings			
- General legal reserve	17	1 924	1 924
Voluntary retained earnings			
- Special reserve	17	23 319	23 288
- Profit brought forward	17	5 111	5 821
- Profit for the year	17	8 585	6 448
Treasury shares	17/18	(4 364)	(918)
Total equity		34 886	36 874
Total liabilities and equity		40 958	42 010

Notes to the annual accounts

1. Accounting policies

General

Nestlé S.A. (the Company) is the ultimate holding company of the Nestlé Group, domiciled in Cham and Vevey which comprises subsidiaries, associated companies and joint ventures throughout the world.

The accounts are prepared in accordance with accounting principles required by Swiss law (32nd title of the Swiss Code of Obligations). They are prepared under the historical cost convention and on an accrual basis. Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Foreign currency translation

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward contract. Non-monetary assets and liabilities are carried at historical rates. Monetary assets and liabilities in foreign currencies are translated at year-end rates. Any resulting exchange differences are included in the respective income statement captions depending upon the nature of the underlying transactions. The aggregate unrealised exchange difference is calculated by reference to original transaction date exchange rates and includes hedging transactions. Where this gives rise to a net loss, it is charged to the income statement whilst a net gain is deferred.

Hedging

The Company uses forward foreign exchange contracts, options, financial futures and currency swaps to hedge foreign currency flows and positions. Unrealised foreign exchange differences on hedging instruments are matched and accounted for with those on the underlying asset or liability. Long-term loans, in foreign currencies, used to finance investments in shareholdings are generally not hedged.

The Company also uses interest rate swaps to manage interest rate risk. The swaps are accounted for at fair value at each balance sheet date and changes in the market price are recorded in the income statement.

The positive fair values of forward exchange contracts and interest rate swaps are included under prepayments and accrued income. The negative fair values of forward exchange contracts and interest rate swaps are included under accruals and deferred income.

Income statement

In accordance with Swiss law and the Company's Articles of Association, dividends are treated as an appropriation of profit in the year in which they are ratified at the Annual General Meeting rather than as an appropriation of profit in the year to which they relate.

Taxes

This caption includes taxes on profit, capital and withholding taxes on transfers from Group companies.

Shareholdings and financial assets

The carrying value of shareholdings and loans comprises the cost of investment, excluding the incidental costs of acquisition, less any write-downs.

Shareholdings located in countries where the political, economic or monetary situation might be considered to carry a greater than normal level of risk are carried at a nominal value of one franc.

Shareholdings and loans are written down on a conservative basis, taking into account the profitability of the company concerned.

Property, plant and equipment

The Company owns land and buildings which have been depreciated in the past. Office furniture and equipment are fully depreciated on acquisition.

Intangible assets

Trademarks and other industrial property rights are written off on acquisition or exceptionally over a longer period, not exceeding their useful lives.

Provisions

Provisions include present obligations as well as contingencies. A provision for uninsured risks is constituted to cover general risks not insured with third parties, such as consequential loss. Provisions for Swiss taxes are made on the basis of the Company's taxable capital, reserves and profit for the year. A general provision is maintained to cover possible foreign tax liabilities.

2. Income from Group companies

This represents dividends and other income from Group companies.

3. Profit on disposal of assets

This represents mainly the net gains realised on the sale of financial assets, trademarks and other industrial property rights previously written down.

4. Financial income

In millions of CHF

	2017	2016
Income on loans to Group companies	407	220
Other financial income	—	—
	407	220

5. Expenses recharged from Group companies

Expenses of central service companies recharged to Nestlé S.A.

6. Write-downs and amortisation

In millions of CHF

	2017	2016
Shareholdings and loans	735	1 429
Trademarks and other industrial property rights	154	406
	889	1 835

7. Financial expense

In millions of CHF

	2017	2016
Expenses related to loans from Group companies	6	5
Other financial expenses	87	30
	93	35

8. Taxes

In millions of CHF

	2017	2016
Direct taxes	191	171
Prior year's adjustments	—	—
Withholding taxes on income from foreign sources	440	371
	631	542

9. Cash and cash equivalents

Cash and cash equivalents include deposits with maturities of less than three months.

10. Other current receivables

In millions of CHF

	2017	2016
Amounts owed by Group companies (current accounts)	693	707
Other receivables	31	30
	724	737

11. Financial assets

In millions of CHF

	2017	2016
Loans to Group companies	7 752	8 757
Other investments	9	6
	7 761	8 763

12. Shareholdings

In millions of CHF

	2017	2016
At 1 January	31 175	32 488
Net increase/(decrease)	1 527	103
Write-downs	(696)	(1 416)
At 31 December	32 006	31 175

A list of direct and significant indirect Group companies held by Nestlé S.A. with the percentage of the capital controlled is included in the Consolidated Financial Statements of the Nestlé Group.

13. Interest-bearing liabilities

Current and non-current interest-bearing liabilities are amounts owed to Group companies.

14. Other current liabilities

In millions of CHF

	2017	2016
Amounts owed to Group companies	1 847	1 605
Other liabilities	315	40
2 162	1 645	

15. Provisions

In millions of CHF

	Uninsured risks	Exchange risks	Swiss and foreign taxes	Other	Total	Total
At 1 January	475	451	174	161	1 261	1 325
Provisions made in the period	—	—	191	53	244	232
Amounts used	—	—	(162)	(78)	(240)	(210)
Unused amounts reversed	—	(244)	—	—	(244)	(86)
At 31 December	475	207	203	136	1 021	1 261
of which expected to be settled within 12 months					514	760

16. Share capital

	2017	2016
Number of registered shares of nominal value CHF 0.10 each	3 112 160 000	3 112 160 000
In millions of CHF	311	311

According to article 5 of the Company's Articles of Association, no person or entity shall be registered with voting rights for more than 5% of the share capital as recorded in the commercial register. This limitation on registration also applies to persons who hold some or all of their shares through nominees pursuant to this article. In addition, article 11 provides that no person may exercise, directly or indirectly, voting rights, with respect to own shares or shares represented by proxy, in excess of 5% of the share capital as recorded in the commercial register.

At 31 December 2017, the share register showed 157 753 registered shareholders. If unprocessed applications for registration, the indirect holders of shares under American Depository Receipts and the beneficial owners of shareholders registered as nominees are also taken into account, the total number of shareholders probably exceeds 250 000. The Company was not aware of any shareholder holding, directly or indirectly, 5% or more of the share capital.

17. Changes in equity

In millions of CHF

	Share capital	General legal reserve	Special reserve	Retained earnings	Treasury shares	Total
At 1 January 2017	311	1 924	23 288	12 268	(918)	36 874
Profit for the year	—	—	—	8 585	—	8 585
Dividend for 2016	—	—	—	(7 126)	—	(7 126)
Movement of treasury shares	—	—	—	—	(3 446)	(3 446)
Dividend on treasury shares held on the payment date of 2016 dividend	—	—	31	(31)	—	—
At 31 December 2017	311	1 924	23 319	13 696	(4 364)	34 886

18. Treasury shares

In millions of CHF

		2017		2016
	Number	Amount	Number	Amount
Share Buy-Back Programme	41 578 764	3 487	—	—
Long-term incentive plans	8 789 045	567	9 900 885	608
For trading purposes	4 238 445	310	4 238 445	310
	54 606 254	4 364	14 139 330	918

During the year 41 578 764 shares were purchased as part of the Share Buy-Back Programme for CHF 3487 million.

The Company held 8 789 045 shares to cover long-term incentive plans. During the year 3 135 109 shares were delivered as part of the Nestlé Group remuneration plans for a total value of CHF 190 million. In addition, 2 023 269 shares have been acquired at a cost of CHF 149 million. All treasury shares are valued at acquisition cost.

The total of own shares of 54 606 254 held by Nestlé S.A. at 31 December 2017 represents 1.8% of the Nestlé S.A. share capital (14 139 330 own shares held at 31 December 2016 by Nestlé S.A. representing 0.5% of the Nestlé S.A. share capital).

19. Contingencies

At 31 December 2017, the total of the guarantees mainly for credit facilities granted to Group companies and commercial paper programmes, together with the buy-back agreements relating to notes issued, amounted to a maximum of CHF 47 771 million (2016: CHF 43 155 million).

20. Performance Share Units and shares for members of the Board and employees granted during the year

In millions of CHF

	2017		2016
	Number	Amount	Number
Performance Share Units granted to Nestlé S.A. employees ^(a)	272 418	15	484 488
Share plan for short-term bonus Executive Board ^(b)	112 515	7	100 451
Share plan for Board members ^(c)	85 919	5	91 255
	470 852	27	676 194
			43

(a) Performance Share Units are disclosed at fair value at grant which corresponds to CHF 55.96 in 2017 (2016: CHF 65.85). Includes 193 280 Performance Share Units granted to Executive Board (2016: 219 020).

(b) Shares are valued at the average closing price of the last ten trading days of January, discounted by 16.038% to account for the blocking period of three years.

(c) Shares are valued at the closing price on the ex-dividend date, discounted by 16.038% account for the blocking period of three years.

21. Full-time equivalents

For Nestlé S.A., the annual average number of full-time equivalents for the reporting year, as well as the previous year, did not exceed 250.

22. Events after the balance sheet date

There are no subsequent events which either warrant a modification of the value of the assets and liabilities or any additional disclosure.

23. Shares and stock options

Shares and stock options ownership of the non-executive members of the Board of Directors and closely related parties

		2017		2016
	Number of shares held ^(a)	Number of options held ^(b)	Number of shares held ^(a)	Number of options held ^(b)
Paul Bulcke, Chairman	1 263 185	420 000	(c)	(c)
Andreas Koopmann, Vice Chairman	101 079	—	97 176	—
Henri de Castries	18 940	—	14 442	—
Beat W. Hess	41 429	—	37 262	—
Renato Fassbind	22 921	—	18 754	—
Steven G. Hoch	167 727	—	164 475	—
Naïna Lal Kidwai	16 956	—	14 442	—
Jean-Pierre Roth	14 531	—	12 216	—
Ann M. Veneman	16 961	—	14 844	—
Eva Cheng	12 769	—	10 255	—
Ruth K. Oniang'o	5 743	—	3 891	—
Patrick Aebscher	2 315	—	—	—
Ursula M. Burns	1 852	—	—	—
Members who retired from the Board during 2017	—	—	3 581 827	127 000
Total as at 31 December	1 686 408	420 000	3 969 584	127 000

(a) Including shares subject to a three-year blocking period.

(b) The ratio is one option for one Nestlé S.A. share.

(c) For 2016 included under shares and stock options ownership of the members of the Executive Board.

**Shares and stock options ownership of the members of the Executive Board
and closely related parties**

		2017		2016
		Number of shares held ^(a)	Number of options held ^(b)	Number of shares held ^(a)
Ulf Mark Schneider		7 795	—	—
Laurent Freixe		17 587	—	48 805
Chris Johnson		62 376	104 100	51 072
Patrice Bula		159 121	101 800	136 487
Wan Ling Martello		101 507	121 100	71 522
Stefan Catsicas		10 347	—	5 400
Marco Settembri		31 837	—	21 750
François-Xavier Roger		14 544	—	3 604
Magdi Batato		9 152	—	9 330
Peter R. Vogt		49 960	—	46 681
Heiko Schipper		—	—	2 800
Maurizio Patarnello		13 043	—	—
Grégory Behar		1 188	—	—
David P. Frick		53 199	—	48 586
Members who retired from the Executive Board during 2017		—	—	1 123 053
Total as at 31 December		531 656	327 000	1 569 090
				1 272 470

(a) Including shares subject to a three-year blocking period.

(b) The ratio is one option for one Nestlé S.A. share.

For the detailed disclosures regarding the remunerations of the Board of Directors and the Executive Board that are required by Swiss law, refer to the Compensation report of Nestlé S.A. with the audited sections highlighted with a blue bar.

Proposed appropriation of profit

In CHF

	2017	2016
Retained earnings		
Profit brought forward	5 111 232 705	5 820 737 716
Profit for the year	8 584 500 298	6 448 462 989
	13 695 733 003	12 269 200 705
We propose the following appropriation:		
Dividend for 2017, CHF 2.35 per share		
on 3 070 581 236 shares ^(a)		
(2016: CHF 2.30 on 3 112 160 000 shares) ^(b)	7 215 865 905	7 157 968 000
	7 215 865 905	7 157 968 000
Profit to be carried forward	6 479 867 098	5 111 232 705

(a) Depending on the number of shares issued as of the last trading day with entitlement to receive the dividend (13 April 2018). No dividend is paid on own shares held by the Nestlé Group; the respective amount will be attributed to the special reserve.

(b) The amount of CHF 31 852 088, representing the dividend on 13 848 734 own shares held at the date of the dividend payment, has been transferred to the special reserve.

Provided that the proposal of the Board of Directors is approved by the Annual General Meeting, the gross dividend will amount to CHF 2.35 per share, representing a net amount of CHF 1.5275 per share after payment of the Swiss withholding tax of 35%. The last trading day with entitlement to receive the dividend is 13 April 2018. The shares will be traded ex-dividend as of 16 April 2018. The net dividend will be payable as from 18 April 2018.

The Board of Directors

Cham and Vevey, 14 February 2018



Statutory Auditor's Report

To the General Meeting of Nestlé S.A., Cham & Vevey

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nestlé S.A., which comprise the balance sheet as at 31 December 2017, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 177 to 187) for the year ended 31 December 2017 comply with Swiss law and the Company's Articles of Association.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's Articles of Association, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's Articles of Association. We recommend that the financial statements submitted to you be approved.

KPMG SA



Scott Cormack
Licensed Audit Expert
Auditor in Charge



Lukas Marty
Licensed Audit Expert

Geneva, 14 February 2018

KPMG SA, 111 Rue de Lyon, P.O. Box 347, CH-1211 Geneva 13

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Notes

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Concept
Nestlé S.A., Group Governance and
Group Accounting and Reporting

Photography
Aude Sirvain/Interlinks Image

Alternative Performance Measures

February 2018 Edition



Definitions of Alternative Performance Measures

The Annual Review and other communication to investors contain certain financial performance measures, that are not defined by IFRS, that are used by management to assess the financial and operational performance of the Group, including Organic growth, Real internal growth, Pricing and Trading operating profit margin. Management believes that these non-IFRS financial performance measures provide useful information regarding the Group's financial and operating performance. Such measures may not be comparable to similar measures presented by other companies. The main alternative performance measures used by the Group are explained and reconciled below.

Organic Growth (OG)

OG combines Real internal growth and Pricing and represents the growth of the business after removing the impact of acquisitions and divestitures and other changes in Group scope of activity, and exchange rate movements. This provides a "like-for-like" comparison with the previous year in constant scope and constant currency, enabling deeper understanding of the business dynamics which contributed to the Evolution of sales from one year to another.

For purposes of calculating OG (a) the sales of an acquired business are generally excluded for the 12 months following the business combination, but sales generated by post-acquisition geographic expansion of the business are included; and (b) sales of a divested business are removed from comparatives for the 12 months prior to the divestiture. Supply agreements related to the divested business are included in acquisitions and divestitures during a transitory period. The pricing impact of changes in the way that a business is transacted in an entire country (e.g. establishing a local operating company instead of exporting to a distributor, or vice versa) are included in acquisitions and divestitures, respectively.

The effects of changes in foreign exchange rates are calculated as the current year sales' values converted at the current year's exchange rates, less the current year's sales converted at the prior year's rates.

OG is included among the quantitative operational targets for the Group.

Real Internal Growth (RIG)

RIG represents the impact on sales of volume increases or decreases, weighted by the relative value per unit sold. It is calculated at the level of the individual product reference (stock keeping unit) per distribution channel, by comparing the weighted sales (this year's volumes valued at the prior year's prices in local currency) to the prior year's sales. At the product level, it is therefore primarily driven by changes in volume, while when aggregated at operating segments or Group level, it embeds the impact of the evolution of the product mix.

Real Internal Growth (RIG) (continued)

Sales of newly launched products are included from the moment of launch which tends to increase RIG, while products which are discontinued have a negative impact on RIG since the historical sales continue to be included in the prior year comparatives. This reflects in a balanced way the impacts of renovation and innovation and the impact on sales coming from ongoing product rationalisation efforts.

As RIG is a component of OG, it excludes the impact of acquisitions and divestitures, and exchange rates.

RIG is included among the quantitative operational targets for the Group.

Pricing

Pricing is part of OG and represents the portion of sales growth caused by changes in prices over the period. It excludes the impact of RIG, as well as the impact of acquisitions and divestitures, and exchange rates.

Analysing pricing allows management to assess the degree to which inflationary or deflationary factors have contributed to sales evolution, and the degree to which cost changes have been passed to customers.

Evolution of Sales

The Group uses OG (including RIG and Pricing), exchange rate impacts, and the effects of acquisitions and divestitures in order to understand the Evolution of sales from one year to the prior year (either the increase or the decrease in the current year's sales compared with the prior year's sales, expressed as a percentage).

Total Group

	2017	2016	2015
Sales (in millions of CHF)	89 791	89 469	88 785
Evolution vs prior year (in %)	+0.4%	+0.8%	(3.1%)

The reconciliation of OG to the total Evolution of sales is as follows:

Total Group

In %

	2017 vs 2016	2016 vs 2015
Real Internal Growth	+1.6%	+2.4%
Pricing	+0.8%	+0.8%
Organic Growth	+2.4%	+3.2%
Effect of exchange rates	(0.1%)	(1.6%)
Effect of acquisitions, divestitures and other changes in Group scope activity	(1.9%)	(0.8%)
Evolution of sales	+0.4%	+0.8%

Underlying Trading Operating Profit Margin

Underlying Trading operating profit margin is when Underlying Trading operating profit is calculated as a percentage of sales. Underlying Trading operating profit is Trading operating profit before the impact of Other trading expenses and Other trading income (mainly restructuring costs, impairment of property, plant and equipment, and litigations and onerous contracts). See note 4 of the Consolidated Financial Statements of the Nestlé Group 2017 for more details of Other trading expenses and Other trading income. (https://www.nestle.com/asset-library/Documents/Library/Documents/Financial_Statements/2017-financial-statements-en.pdf)

The exclusion of these items allows tracking and better understanding and prediction of the results due to the day-to-day trading activities under the control of the operational management in the business units. It excludes the impacts of decisions (such as factory closures, disposal of a piece of real estate, or restructuring plans) made in conjunction with Zone or GMB management, or litigations and disputes or events which distort the underlying performance due to their frequency or the unpredictability of the outcome.

The reconciliation of Underlying Trading operating profit to Trading operating profit is as follows:

Total Group

In millions of CHF except for Underlying Trading operating profit margin

	2017	2016
Trading operating profit	13 233	13 693
Add:		
Other trading income	(111)	(99)
Other trading expenses	1 607	713
Underlying Trading operating profit	14 729	14 307
 Sales	 89 791	 89 469
Underlying Trading operating profit margin	16.4%	16.0%

Trading Operating Profit Margin

Trading operating profit margin is when Trading operating profit is calculated as a percentage of sales. Trading operating profit is a subtotal in the Consolidated income statement, appearing above Operating profit. It excludes Other operating income and Other operating expenses. The items excluded from Trading operating profit represent the results of transactions and decisions taken at Group level and are largely out of control of management of the operating segments (such as acquisitions, disposals or strategic alliances), or the impacts of events which are irregular in nature and difficult to predict (such as wars or natural disasters).

Trading operating profit margin is included among the quantitative operational targets for the Group.

Trading Operating Profit Margin in Constant Currency

Trading operating profit margin in constant currency is calculated as the ratio between Trading operating profit (see above) and Sales, adjusted to eliminate the impact of changes in exchange rates.

When comparing the year-on-year change in Trading operating profit margin, it is useful to eliminate the impact of changes in exchange rates in order to isolate the results generated by business operations from the effect of translation of these results into Swiss francs. This is done by converting both Sales and Trading operating profit of the current year at the exchange rate of the prior year. The resulting Trading operating profit margin can therefore be compared with the reported Trading operating profit margin of the prior year to understand fundamental business trends.

The reconciliation of Trading operating profit to Trading operating profit margin in constant currency is as follows:

Total Group

In millions of CHF except for Trading operating profit margin

	2017	2016
Trading operating profit	13 233	13 693
Retranslation at prior year rates	63	198
Trading operating profit in constant currency	13 296	13 891
 Sales	 89 791	 89 469
Retranslation at prior year rates	74	893
Sales in constant currency	89 865	90 362
 Trading operating profit margin (as reported)	 14.7%	 15.3%
Reported evolution (in basis points)	-60 bps	+20 bps
Trading operating profit margin in constant currency	14.8%	15.4%
Evolution in basis points compared to prior year as reported Trading operating profit margin	-50 bps	+30 bps

Underlying Earnings Per Share (EPS)

Underlying EPS is calculated by adjusting Net profit attributable to shareholders of the parent to remove the effects of Other trading income and Other trading expenses, Other operating income and Other operating expenses, and related tax effects. An adjustment is also made to eliminate Other trading income and other trading expenses and Other operating income and other operating expenses included in the Income from associates and joint ventures.

Underlying EPS reflects the underlying earnings from trading operations for each share of Nestlé S.A.

Underlying Earnings Per Share (EPS) in Constant Currency

Underlying EPS in constant currency is used when comparing the year-on-year change in Underlying earnings per share to eliminate the impact of changes in exchange rates in order to isolate the results generated by business operations from the effect of translation of these results into Swiss francs. This is done by converting the Underlying EPS of the current year at the exchange rate of the prior year. The resulting figure can therefore be compared with the Underlying EPS of the prior year to understand fundamental business trends.

Underlying EPS in constant currency is one of two performance measures used in the Performance Share Unit long-term incentive Plan.

The reconciliation of Net profit to Underlying EPS in constant currency is as follows:

Total Group

In millions of CHF except for data per share or number of shares

	2017	2016
Net profit attributable to shareholders of the parent	7 183	8 531
Add:		
Restructuring costs	673	300
Impairment of property, plant and equipment, goodwill and intangible assets	3 557	640
Net result of disposal of businesses	132	—
Other adjustments in net other income/(expenses)	255	204
Adjustment for income from associates and joint ventures	265	241
Tax effect on above items and adjustment of one-off tax items	(1 065)	610
Adjustment in non-controlling interests	(21)	(27)
Underlying net profit	10 979	10 499
Retranslation at prior year rates	11	74
Underlying net profit in constant currency	10 990	10 573
Weighted average number of shares outstanding (in millions of shares)	3 092	3 091
Underlying EPS (as reported)	3.55	3.40
Underlying EPS in constant currency	3.55	3.42
Evolution in % compared to prior year as reported Underlying EPS (unrounded)	+4.7%	+3.4%

Net Financial Debt

Net financial debt represents the net level of financial debt contracted by the Group with external parties (e.g. bonds, commercial papers) after considering cash and investments readily convertible into cash. It is composed of the current and non-current financial debt less cash and cash equivalent and short-term investments. See Note 16.6 of the Consolidated Financial Statements of the Nestlé Group 2017 for the composition of Net financial debt and a reconciliation of the year-on-year Net financial debt evolution.
(https://www.nestle.com/asset-library/Documents/Library/Documents/Financial_Statements/2017-financial-statements-en.pdf)

See Note 12.2e of the Consolidated Financial Statements of the Nestlé Group 2017, for more details on the monitoring of the Net financial debt.

Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (Adjusted EBITDA)

Adjusted EBITDA is used as a measure of the ability of the Group to generate enough cash from earnings to repay its net financial debt. It is computed as follows:

Total Group

In millions of CHF

	2017	2016
Trading operating profit	13 233	13 693
Add:		
Net other trading income/(expenses)	1 496	614
Depreciation and amortisation	3 227	3 132
Adjusted EBITDA	17 956	17 439

When Net financial debt is divided by Adjusted EBITDA, this yields a ratio which is used to monitor the Group's financing capacity.

Free Cash Flow

Free cash flow equals Operating cash flow less capital expenditure, expenditure on intangible assets, investments (net of divestments) in associates and joint ventures, and other investing activities. It represents the cash generating capability of the Group to pay dividends, repay providers of capital, or carry out acquisitions, if any.

See Note 16.6 of the Consolidated Financial Statements of the Nestlé Group 2017 for a reconciliation of Operating cash flow to Free cash flow.

(https://www.nestle.com/asset-library/Documents/Library/Documents/Financial_Statements/2017-financial-statements-en.pdf)

Return on Invested Capital (ROIC)

Return on invested capital is a measure of performance which integrates both measures of profitability and measures of capital efficiency.

The numerator is Trading operating income before Litigations and onerous contracts, Other trading expenses and other trading income. This figure is divided by average Invested capital during the year. Invested capital is a measure of the operational assets used to generate the results of the business, excluding financing, tax and cash-management activities. Further details of the definition of Invested capital can be found on Note 3 of the Consolidated Financial Statements of the Nestlé Group 2017.

(https://www.nestle.com/asset-library/Documents/Library/Documents/Financial_Statements/2017-financial-statements-en.pdf)

Return on Invested Capital before Goodwill and Intangible Assets

Return on invested capital before Goodwill (GW) and Intangible assets (IA) is used to eliminate the distortions caused by the different treatments of goodwill in the past and internally and externally generated intangible assets. This removes from the analysis the impact of different levels of acquisition over time.

This measure is calculated by removing the average goodwill and intangible assets value from the average invested capital (see above).

Return on Invested Capital before Goodwill and Intangible Assets (continued)

The calculation of Return on invested capital is shown below:

Total Group

In millions of CHF

	2017 Before GW & IA	2017 After GW & IA	2016 Before GW & IA	2016 After GW & IA
Trading operating profit	13 233	13 233	13 693	13 693
Add:				
Net other trading income/(expenses)	1 496	1 496	614	614
Underlying Trading operating profit	14 729	14 729	14 307	14 307
Less:				
Impairment of property, plant and equipment	(366)	(366)	(157)	(157)
Restructuring costs	(673)	(673)	(300)	(300)
Impairment of intangible assets (excluding goodwill and non-commercialised intangible assets)		(152)		(44)
Impairment of goodwill and non-commercialised intangible assets		(3 039)		(439)
Trading operating profit before litigation and miscellaneous trading income/(expenses)	13 690	10 499	13 850	13 367
Theoretical tax 30%	(4 107)	(3 150)	(4 155)	(4 010)
Net Trading operating profit before litigation and miscellaneous trading income/(expenses)	9 583	7 349	9 695	9 357
Average Invested capital (Note 3.2)	30 353	30 353	30 596	30 596
Average goodwill and intangible assets (Note 3.2)		51 931		52 592
Average Invested capital, goodwill and intangible assets		82 284		83 188
ROIC	31.6%	8.9%	31.7%	11.2%

Press Releases

Press release

Vevey, 12 April 2018



Nestlé Annual General Meeting

- **All Board of Directors' proposals approved with strong majorities**
- **Pablo Isla, Kasper Rorsted and Kimberly A. Ross elected as new members of the Board**

1988 shareholders attended the Nestlé S.A. Annual General Meeting today in Lausanne. They represented 54.6 percent of the capital and 78.2 percent of the shares entitled to vote. The annual review and the accounts were approved. The shareholders further approved the proposed dividend of CHF 2.35 per share and the proposed capital reduction.

All proposals of the Board of Directors were approved with strong majorities.

The shareholders elected Pablo Isla, CEO of Inditex; Kasper Rorsted, CEO of adidas; and Kimberly A. Ross, former CFO of Baker Hughes, as new members of the Board. Three directors, Andreas Koopmann, Steven G. Hoch, and Naïna Lal Kidwai, did not stand for re-election as they have reached the term limit. The Board warmly thanked them for their highly appreciated services and important contributions as directors.

The shareholders elected the Chairman and all other members of the Board of Directors individually for a term of office until the end of the next Annual General Meeting. Henri de Castries, lead independent director, was appointed as Vice-Chairman of the Board.

The shareholders approved prospectively the total compensation of the Board of Directors and the Executive Board. They also accepted the Nestlé Compensation Report 2017 in an advisory vote.

In his address to the meeting, Nestlé Chairman Paul Bulcke emphasized: "Nestlé's long-term orientation comes from the belief that we must constantly anticipate, adapt and invest to prepare for the future. It is through permanent innovation and by investing for the future that our company will continue to develop in a sustainable and profitable way." He also highlighted Nestlé's roots in its home country: "The relationship between Nestlé and Switzerland is deep and mutually beneficial. Nestlé will continue to ensure a good balance between its roles as a business and as a corporate citizen at the national, regional and local levels."

Nestlé CEO Mark Schneider said: "Nestlé keeps innovating and developing its product portfolio to meet changing consumer demands and lifestyles. We are acting with a great sense of urgency, but also with prudence and always in line with our nutrition, health and wellness strategy. With this approach we target faster growth and greater profitability, in line with our 2020 objectives."

For the year to come, the Board and its different Committees will be composed as follows:

Board of Directors

Paul Bulcke, U. Mark Schneider, Henri de Castries, Beat W. Hess, Renato Fassbind, Jean-Pierre Roth, Ann M. Veneman, Eva Cheng, Ruth K. Oniang'o, Patrick Aebscher, Ursula M. Burns, Kasper B. Rorsted, Pablo Isla, Kimberly A. Ross

Chairman's and Corporate Governance Committee

Paul Bulcke, U. Mark Schneider, Henri de Castries, Beat W. Hess, Renato Fassbind

Compensation Committee

Beat W. Hess, Jean-Pierre Roth, Patrick Aebscher, Ursula M. Burns

Nomination and Sustainability Committee

Henri de Castries, Paul Bulcke, Ann M. Veneman, Eva Cheng

Audit Committee

Renato Fassbind, Henri de Castries, Eva Cheng, Kimberly A. Ross

The addresses to the Annual General Meeting of the Chairman and the CEO can be found on the [Nestlé corporate website.](#)

For more information about *Nestlé in society*, see our new [Creating Shared Value report](#).

Contacts

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Press release

Vevey, 10 April 2018



Nestlé aiming at 100% recyclable or reusable packaging by 2025

Nestlé today announced its ambition to make 100% of its packaging recyclable or re-usable by 2025. Its vision is that none of its packaging, including plastics, ends up in landfill or as litter. Nestlé believes that there is an urgent need to minimize the impact of packaging on the environment.

Nestlé CEO Mark Schneider said, "Plastic waste is one of the biggest sustainability issues the world is facing today. Tackling it requires a collective approach. We are committed to finding improved solutions to reduce, re-use and recycle. Our ambition is to achieve 100% recyclable or reusable packaging by 2025."

The company focuses on three core areas: eliminate non-recyclable plastics; encourage the use of plastics that allow better recycling rates; and eliminate or change complex combinations of packaging materials.

Recognizing the need for developing a circular economy, Nestlé is committed to:

- Playing an active role in the development of well-functioning collection, sorting and recycling schemes across the countries where we operate;
- Working with value chain partners and industry associations to explore different packaging solutions to reduce plastic usage, facilitate recycling and develop new approaches to eliminate plastic waste;
- Labeling our plastic product packaging with recycling information to help consumers dispose of it in the right way;
- Promoting a market for recycled plastics by continuing to increase the proportion of recycled plastics in our packaging

Preventing packaging material ending up as waste, including in seas, oceans and waterways is one of the key reasons behind Nestlé's pledge.

Contacts

Media

Christoph Meier

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Press release

Vevey, February 15, 2018



Follow today's events live

09:00 CET [Press conference webcast](#)

14:00 CET [Investor call audio webcast](#)

Full details: www.nestle.com/media/mediaeventscalendar/allevents/2017-full-year-results

Nestlé reports full-year results for 2017

- Organic growth of 2.4%, with 1.6% of real internal growth (RIG) and pricing of 0.8%.
- Total reported sales increased by 0.4% to CHF 89.8 billion (2016: CHF 89.5 billion). Net divestments had a negative impact of 1.9% (mainly due to the creation of the Froneri joint venture).
- Underlying trading operating profit margin ahead of expectations, up 50 basis points in constant currency and up 40 basis points on a reported basis to 16.4%.
- Trading operating profit margin decreased by 60 basis points on a reported basis to 14.7%, in line with our October 2017 expectations. This included a CHF 900 million increase mainly in restructuring and related costs to CHF 1.5 billion.
- Underlying earnings per share increased by 4.7% in constant currency and by 4.6% to CHF 3.55 on a reported basis.
- Proposed dividend increase of 5 centimes (2.2%) to CHF 2.35 per share.
- Nestlé announces Board decisions regarding the Gerber Life Insurance business and the L'Oréal investment.
- 2018 Outlook: organic sales growth between 2% and 4%; underlying trading operating margin improvement in line with our 2020 target. Restructuring costs¹ are expected at around CHF 700 million. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

Mark Schneider, Nestlé CEO, said: "Our 2017 organic sales growth was within the guided range but below our expectations, in particular due to weak sales development towards the end of the year. Sales growth in Europe and Asia was encouraging while North America and Brazil continued to see a challenging environment.

Our cost reduction initiatives delivered margin improvement ahead of 2017 expectations, in spite of considerable commodity price increases.

During the past months, we have completed initial portfolio adjustments with very favorable results. We will continue this active portfolio management approach in a disciplined manner and fully in line with our strategy. Regarding our core portfolio, accelerating our growth through product innovation and renovation is high on the agenda.

Organic sales growth is expected to improve in 2018 and we are firmly on track for our 2020 margin improvement target."

¹ Not including impairment of fixed assets, litigation and onerous contracts

Group results

	Total Group	Zone AMS	Zone EMENA	Zone AOA	Nestlé Waters	Nestlé Nutrition	Other Businesses
2017 Sales (CHF m)	89'791	28'479	16'535	16'224	7'955	10'361	10'237
2016 Sales (CHF m)	89'469	28'130	17'428	15'904	7'926	10'326	9'755
Real internal growth (RIG)	1.6%	0.2%	1.7%	2.9%	1.8%	0.9%	4.5%
Pricing	0.8%	0.7%	0.6%	1.8%	0.3%	0.2%	0.3%
Organic growth	2.4%	0.9%	2.3%	4.7%	2.1%	1.1%	4.8%
Net M&A	-1.9%	-0.5%	-8.0%	-0.4%	-0.5%	-0.4%	-0.8%
Foreign exchange	-0.1%	0.8%	0.6%	-2.3%	-1.4%	-0.2%	1.0%
Reported sales growth	0.4%	1.2%	-5.1%	2.0%	0.2%	0.5%	5.0%
2017 Underlying TOP Margin	16.4%	20.3%	18.1%	20.1%	12.7%	23.0%	15.9%
2016 Underlying TOP Margin	16.0%	19.7%	17.3%	19.9%	12.5%	23.1%	15.4%

Group sales

Organic growth of 2.4% was at the low end of our expectations following slow growth of 1.9% in the fourth quarter. RIG was 1.6% for the full-year and remained at the high end of the food and beverage industry. Pricing of 0.8% was consistent with the prior year. Organic growth was 0.7% in developed markets and 4.8% in emerging markets. Net divestments reduced sales by 1.9%, largely related to the creation of the Froneri joint venture. Foreign exchange had a minimal negative impact of 0.1%. Total reported sales were CHF 89.8 billion, a 0.4% increase for the year.

Organic growth in Zone AMS was subdued and decelerated in the back half of the year. Excluding the confectionery business, growth in the United States was flat, reflecting soft consumer demand and challenging category dynamics. Brazil maintained solid RIG in a difficult trading environment, but pricing was negative due to deflationary pressures. Mexico was resilient and other parts of Latin America sustained good momentum.

Growth in Zone EMENA increased following a significant improvement in the second half of the year, with two consecutive quarters in excess of 3%. This was largely driven by strong results in petcare and coffee.

Zone AOA saw its highest growth in four years, with positive RIG and pricing. This was based on a return to positive growth in China, which was achieved despite difficult comparables in the fourth quarter due to the timing of Chinese New Year. There was continued good growth across the other sub-regions.

Nestlé Waters posted high single-digit growth in the international premium brands. The regional brands in North America faced weak demand and pricing pressure. Growth remained soft in Nestlé Nutrition as sales were subdued in North America and declined in Brazil. There was modest improvement in China, driven by new organic offerings. Nespresso reported consistent mid single-digit growth, with positive momentum in all regions and sustained mid-teen growth in North America. Nestlé Health Science maintained solid growth and Nestlé Skin Health improved slightly.

All categories reported positive growth, led by coffee, petcare and Nestlé Health Science.

Underlying Trading Operating Profit

Underlying trading operating profit increased by 2.9% to CHF 14.7 billion. The underlying trading operating margin was up 50 basis points in constant currency, and up 40 basis points on a reported basis to 16.4%. This improvement puts us on track to meet our 2020 target.

Margin expansion was supported by operating efficiencies and successful execution of ongoing restructuring initiatives. These cost savings largely offset the increase in commodity costs of around CHF 900 million.

Restructuring expenditure and net other trading items increased by CHF 900 million to CHF 1.5 billion due to the acceleration of restructuring projects. As a consequence, trading operating profit decreased by 3.4% to CHF 13.2 billion. The trading operating profit margin decreased by 60 basis points on a reported basis to 14.7%, in line with our guidance.

Net Profit and Earnings Per Share

Net profit decreased by 15.8% to CHF 7.2 billion and earnings per share decreased by 15.8% to CHF 2.32. This was mainly due to an impairment of goodwill related to Nestlé Skin Health, which was taken to reflect the current prospects of the business.

Underlying earnings per share increased by 4.7% in constant currency and by 4.6% on a reported basis to CHF 3.55.

Cash Flow

Free cash flow declined from CHF 10.1 billion to CHF 8.5 billion. This was driven by working capital development, which saw a slower rate of improvement following the exceptionally large reduction in the prior year.

Impact of the United States Corporate Tax Reform

As a result of the United States Tax Reform, we expect a reduction in our United States corporate tax expenses of around CHF 300 million per year, as from January 2018. This equates to a reduction of the Group underlying tax rate of around 200 basis points from 2018 onwards, assuming no other changes. In addition, the tax rate reduction triggered a one-time deferred tax gain in 2017 of around CHF 850 million.

Nestlé Nutrition re-organization of management and reporting

As announced on November 15, 2017, the Nestlé Board of Directors decided to change the organization of the infant nutrition business to enhance the company's ability to win in this high-growth category. Effective January 1, 2018, infant nutrition moved from the globally-managed Nestlé Nutrition business unit to a regionally-managed business reported within Zones AMS, EMENA and AOA.

The new organization creates a more agile and efficient structure. This will enable the business to respond faster to rapidly-changing local consumer preferences, evolving regulation, and customer and channel demand for tailor-made solutions.

Portfolio Management

We have made good progress in the execution of our portfolio management strategy. We are actively evolving our portfolio towards high-growth, high-margin categories which offer differentiation and value creation opportunities.

As announced on December 5, 2017, we agreed to acquire privately-held Atrium Innovations, a global leader in nutritional health products for USD 2.3 billion in cash. The move supports our strategy to prudently pursue opportunities in consumer healthcare to complement our focus on high-growth food and beverage categories. The transaction is expected to close in the first quarter of 2018, following the completion of customary approvals and closing conditions.

As announced on January 16, 2018, we agreed to sell our U.S. confectionery business to Ferrero for USD 2.8 billion in cash. The transaction is expected to close around the end of the first quarter of 2018, following the completion of customary approvals and closing conditions.

2018 Strategic Developments

Nestlé's Board of Directors has decided to explore strategic options, including a potential sale, for its Gerber Life Insurance business. This business was part of the Gerber acquisition from Novartis in 2007. Its 2017 sales were CHF 840 million. Nestlé remains fully committed to retain and develop the Gerber baby food business, which is an integral part of our infant nutrition growth platform.

Our shareholding in L'Oréal continues to be an important investment for us and we remain committed to the company that has given us very good returns over the years. We have full confidence in L'Oréal's management and strategic direction. The shareholders agreement between Nestlé and the Bettencourt family is due to expire on March 21, 2018. In order to maintain all available options for the benefit of Nestlé's shareholders, the Board of Directors has decided not to renew this agreement. We do not intend to increase our stake in L'Oréal and are committed to maintaining our constructive relationship with the Bettencourt family.

Zone Americas (AMS)

- 0.9% organic growth: 0.2% RIG; 0.7% pricing.
- North America saw slightly negative organic growth with positive pricing.
- Latin America had positive RIG and pricing but organic growth for the region decelerated due to lower pricing in Brazil.
- The underlying trading operating profit margin increased by 60 basis points to 20.3%.

	Sales 2017	Sales 2016	RIG	Pricing	Organic growth	UTOP 2017	UTOP 2016	Margin 2017	Margin 2016
Zone AMS	CHF 28.5 bn	CHF 28.1 bn	0.2%	0.7%	0.9%	CHF 5.8 bn	CHF 5.5 bn	20.3%	19.7%

Organic growth was subdued at 0.9%, with RIG of 0.2%, following a slowdown in North America. Softer pricing of 0.7% reflected a lower contribution from Latin America, mainly Brazil. Net divestments reduced reported sales by 0.5% but foreign exchange increased reported sales by 0.8%. Reported sales in Zone AMS increased by 1.2% to CHF 28.5 billion.

Organic growth in the United States was slightly negative, as weak consumer demand persisted throughout the year, resulting in stagnant food and beverage category growth. The coffee creamer and petcare categories generated growth in North America, offset by declines in confectionery and ice cream. Excluding confectionery, growth in the United States was flat.

In Brazil, RIG was solid but organic growth was negative as deflationary pressures led to lower pricing, particularly in dairy. Mexico maintained resilient mid single-digit growth, mainly coming from pricing. This was achieved in a volatile economic environment and despite some impact from natural disasters. Petcare had another strong year in Latin America, with double-digit growth across the region. The professional business also achieved high single-digit growth driven by successful product launches.

The Zone's underlying trading operating profit margin improved by 60 basis points, as ongoing restructuring projects reduced structural costs. Operational efficiency savings helped to offset cost increases from commodity inflation and foreign exchange.

Zone Europe, Middle East and North Africa (EMENA)

- 2.3% organic growth: 1.7% RIG, 0.6% pricing.
- Western Europe maintained positive organic growth with balanced contributions of RIG and pricing.
- Central and Eastern Europe achieved mid single-digit organic growth, driven entirely by RIG.
- Middle East and North Africa saw mid single-digit organic growth, both RIG and pricing were positive.
- The underlying trading operating profit margin grew by 80 basis points to 18.1%.

	Sales 2017	Sales 2016	RIG	Pricing	Organic growth	UTOP 2017	UTOP 2016	Margin 2017	Margin 2016
Zone EMEA	CHF 16.5 bn	CHF 17.4 bn	1.7%	0.6%	2.3%	CHF 3.0 bn	CHF 3.0 bn	18.1%	17.3%

Organic growth increased to 2.3% as the Zone finished the year with good momentum, reporting two consecutive quarters in excess of 3%. RIG remained solid at 1.7% and pricing improved to 0.6%, driven by a return to positive pricing in Western Europe. Net divestments reduced reported sales by 8.0%, mainly reflecting the transfer of the

ice cream business to the Froneri joint venture. However, foreign exchange effects increased reported sales by 0.6%. Reported sales in Zone EMENA decreased by 5.1% to CHF 16.5 billion.

Zone EMENA saw positive growth across all sub-regions and categories, with petcare and coffee the main contributors. Petcare's performance was supported by very strong growth in Russia and other emerging markets. Nescafé had good growth in Western Europe, the Middle East and North Africa, following price increases taken during the year. Confectionery, culinary and dairy all delivered improved growth, helped by successful product launches. The United Kingdom returned to solid growth after a challenging start to the year, with positive RIG and pricing.

The Zone's underlying trading operating profit margin increased by 80 basis points, despite higher commodity costs. This improvement was driven by price increases, portfolio management, operational efficiencies and structural cost savings.

Zone Asia, Oceania and sub-Saharan Africa (AOA)

- 4.7% organic growth: 2.9% RIG; 1.8% pricing.
- China returned to positive growth despite difficult comparables due to the timing of Chinese New Year.
- South-East Asia and South Asia maintained good organic growth, with strong RIG and positive pricing.
- Sub-Saharan Africa saw strong double-digit growth with positive RIG and pricing.
- Developed markets remained solid, with good RIG partially offset by negative pricing.
- The underlying trading operating profit margin increased by 20 basis points to 20.1%.

	Sales 2017	Sales 2016	RIG	Pricing	Organic growth	UTOP 2017	UTOP 2016	Margin 2017	Margin 2016
Zone AOA	CHF 16.2 bn	CHF 15.9 bn	2.9%	1.8%	4.7%	CHF 3.3 bn	CHF 3.2 bn	20.1%	19.9%

Organic growth was strong at 4.7%. RIG was consistent at 2.9% while pricing improved to 1.8%. Net divestments and foreign exchange reduced reported sales by 0.4% and 2.3%, respectively. Reported sales in Zone AOA increased by 2.0% to CHF 16.2 billion.

Organic growth in Zone AOA had a good balance of RIG and pricing. The Zone achieved its highest growth in four years despite difficult comparables in the fourth quarter due to the timing of Chinese New Year. There was a return to slightly positive growth in China, helped by the stabilization of Yinku and solid contributions across coffee, ice cream and culinary products. Growth was broad-based across the Zone, with a notable acceleration in Nestlé Professional and petcare. There was good growth in sub-Saharan Africa, South-East Asia and South Asia, despite some impact on organic growth from the implementation of GST in India. Developed markets saw strong RIG, especially Japan. This was partially offset by negative pricing.

The Zone's underlying trading operating profit margin improved by 20 basis points as pricing, operational efficiencies and structural cost savings more than offset an increase in commodity costs.

Nestlé Waters

- 2.1% organic growth: 1.8% RIG; 0.3% pricing.
- North America had slightly positive organic growth driven entirely by RIG, with negative pricing.

- Europe maintained low single-digit organic growth on a full-year basis.
- Emerging markets overall delivered high single-digit growth.
- The underlying trading operating profit margin increased by 20 basis points to 12.7%.

	Sales 2017	Sales 2016	RIG	Pricing	Organic growth	UTOP 2017	UTOP 2016	Margin 2017	Margin 2016
Nestlé Waters	CHF 8.0 bn	CHF 7.9 bn	1.8%	0.3%	2.1%	CHF 1.0 bn	CHF 1.0 bn	12.7%	12.5%

Organic growth slowed to 2.1% following a challenging second half of the year. RIG decelerated to 1.8%, reflecting softer growth across both North America and Europe. Pricing remained limited at 0.3% in a deflationary environment. Net divestments and foreign exchange reduced reported sales by 0.5% and 1.4%, respectively. Reported sales in Nestlé Waters increased by 0.2% to CHF 8.0 billion.

Nestlé Waters saw high single-digit growth in the international premium brands. The regional brands in North America faced weak demand and pricing pressure. RIG was solid in the developed markets but pricing remained negative. Growth remained strong across Latin America and solid in AOA.

Nestlé Waters faced higher commodity costs in 2017. The underlying trading operating profit margin improved by 20 basis points, driven by efficiencies and increased structural cost savings. The strong growth of the international brands also drove improved profitability through premiumization.

Nestlé Nutrition

- 1.1% organic growth: 0.9% RIG; 0.2% pricing.
- In China, organic growth remained soft but saw some improvement in the back half of the year.
- The United States had slightly positive organic growth driven by price increases.
- Brazil had negative growth, reflecting price decreases and soft demand.
- The Nestlé Nutrition underlying trading operating profit margin decreased by 10 basis points to 23.0%.

	Sales 2017	Sales 2016	RIG	Pricing	Organic growth	UTOP 2017	UTOP 2016	Margin 2017	Margin 2016
Nestlé Nutrition	CHF 10.4 bn	CHF 10.3 bn	0.9%	0.2%	1.1%	CHF 2.4 bn	CHF 2.4 bn	23.0%	23.1%

Organic growth was soft at 1.1%, comprised of 0.9% RIG and 0.2% pricing. Net divestments and foreign exchange reduced reported sales by 0.4% and 0.2%, respectively. Reported sales in Nestlé Nutrition increased by 0.5% to CHF 10.4 billion.

Growth in China remained soft but did improve compared to the prior year, driven by new organic offerings for NAN and *illumia*. The United States was subdued with slightly positive growth in the context of ongoing weak category dynamics. The comprehensive re-launch of Gerber's baby food range is in progress, including new organic and natural lines. Growth of Nestlé Nutrition was impacted by negative results in Brazil, especially in the back half of the year. Significant deflation in Brazil's dairy market resulted in negative pricing and demand remained weak. South Asia and the Middle East made strong contributions with mid single-digit growth.

Nestlé Nutrition's underlying trading operating profit margin decreased by 10 basis points, mainly due to lower profitability in Brazil, where pricing was significantly impacted by deflationary pressures.

Other Businesses

- 4.8% organic growth: 4.5% RIG; 0.3% pricing.
- Nespresso posted good organic growth, with sustained mid-teen momentum in North America.
- Nestlé Health Science maintained mid single-digit growth with positive RIG and pricing.
- Nestlé Skin Health saw slightly improved growth.
- The underlying trading operating profit margin of Other Businesses increased by 50 basis points to 15.9%.

	Sales 2017	Sales 2016	RIG	Pricing	Organic growth	UTOP 2017	UTOP 2016	Margin 2017	Margin 2016
Other Businesses	CHF 10.2 bn	CHF 9.8 bn	4.5%	0.3%	4.8%	CHF 1.6 bn	CHF 1.5 bn	15.9%	15.4%

Organic growth of 4.8% was driven by strong RIG of 4.5% and pricing of 0.3%. Net acquisitions decreased reported sales by 0.8% and foreign exchange had a positive 1.0% impact. Reported sales in Other Businesses increased by 5.0% to CHF 10.2 billion.

Nespresso reported consistent mid single-digit growth, with positive growth in all regions and sustained mid-teen momentum in North America. Nespresso continued to expand its global footprint throughout the year, opening 80 new boutiques. The business also introduced its Vertuo system in the UK and in Australia, building on previous successful launches in the USA, Canada and France. Nestlé Health Science maintained solid growth driven by Medical Nutrition. Nestlé Skin Health had slightly improved growth, however this was still materially below the initial business plans.

The underlying trading operating profit margin of Other Businesses increased by 50 basis points. This was mainly driven by an improvement in Nestlé Skin Health, however the profitability of this business remained substantially below its historical level.

Board proposals to the Annual General Meeting

At the Annual General Meeting on April 12, 2018, the Board of Directors will propose a dividend of CHF 2.35 per share, an increase of 5 centimes. The last trading day with entitlement to receive the dividend will be April 13, 2018. The net dividend will be payable as from April 18, 2018. Shareholders entered in the share register with voting rights on April 5, 2018 at 12:00 noon (CEST) will be entitled to exercise their voting rights.

Nestlé announced on January 18, 2018 that its Board of Directors proposes Pablo Isla, Chief Executive Officer and Chairman of Inditex; Kasper Rorsted, Chief Executive Officer of adidas; and Kimberly A. Ross, former Chief Financial Officer of Baker Hughes, for election as new independent members of the Board of Directors.

Three current directors, Andreas Koopmann, Steven G. Hoch and Naïna Lal Kidwai will not stand for re-election as they have reached the term limit. The Board warmly thanks the three board members for their highly appreciated services and important contributions as directors.

As announced on January 18, 2018, the Board also proposes the re-election of Paul Bulcke as Chairman, the individual re-election of the other current members of the Board, as well as the individual election of the members of the Compensation Committee and the election of KPMG as statutory auditors until the end of the next Annual General Meeting. Furthermore, the Board submits the compensation of the Board of Directors and the Executive

Board for approval by shareholders and will propose a capital reduction to cancel shares repurchased under the current Share Buy Back Program.

Outlook

In 2018, we expect organic sales growth between 2% and 4%, and underlying trading operating margin improvement in line with our 2020 target. Restructuring costs² are expected at around CHF 700 million. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

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² Not including impairment of fixed assets, litigation and onerous contracts

Annex

2016 information has been restated following the change of business structure, effective as from 1st January 2017, for Nestlé Professional (NP) from a Globally Managed to a Regionally Managed Business.

Full-year sales and underlying trading operating profit (TOP) overview by operating segment

	Total Group	Zone AMS	Zone EMENA	Zone AOA	Nestlé Waters	Nestlé Nutrition	Other Businesses
2017 Sales (CHF m)	89'791	28'479	16'535	16'224	7'955	10'361	10'237
2016 Sales (CHF m)	89'469	28'130	17'428	15'904	7'926	10'326	9'755
Real internal growth (RIG)	1.6%	0.2%	1.7%	2.9%	1.8%	0.9%	4.5%
Pricing	0.8%	0.7%	0.6%	1.8%	0.3%	0.2%	0.3%
Organic growth	2.4%	0.9%	2.3%	4.7%	2.1%	1.1%	4.8%
Net M&A	-1.9%	-0.5%	-8.0%	-0.4%	-0.5%	-0.4%	-0.8%
Foreign exchange	-0.1%	0.8%	0.6%	-2.3%	-1.4%	-0.2%	1.0%
Reported sales growth	0.4%	1.2%	-5.1%	2.0%	0.2%	0.5%	5.0%
2017 Underlying TOP (CHF m)	14'729	5'791	2'990	3'265	1'012	2'384	1'625
2016 Underlying TOP (CHF m)	14'307	5'537	3'020	3'171	990	2'389	1'503
2017 Underlying TOP Margin	16.4%	20.3%	18.1%	20.1%	12.7%	23.0%	15.9%
2016 Underlying TOP Margin	16.0%	19.7%	17.3%	19.9%	12.5%	23.1%	15.4%

Full-year sales and underlying trading operating profit (TOP) overview by product

	Total Group	Powdered & liquid beverages	Water	Milk products & ice cream	Nutrition & Health Science	Prepared dishes & cooking aids	Confectionery	Petcare
2017 Sales (CHF m)	89'791	20'408	7'455	13'447	15'257	11'957	8'805	12'462
2016 Sales (CHF m)	89'469	19'792	7'414	14'331	15'038	12'148	8'679	12'067
Real internal growth (RIG)	1.6%	2.1%	2.1%	0.4%	1.9%	1.0%	1.4%	2.5%
Pricing	0.8%	1.5%	0.3%	1.6%	0.2%	1.2%	-1.1%	0.5%
Organic growth	2.4%	3.6%	2.4%	2.0%	2.1%	2.2%	0.3%	3.0%
2017 Underlying TOP (CHF m)	14'729	4'461	968	2'509	2'961	2'103	1'387	2'678
2016 Underlying TOP (CHF m)	14'307	4'270	950	2'759	2'900	1'940	1'237	2'554
2017 Underlying TOP Margin	16.4%	21.9%	13.0%	18.7%	19.4%	17.6%	15.8%	21.5%
2016 Underlying TOP Margin	16.0%	21.6%	12.8%	19.3%	19.3%	16.0%	14.3%	21.2%

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Press release

Vevey, January 18, 2018



Nestlé nominates three new independent directors to Board

Nestlé today announced that it proposes Pablo Isla, Chief Executive Officer of Inditex; Kasper Rorsted, Chief Executive Officer of adidas; and Kimberly A. Ross, former Chief Financial Officer of Baker Hughes, for election to its Board of Directors. The elections will take place at the company's Annual General Meeting on April 12, 2018. At that time, three current directors, Andreas Koopmann, Steven G. Hoch, and Naïna Lal Kidwai will retire from the Board. The Board also proposes the individual re-election of the Chairman and the other current members of the Board.

"As Nestlé advances its Nutrition, Health and Wellness (NHW) strategy for accelerated growth in targeted consumer products categories and for sustainable shareholder value creation, each of these nominees brings a unique depth of experience and expertise that will be directly relevant to Nestlé," said Nestlé's Chairman Paul Bulcke. "We are thrilled to have Pablo, Kasper, and Kimberly support Nestlé through the next phase of our development. These highly accomplished individuals have strong records in successfully navigating today's rapidly changing consumer environment with creativity and business acumen, leading to sustainable value creation."

With the proposed nominees the full Nestlé Board will comprise 14 members, of which 12 are independent directors. Including the proposed nominees Nestlé has added seven new independent directors in the last three years. The continuous refreshment of the Board augments its diversity and experience and adds new perspectives in the different areas relevant to Nestlé.

Nestlé regularly engages with all its shareholders on topics of corporate governance including its Board's composition. "The robust director selection process at Nestlé continues to equip the Board with the right blend of capabilities, perspectives, and experiences. This is the appropriate Board composition to support the execution of the company's strategy to deliver long-term growth and sustainable value creation for shareholders," said Henri de Castries, Chairman of the Nomination and Sustainability Committee and Nestlé's Lead Independent Director.

"On behalf of the entire Board and management, I would like to warmly thank Andreas Koopmann, Steven Hoch, and Naïna Lal Kidwai for their highly appreciated services and important contributions as directors," Paul Bulcke said.

Pablo Isla, a Spanish citizen, is the Chairman and CEO of Inditex, one of the world's largest retail fashion companies, holding brands such as Zara. Pablo Isla brings extensive retail experience, with expertise in e-commerce, innovative business and supply chain models, and environmental, social, and governance (ESG) leadership. Previously, he was co-executive Chairman of Altadis and General Secretary of Banco Popular, after serving as General Manager of the National Heritage Department of the Spanish Treasury. Until 2017 he served on the Board of Directors of global telecommunications company, Telefónica.

Kasper Rorsted, a Danish citizen, is the CEO of adidas. Kasper Rorsted brings deep experience in the consumer goods and technology sectors. Prior to his CEO role at leading sporting goods company adidas, Kasper Rorsted served as CEO of Henkel, a multinational maker of cleaning products, beauty care items and adhesives, following senior executive roles at technology companies including Hewlett-Packard, Compaq, and Oracle. He currently also serves on the Supervisory Board of global media company, Bertelsmann.

Kimberly A. Ross, a US citizen, is the former Senior Vice President and Chief Financial Officer of Baker Hughes, acquired by GE in 2017, and currently serves as Non-Executive Board Member of Chubb Insurance Group and PQ Corporation. Kimberly A. Ross brings extensive financial and accounting expertise, and operational leadership experience in industries relevant to Nestlé. She was previously Executive Vice President and CFO of Avon Products, and before that served as Executive Vice President and CFO of food retailer Royal Ahold N.V.

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Press release

Vevey, 16 January 2018



Nestlé agrees to sell U.S. confectionery business to Ferrero

Nestlé today announced that it agreed to sell its U.S. confectionery business to Ferrero for USD 2.8 billion in cash. Nestlé's 2016 U.S. confectionery sales reached about USD 900 million. The transaction is expected to close around the end of the first quarter of 2018 following the completion of customary approvals and closing conditions.

Nestlé CEO Mark Schneider commented: "With Ferrero we have found an exceptional home for our U.S. confectionery business where it will thrive. At the same time, this move allows Nestlé to invest and innovate across a range of categories where we see strong future growth and hold leadership positions, such as pet care, bottled water, coffee, frozen meals and infant nutrition."

Nestlé's U.S. confectionery business represents about three percent of U.S. Nestlé Group sales. It includes popular local chocolate brands such as *Butterfinger*, *Crunch*, *BabyRuth*, *100Grand*, *Raisinets*, *Chunky*, *OhHenry!* and *SnoCaps*, as well as local sugar brands such as *SweeTarts*, *LaffyTaffy*, *Nerds*, *FunDip*, *PixyStix*, *Gobstopper*, *BottleCaps*, *Spree* and *Runts*.

The transaction covers the U.S.-focused confectionery brands only and does not include Nestlé's iconic *Toll House* baking products, a strategic growth brand which the company will continue to develop. Nestlé remains fully committed to growing its leading international confectionery activities around the world, particularly its global brand *KitKat*.

With sales of CHF 26.7 billion in 2016, the U.S. is Nestlé's largest market. Nestlé products can be found in 97 percent of U.S. households under brands such as *Purina*, *Nestlé Pure Life*, *Coffee-Mate*, *Gerber* and *Stouffer's*. The company employs 50,000 people in more than 120 locations across the U.S., including 77 factories and 10 R&D centers.

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News Run

Nestle

Source, Factiva. Last 3 Months

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- Nestle Fails to Satisfy Third Point
- Italian Confectioner in Sweet Deal With Nestle

Business

Nestle left with sour taste as KitKat faces protection loss

20 April 2018

The Daily Telegraph

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KITKAT faces the loss of EU trademark protection for its four-fingered chocolate bar, after a senior adviser to the European Court of Justice said the shape was not recognised by customers in enough countries.

It is the latest setback in a long-running legal battle waged between KitKat owner **Nestlé** and US company Mondelez, which now owns Cadbury.

Nestlé applied for EU trademark protection for the "three-dimensional shape" of the four-fingered KitKat to the European Union Intellectual Property Office in 2002, which was granted in 2006. The next year Cadbury challenged the trademark but the Euipo rejected the Birmingham-founded confectionery giant's application.

The EU agency said KitKat had "acquired distinctive character" across Europe, which is a condition for granting the protection. After Cadbury appealed, the General Court, a lower EU court, annulled the protection in 2016. The judgment said that KitKat's shape was distinctive in 10 EU countries but that was not enough. The 10 countries where people recognised the KitKat shape were Denmark, Germany, Spain, France, Italy, the Netherlands, Austria, Finland, Sweden and Britain.

The Euipo failed to analyse how the bar was perceived in Greece, Belgium, Ireland and Portugal, the court said in a decision that was appealed against by both Nestlé and the EU agency. The case is now set to be heard by the European Court of Justice. Before those proceedings begin, it was analysed by the Advocate General in an opinion handed down yesterday in Luxembourg.

The legal opinion backed Mondelez and found against Nestlé and the Euipo, recommending that ECJ judges dismiss the appeals and uphold the decision to annul the trademark. Although there was a single EU market, it was not permissible to leave out whole countries in the consideration of whether to grant the EU-wide trademark, according to the opinion, which is influential but non-binding.

Tania Clark, partner at law firm Withers & Rogers, said: "Nestlé will be very disappointed by this decision."

Business

Big Consumer Brands Like Raising Prices, but It Is Getting Harder; Procter & Gamble, Unilever and Nestlé report weak pricing amid fierce competition

19 April 2018

The Wall Street Journal Online

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The world's biggest consumer-products makers are struggling to raise prices, as fierce competition keeps a lid on sales growth.

Procter & Gamble Co., the maker of Tide and Bounty, on Thursday said [prices fell by 2%](#) for the first three months of 2018. Prices fell across P&G's businesses, with the biggest decline at its Gillette shaving brand, which has slashed prices to fend off low-cost rivals Dollar Shave Club, owned by rival Unilever PLC, and Harry's.

Unilever, which sells Dove soap and Ben & Jerry's ice cream, said it was able to raise prices just 0.1% in the first quarter, while Nestlé SA reported price growth of 0.2%. The growth rates were the weakest for those European companies since 2010 and 2000, respectively, according to analysts at Bernstein.

The consumer-products industry has long relied on selling new or improved versions of products at higher prices to boost growth. That practice is now challenged by weak inflation, Amazon.com Inc.'s rising prowess in selling more household staples, and a decline in brand loyalty as consumers use the internet to shop around. A shift to discount retailers, from dollar stores to Germany's Aldi, are further pushing down prices.

All three consumer-goods giants had to rely, instead, on selling more products to lift sales in the latest quarter.

P&G Chief Executive David Taylor said there has been a fundamental shift in dynamics around pricing and how consumers shop. P&G, years into a turnaround that as recently as last year executives said was working, needs to step up those efforts, he said.

"Changes must be made, and the cost structure demands are real," Mr. Taylor said. "What we anticipated is not sufficient. We need to do more."

Mr. Taylor said he continues to believe shoppers will still pay more for products that offer significant benefits, such as Tide Pods laundry packets.

P&G executives said the [planned \\$4.2 billion acquisition](#) of the consumer-health business from Germany's Merck KGaA adds products, namely vitamins and supplements, that succeeded in holding the line on price.

P&G reported a 4.3% rise in net sales to \$16.28 billion, helped by currency movements. Stripping out foreign exchange and deal making, sales rose 1%, thanks to a volume increase of 2%. [Net profit slipped](#) 0.4%, however, as input costs rose.

The company said price cuts on Gillette razors and volatility in some international markets, including Saudi Arabia, Egypt and Nigeria, contributed to weakness. Retailers are slashing inventory as they work to improve

cash flow, P&G said. It is a "very tough environment," said finance chief Jon Moeller.

Unilever on Thursday reported a 3.4% rise in first-quarter underlying sales, which strip out foreign-exchange movements. Nestlé posted 2.8% growth in organic sales, which exclude currency fluctuations, acquisitions and divestitures.

"Pricing is the big theme for this morning," Unilever's finance chief, Graeme Pitkethly, said in an interview. "It looks like we've gone from all price and no volume to all volume and no price."

Prices for the Anglo-Dutch maker of Hellmann's mayonnaise were held back by a handful of big markets like India, Brazil, Indonesia and the U.K., which together make up 25% of Unilever's sales, Mr. Pitkethly said. He also said it was harder to charge more in the U.S., which accounts for 15% of sales, where there was heavy discounting.

Mr. Pitkethly said Unilever was able to raise prices in other markets, like Turkey, Mexico, the Netherlands and Eastern Europe. He said he expects the company to strike a better balance between volume and price growth in the second half of the year.

"We're not concerned about relatively low pricing in aggregate," he said on an investor call. "It's really not worth overthinking the price growth in any given quarter."

Unilever is less exposed to the price wars hitting some of its big U.S.-based rivals because it doesn't sell products like diapers and toilet paper, which have been fiercely hit by Amazon and the rise of discounters Aldi and Lidl.

The company also announced a share-buyback program of up to €6 billion (\$7.43 billion) starting next month to return cash accrued from the sale of its spreads business. Unilever in December [agreed to sell the unit to U.S. private-equity firm KKR](#) for €6.83 billion after years of declines.

Unilever reported a 5.2% fall in first-quarter revenue to €12.6 billion from a year earlier.

Nestlé blamed weak price growth on lower levels of inflation in emerging markets, saying prices declined in Brazil as well as Western and Eastern Europe. Prices in North America were slightly positive. The owner of Purina pet foods and Nescafé coffee said total sales for the three months to March 31 were 21.26 billion Swiss francs (\$21.97 billion), compared with 21 billion francs a year earlier.

Like other consumer-goods companies, Nestlé has [struggled to keep pace with changing consumer tastes](#) toward locally grown, organic food, while at the same time being limited in raising prices amid a weak inflation trend globally.

On Thursday, Nestlé reported a return to growth in its biggest market, the U.S., with the company citing "an improved performance in pet care, particularly in the natural segment and the e-commerce channel."

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Related

* [P&G Slogs Through 'Difficult' Markets for Sales Growth](#)

Nestle confirms outlook as volume growth picks up

19 April 2018

Reuters News

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ZURICH (Reuters) - Food group **Nestle** confirmed its full-year guidance after organic sales growth accelerated to 2.8 percent in the first quarter of 2018, helped by improving volumes.

Nestle is among packaged food companies taking action after seeing sales slow as many consumers prefer

fresh foods, reacting by cutting costs, divesting underperforming businesses and increasing efforts to innovate with new products.

The maker of KitKat chocolate bars and Maggi soups confirmed on Thursday its target to grow organic sales by 2-4 percent this year and improve its trading operating margin. It also said it was on track to return to mid-single-digit organic sales growth by 2020.

It also confirmed it expected restructuring costs of around 700 million Swiss francs (\$723 million) this year.

Quarterly organic growth of 2.8 percent, which strips out currency swings and portfolio changes, was ahead of the average estimate of 2.5 percent in a Reuters poll and up from 1.9 percent in the final quarter of 2017.

Volume growth picked up to 2.6 percent, from 1.2 percent in the final quarter of 2017, but prices rose by only 0.2 percent, Nestle said in a statement. Price pressures were illustrated by a price row with European retailers.

There were also broadly positive reports from other consumer goods companies.

French yogurt maker Danone on Wednesday reported a 4.9 percent rise in first-quarter underlying sales, helped by strong demand for baby formula products in China

Anglo-Dutch Unilever reported first-quarter sales that met expectations, helped by volume gains, and maintained its full-year outlook.

SIGNS OF IMPROVEMENT

For Nestle, growth in the Americas accelerated to 1.2 percent and Asia (AOA), at 4.7 percent, was also better than the previous quarter, while Europe, the Middle East and North Africa (EMENA) slowed to 2.2 percent, hit by declining prices, Nestle said.

Kepler Cheuvreux analyst Jon Cox said sales figures were better than feared, highlighting the improvement in the U.S.

"However, we are now in the execution phase of efforts to accelerate sales," he said. "While there is an improvement, it is clearly going to take time to accelerate sales for a group the size of Nestle."

Vontobel's Jean-Philippe Bertschy said deflationary pressures in Brazil and Europe had led to the weak pricing, but the slightly better-than-expected figures should help market sentiment.

Shares in the group, which have lost around 10 percent of their value this year, were indicated to open 1.1 percent higher, according to pre-market indications by bank Julius Baer.

They are trading at around 20 times forward earnings, at a premium to Danone at just under 18 times and in line with Unilever.

(Editing by Michael Shields/Keith Weir)

Released: 2018-4-19T08:04:09.000Z

Nestle , Waitrose and KPMG join race to reduce plastic waste

10 April 2018

Reuters News

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LONDON, April 10 (Thomson Reuters Foundation) - British supermarket Waitrose, food giant **Nestle** and accounting firm KPMG on Tuesday became the latest brands to announce plans to cut down on plastics wreaking havoc on the environment.

Waitrose, an upmarket grocer that treats loyal shoppers with free tea or coffee at its stores, said it will stop

using disposable cups - which are very hard to recycle - this year.

Customers will continue to get their free coffee fix if they bring their own reusable cup, the company said in a statement.

"We believe removing all takeaway disposable cups is the right thing to do for our business and are confident the majority of customers will support the environmental benefits," Tor Harris, the supermarket's head of sustainability, said.

The shift by some of the biggest high-street names answers widespread consumer disquiet over pollution, accelerated after popular British naturalist David Attenborough urged consumers to stop using plastic bottles in his "Blue Planet II" TV series.

In January, privately-owned Iceland pledged to eliminate plastic packaging from its own-brand products by the end of 2023 - a first by a major British grocer.

KPMG said it would phase out the use of plastic water cups and cutlery at its 22 offices around Britain by the end of the year, after a successful trial in Manchester where employees were given metal water bottles to use instead.

The global accounting firm said it uses about 3 million plastic cups every year, costing 60,000 pounds (\$85,000).

"Even with supplying each of our 15,000 employees with a free metal water bottle, the scheme is projected to pay for itself within 18 months," KPMG's environment manager Sarah Lindsay said in a statement.

Separately, Nestle, which owns more than 2,000 brands worldwide from chocolate snacks like KitKat and Smarties to Perrier bottled water, announced it aims to make all of its packaging recyclable or re-usable by 2025.

"Plastic waste is one of the biggest sustainability issues the world is facing today," Nestle chief executive Mark Schneider, said in a statement.

United Nations figures show 8 million tonnes of plastic - bottles, packaging and other waste - enter the ocean each year, degrading precious habitats, killing marine life and entering the human food chain.

Scientists have urged tougher restrictions on plastic waste. In December, almost 200 nations agreed to limit plastic pollution of the oceans, warning it could outweigh fish by 2030.

(\$1 = 0.7064 pounds) (Reporting by Umberto Bacchi; Editing by Katy Migiro. Please credit the Thomson Reuters Foundation, the charitable arm of Thomson Reuters, that covers humanitarian news, women's rights, trafficking, property rights, climate change and resilience. Visit <http://news.trust.org>)

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Opinion

Nestlé permit becomes water policy dilemma

4 April 2018

Detroit Free Press

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In an unsurprising turn of events, the Michigan Department of Environmental Quality has approved a permit requested by **Nestlé** Waters North America that would allow the multinational conglomerate to pump 60% more Michigan groundwater at its facility near Evart, Mich., boosting its withdrawals from 250 gallons per minute to 400.

MDEQ Director Heidi Grether says the permit review process — conducted over several years and in the face of near-unanimous public opposition — was the most extensive water withdrawal analysis in Michigan history, and that **Nestlé**'s permit application to pump more water meets the state's standards.

The state uses computer modeling to determine whether pumping will impact the flow of water at the lowest and highest points of the year, said Jeremiah Asher, the assistant director/director of information and decision support technology at the Institute of Water Research at Michigan State University.

That water modeling suggested that despite the dramatic increase Nestlé sought, its water withdrawal is unlikely to negatively impact the state's ecosystems. As a condition of the permit, the state will monitor the area around Nestlé's withdrawal for changes.

And if you're one of the Osceola County residents who spoke out, or one of the 80,945 people who submitted public comments opposing the expanded permit (just 75 commenters were in favor), that likely matters to you not one whit.

Nestlé operates three pumping sites in Michigan, selling the water it extracts with the label "Ice Mountain," one of six regional Nestlé water brands with minimal descriptive relationships to the places they're pumped. (The others are Poland Spring, Deer Park, Zephyrhills, Ozarka and Arrowhead, and really, I think a company with Nestlé's marketing budget could do better.)

Nestlé owns the wells it pumps, so the company pays just \$200 a year for the water it extracts, plus, in this case, a \$5,000 permit fee. I'm not sure how much Nestlé makes off the Michigan water it sells, but I'm pretty sure they're turning a profit.

That galls some residents, who see a public resource misappropriated for private profit — that's what the vast majority of those public commenters cited in their objections to the permit expansion.

Because Michigan, like other eastern states, has abundant drinking water, state policy has generally allowed folks who own the land to use the water present on that land. Out west, it's different. Complicated tiers of water rights attempt to satisfy multiple users' needs for a scarce resource.

The state's water withdrawal policies were written decades ago, when the standard for "reasonable use" was likely to apply to municipal customers or local business or agriculture, not a multinational conglomerate withdrawing millions of gallons a minute to ship out of state.

But simply increasing the price Nestlé pays for the water it sells at a premium might set a dangerous precedent.

Water is, and should be, a public resource. State policy that allows a private company to pump water for pennies and sell it for dollars isn't wise, but nor would be policy that deems water most valuable when sold to the highest bidder.

Water is a renewable resource, but it isn't infinite, says Jan Beecher, director of the Institute of Public Utilities Policy Research & Education at Michigan State University. And unlike other commodities, water's supply and demand isn't in our hands.

The bottled water industry is painfully unnecessary. About 25% of bottled water comes from "municipal sources" (i.e., the same places from whence your tap water hails), but is sold at a steep mark-up in outrageously wasteful plastic bottles. Americans are now into this racket for an estimated \$15 billion per year, and I do not expect this to change any time soon. Neither, clearly, does Nestlé, or the company wouldn't be planning to nearly double the amount of Michigan water it's bottling.

How to strike the right balance, between responsible use, a reasonable fee, and the right precedent for one of our state's most valuable resources? I don't know the answer. But the question's only going to become more pressing.

Contact Nancy Kaffer: nkaffer@freepress.com.

Nancy Kaffer

Columnist

Detroit Free Press

USA TODAY NETWORK

Nancy Kaffer | Columnist | Detroit Free Press | USA TODAY NETWORK | Despite opposition from residents in Osceola County, where the well is located, and water activists statewide, the DEQ said the permit met requirements. | AFP/Getty Images

UPDATE 1- Nestle agrees to sell Brazilian water brands to local company

28 March 2018

Reuters News

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(Updates with official confirmation from companies)

SAO PAULO, March 28 (Reuters) - The Brazilian unit of **Nestlé** SA has agreed to sell its water business in Brazil to Grupo Edson Queiroz, both companies said on Wednesday.

Nestlé said it will sell local brands São Lourenço and Petrópolis and three factories in the country to the Brazilian group. The deal value was not disclosed by the companies.

Grupo Edson Queiroz will have the licensing rights to produce Nestle's brand Pureza Vital and distribution contracts of global brands Perrier, S. Pellegrino and Acqua Panna in the country.

The Brazilian group owns competitor water brands Indaiá and Minalba. The transaction is subject to approval by antitrust regulators, the statements said.

Newspaper Valor Econômico reported the transaction earlier on Wednesday on its website. (Reporting by Tatiana Bautzer Editing by Chizu Nomiyama and Marguerita Choy)

Released: 2018-3-28T15:34:43.000Z

Nestle , other food groups likely suitors for GSK's Horlicks: sources

27 March 2018

Reuters News

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LONDON/NEW YORK (Reuters) - Food giants **Nestle** <NESN.S>, Kraft Heinz <KHC.O> and Unilever <ULVR.L> are expected to bid for GlaxoSmithKline's <GSK.L> Horlicks health nutrition business, which could fetch more than \$4 billion, according to people familiar with the matter.

GSK has started a strategic review of Horlicks - a malt-based drink brand popular in India – and some of its smaller products, after buying Novartis <NOVN.S> out of their consumer healthcare venture for \$13 billion on Tuesday.

The main asset on the block is GSK's 72.5 percent stake in its Indian subsidiary GlaxoSmithKline Consumer Healthcare <GLSM.NS>. The sources said the stake was worth \$3.1 billion at current market prices but GSK wanted a premium in any sale.

They estimated the consumer health nutrition business, which also has smaller operations in Nigeria and Bangladesh, could fetch more than \$4 billion.

Nestle, the world's biggest packaged food company, has previously told GSK privately of its interest in Horlicks on several occasions, the people said.

Nestle already owns the malt drink Milo, but it is not a big-seller in India. The Swiss company declined to comment.

Unilever, the world's largest tea company, and Kraft Heinz, which sells the powdered drinks Crystal Light and Kool-Aid, also declined to comment.

Horlicks is more than 140 years old with origins dating back to 1873, when two British-born men, James and William Horlick, first founded a company in Chicago to manufacture the drink. It was introduced to India by Indian soldiers who had fought with the British Army in the First World War.

Associated British Foods <ABF.L>, which owns the malt drink brand Ovaltine, could look at the business to scale up in a key emerging market, the sources said, although the size of the GSK business could be a deterrent.

An ABF spokesman declined to comment.

The Indian business has an enterprise value of about 29 times core earnings, said one of the sources, meaning any deal premium will value it well above what many packaged food and drink brands fetch. The valuation is inflated by the high growth rates seen in the Indian market.

Nestle and Unilever could purchase the asset through their local Indian subsidiaries, Nestle India <NEST.NS> or Hindustan Unilever <HLL.NS>.

Other potential suitors might include Coca-Cola <KO.N>, PepsiCo <PEP.O>, Suntory <2587.T>, Mondelez International <MDLZ.O> and JAB, the coffee business owner that recently agreed to buy Dr Pepper Snapple, one of the sources said.

(Editing by Edmund Blair)

Released: 2018-3-27T18:33:44.000Z

Nestle launches new quality assurance lab in Brazil in organic push

23 March 2018

Reuters News

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SAO PAULO, March 23 (Reuters) - **Nestle** SA inaugurated a new quality control lab outside Sao Paulo on Friday, which the company said would help it expand into organic products in Brazil, and potentially grow to serve all of Latin America and beyond.

In February, **Nestle** told Reuters it was launching its first organic food line in Brazil, as part of the world's largest food company's global push to capture growing interest in healthy and organic products.

In an interview late on Thursday, Nestle executives said the new lab, which cost 23 million reais (\$6.95 million), would aid in the rollout of that initiative.

"When you make a commitment to the consumer that it's organic, it has to be organic. You have to make sure it's pesticide free," said Fabien Robert, Nestle's head of quality for the Americas, adding that the new facility could enable the firm to do more testing for pesticides and genetically modified organisms.

While the new lab, in the city of Araras, will only represent a 10 percent increase in analytical capacity over the existing Sao Paulo lab that it will replace, executives said it would likely expand.

The unit is set to serve Brazil, as well as Colombia, Venezuela, Peru, Chile, and Argentina, but could grow to cover all of Latin America, and occasionally assist Nestle's other regions, such as Africa, Robert said.

"It will probably go beyond and be a platform for the whole region," he told Reuters, referring to Latin America. (\$1 = 3.31 Brazilian reais) (Reporting by Gram Slattery, Editing by Rosalba O'Brien)

Released: 2018-3-23T14:58:58.000Z

Coke, Nestlé not negotiating to privatize massive aquifer

15 March 2018

Associated Press Newswires

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FOZ DO IGUAZU, Brazil (AP) — Coca-Cola and **Nestlé** say they aren't negotiating for rights to the Guarani aquifer in South America, one of the world's largest reservoirs of fresh water, as online stories claim.

The stories say the food and beverage companies are in talks to privatize for more than 100 years the underground reservoir, which connects Argentina, Brazil, Paraguay and Uruguay.

"Nestlé does not extract water from any part of the Guarani aquifer in South America, including in Brazil," the Vevey, Switzerland-based company said in a statement. "We have no plans to do so."

Atlanta-based Coca-Cola Co. said it is not negotiating with any country to exploit the aquifer.

The false story also says Paul Bulcke is CEO of Nestlé. He left that office at the end of 2016 and is chairman of Nestlé's board of directors.

This is part of The Associated Press' ongoing effort to fact-check misinformation that is shared widely online, including work with Facebook to identify and reduce the circulation of false stories on the platform.

FILE - In this March 15, 2015 file photo, a tourist, far right, looks out at Iguazu Falls where a rainbow appears, seen from the Brazilian side in Foz do Iguazu, Brazil. Coca-Cola and Nestle say they aren't negotiating for rights to the Guarani aquifer system, a massive fresh water reserve in South America, as online stories falsely claim. The stories incorrectly say the food and beverage companies are far along in talks to privatize for more than 100 years the underground reservoir, which provides water to people in Argentina, Brazil, Paraguay and Uruguay. Both companies issued statements saying the stories aren't true. Iguazu Falls is located on Brazil's border with Argentina. (AP Photo/Jorge Saenz, File)

Nestle opens P2-billion malt plant in Batangas

16 March 2018

BusinessWorld

(c) 2018 Business World Publishing Corporation.

Nestle Philippines has launched a P2-billion plant that produces malt extract for its popular Milo drink in Lipa, Batangas.

In a statement, **Nestle** Philippines said the 5,400-square meter malt production facility is only the fourth such **Nestle** plant in the world, after ones in Singapore, Nigeria and Australia.

"The launching of our malt production plant is a happy start to our 107th year in the Philippines. This latest investment is aligned with our long-term commitment to contribute to the growth of the economy and participate in the development of the country, living the Nestle purpose of enhancing quality of life and contributing to a healthier future," Nestle Philippines Chairman and CEO Jacques Reber was quoted as saying in the statement.

The Nestle facility uses barley and cassava as raw materials in producing the malt extract, a key ingredient for Milo products. It currently imports cassava from Thailand.

However, Nestle said it is looking at sourcing cassava from local farmers. The company is now qualifying local cassava farmers, and hopes more farmers will be able to supply Nestle's long-term requirements.

"The malt plant's capacity is expected to increase considerably in three to four years, with potential for exporting some of its output to other Nestle companies abroad. The plant will enable Nestle Philippines to

develop new types of malt extract to address the evolving needs of Filipino consumers," the company said.

The malt facility is the third plant at the 29-hectare Lipa factory complex. The two other plants manufacture Milo and breakfast cereal products.

Nestle chairman calls CEO 'man of action,' praises his 1st year

15 March 2018

Reuters News

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SAO PAULO, March 15 (Reuters) - **Nestle** SA's chairman gave a vote of confidence to Chief Executive Mark Schneider 14 months into his tenure at the helm of the world's biggest packaged food company as it struggles to recover from a sixth straight year of slowing growth.

"He has moved a lot of things, and the board is happy with that," Chairman Paul Bulcke told Reuters, in an interview on the sidelines of the World Economic Forum in Sao Paulo late on Wednesday. He said the choice of Schneider, a German who moved to Switzerland to become **Nestle**'s first external leader in nearly a century, was the right one.

"His first year was very good, he's a man of action, he sees the need of change," Bulcke said, adding that Schneider is also acting in a "balanced way."

Since Schneider took the job, he has sold Nestle's confectionery business in the United States, closed high-cost factories in Europe and focused on expansion into consumer health and high growth businesses, with the acquisition of vitamin maker Atrium Innovations.

Schneider reckons the Swiss group, which like other multinational food companies is grappling with slowing growth and greater competition, could buy and sell brands accounting for as much as 10 percent of its sales.

Bulcke said the board expects Schneider to stay as CEO for the long term, saying the company did not want "a CEO to stay for two or three years."

Bulcke declined to comment on meetings with billionaire hedge fund manager Daniel Loeb, saying that Nestle "respects investors' opinions." Loeb's hedge fund, Third Point, made a \$3.5 billion investment in Nestle last June.

"He has strong opinions, but many of his suggestions are already in our program anyway," Bulcke said. Third Point has demanded that Nestle move faster to overhaul its strategy and sell assets such as its stake in beauty business L'Oreal.

Nestlé is starting to see a recovery in Brazilian consumption after its harshest recession in decades, Bulcke said.

Brazil, where the food processing giant has more than 30 factories, is Nestle's fourth largest market, after the United States, China and France. Bulcke said Nestle plans to continue investing in expansion in the country. (Reporting by Tatiana Bautzer; Editing by Christian Plumb and Leslie Adler)

Released: 2018-3-15T22:27:06.000Z

Nestle CEO Earned Over \$8 Mln in Total Pay Last Year -- Market Talk

13 March 2018

Dow Jones Institutional News

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0912 GMT - **Nestle** CEO Mark Schneider earned 7.9 million francs in total compensation in 2017 (\$8.3 million), the company said in its annual report, an amount that included 2.4 million francs in base pay plus

short-term bonuses, longer-term performance-based shares and pension benefits. It was his first year as chief executive. That's well below what the 11.2 million francs his predecessor Paul Bulcke earned in 2016. **Nestle** shares at 76.56 francs, up 0.1% from Monday.(brian.blackstone@wsj.com)

(END) Dow Jones Newswires

March 13, 2018 05:12 ET (09:12 GMT)

Food

Global candy giants Mondelez, Nestle hike prices, feel the crush of domestic rivals

6 March 2018

The Economic Times

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MUMBAI: Local candy makers, including Parle, ITC and DS Foods grabbed shares from multinationals in the Rs 7,500-crore confectionery segment, as per latest Nielsen data sourced from industry officials. Global firms such as Perfetti Van Melle, Mondelez and **Nestle** either remained stagnant or lost share last calendar year, hurt by higher prices of their wares in a stressed market due to demonetisation. Marketers feel even a 50 paise price hike could impact growth in the price sensitive category. Over the past three years, Mondelez India relaunched Halls from 50 paise earlier to Rs 1 and doubled its price of Choclairs to Rs 2 while Perfetti Van Melle India launched most of its candies including Alpenliebe at Rs 1 and upwards. Parle Products, however, kept their product prices unchanged.

"Post demonetisation, lot of lower denomination currency came back into circulation that had helped sales for a 50 paise product. But at the same time, the practice of consumers accepting a Rs 1 toffee from grocers stopped to a large extent," said B Krishna Rao, category head at Parle Products that sells brands including Mango Bite and Poppins. Parle gained 160bps in 2017 with 16% in the confectionery space, while Perfetti lost share marginally by 20bps at 10.2%. Including chewing gums, Perfetti is by far the market leader controlling nearly a quarter of the overall market. As a category, the entire industry has been trying to move to Rs 1 price point after increase in the price of sugar, other raw materials and even packaging costs. "The focus has been on premiumisation with significant growth achieved for the Rs 1 and above portfolio in the confectionery segment. Growth has been achieved through introduction of differentiated offerings under the Candyman range," said a spokesperson at ITC that gained 130 bps to reach at 10.2% share. To be sure, India's leading chocolate makers too posted near decade-low growth in sales last fiscal, as health-conscious consumers cut back on discretionary buying in a slowing economy. Mondelez, India's largest chocolate maker, and Nestle's chocolate divisions saw sales rise by about 6% each in the year to March 2017 — better than a year ago but far from the double-digit growth the candy rivals have seen in most of the last decade. Yet, they remain bullish in the candy segment that has also seen a rush of new players both from large food companies such as DS foods as well as regional local brands. "As leaders in chocolates and strong challengers in other categories we operate in, we continue to invest and innovate our brands," said Amit Shah, associate director — marketing (gum, candy & beverages) at Mondelez India, that sell Halls and Cadbury Choclairs. Perfetti too posted below 1% growth for the second consecutive year last fiscal and said competition is getting intense, especially in the candies segment. "Whilst we had moved much of our portfolio from the 50 paise price point to Rs 1, with product value addition, the bulk of the market stays at 50 paise, leading to strong market challenges," it said in the annual filing with the Registrar of Companies last year.

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News

Nestle wipes health rating

2 March 2018

Canberra Times

(c) 2018 The Canberra Times

Long accused of exploiting a loophole in the Health Star Rating system, **Nestle** has bowed to pressure and says it will remove the controversial 4.5 health star rating splashed on Milo.

The food multinational said it remained committed to the system, designed to encourage healthier purchases, but acknowledged Milo's stellar rating had caused consumer confusion and health campaigners to question its intent.

"In withdrawing the rating from Milo powder, we hope to avoid further confusion about how the system is designed and reduce the risk of damage to a system which is fundamentally sound," Nestle spokeswoman Margaret Stuart said.

Milo, a chocolate and malt-based powder that is just under half sugar, has been held up as a symbol of everything wrong with the 3.5-year-old health star rating system. Following the system's "as prepared" rule, Nestle calculated 4.5 stars based on the assumption Australians added three teaspoons of the mix to 200ml of skim milk.

The problem was, according to health and consumer advocates, people consumed it in a variety of ways, including mixing it with full-cream milk, eating it out of the can, or sprinkling it on icecream.

Nestle was accused of manipulating the system and "health washing" the sugary product. On its own, Milo scored a paltry 1.5 stars.

Choice, which bestowed a Shonky award on Milo, said while the decision was a win for consumers, it believed Nestle could go a step further and display 1.5 stars.

"When people see a chocolate-based powdered product that is high in sugar carrying a 4.5-star rating, they rightfully question health star ratings," Choice's Katinka Day said.

"There's the risk that consumers will turn away from a system that food manufacturers manipulate to their advantage."

Alexandra Jones from the George Institute for Global Health said in a voluntary system they wanted to see ratings on as many products as possible, but they also wanted to make sure the stars were displayed in good faith.

"Our work suggests Health Stars get it right in the vast majority of cases. This move closes a small but important loophole, helping restore consumer trust that they can use Stars to guide them towards genuinely healthier options," she said.

"This is a great first step in strengthening Health Stars."

The Federal Government is conducting a five-year review of the system. Campaigners want the "as prepared" rule scrutinised as well as added sugar to be included in the scoring system.

Jane Martin from the Obesity Policy Coalition said Nestle wasn't the only one taking advantage of the front-of-pack labelling scheme.

"There are other manufacturers who are using the HSR to make less healthy products seem healthier, for example salty burger mixes," she said.

"We would like to see these other manufacturers take the same stand as Nestle and use the rating for the product on its own, without taking the nutritional value from other added ingredients."

The new Milo tins will appear on shelves in May in Australia.

NEWS

Nestle India to adopt regional cluster strategy to boost volume

27 February 2018

Business Line (The Hindu)

(c) 2018 The Hindu Business Line

Virtual teams set up to develop tailor-made brand, marketing and distribution strategies. In a bid to sharpen its focus on volume-led growth and increase penetration of its products, **Nestle** India will be adopting a regional cluster-based approach to develop tailor-made brand, marketing and distribution strategies to address the needs of consumers in specific geographies.

Suresh Narayanan, Chairman and Managing Director, said: "One of the core strategies that we have articulated in the company is that there are Many Indias within India. So we are evolving our organisational structure to divide the country into 10-15 regional clusters."

"We have set up virtual teams, who will be responsible for tailor-made strategies for brands, distribution, channel strategy, marketing and promotion that will be relevant to these regions. The whole purpose is to empower the people at the appropriate level of the organisation for quicker execution of plans."

Each of these virtual teams will consist of members from various departments such as sales, supply chain, customer management, and marketing.

"We will focus on this strategy in the coming months to support the volume-led growth platform. This will also expand our scope beyond the top 100 towns. While the top 100 towns will continue to be the major contributors for our sales, this strategy will help us prepare to reach the next 300-400 towns in the future," he added.

Regional variants

The company could also explore opportunities to launch regional variants of its products in categories such as sauces, coffee and confectionery.

"If in the short to medium term, a regional variant can contribute 3-5 per cent to the brand sales, it will be viable to launch that regional variant," he added.

Nestle India, which has launched nearly 40 products in the past 12-15 months, might look at retweaking or discontinuing about 10-15 per cent of these launches, even as it will continue to focus on launching new products across categories.

It has recently launched products for special dietary needs and protein supplements. Nestle, which recently entered the pet care segment in India, will also continue to look at foraying in new categories such as premium coffee and snacks.

It will also dial up its fortification strategy of infusing its products with essential micro-nutrients across categories, besides continuing to look at ways to reduce salt and sugar levels in its products.

Nestle India crossed the Rs. 10,000-crore mark in revenues in 2017. While Maggi contributed about 35 per cent to the company's reported growth in 2017, 25 per cent of the growth came from new launches.

"We are really getting more broad-based which is the appropriate representation of Nestle as a multi-product and multi-category company," Narayanan added.

Asked about expectations for this year, he said, "Our ambition is to have a double-digit growth. But, GST could have after-effects and if I get a good mid to high single digit growth also I would be happy with it," he added.

L'Oreal Ready to Help **Nestle** Exit L'Oreal Stake -- Market Talk

23 February 2018

Dow Jones Institutional News

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09:58 ET - L'Oreal SA is getting more blunt about its desire to get **Nestle** SA out of the company's stock. L'Oreal CEO Jean-Paul Agon earlier this month said the company has the cash to buy back the 23% stake **Nestle** holds in the company, and would welcome the opportunity to do so. Asked about the status of **Nestle**'s stake at an analysts' conference, Agon noted that the **Nestle** CFO would be presenting later in the

day. "Please ask him for me," he quipped. "If they want to sell, we will help them," he said to laughter in the crowd. "We have all the financial resources to do that. We have repeated that ad nauseam."
(Sharon.Terlep@wsj.com)

(END) Dow Jones Newswires

February 23, 2018 09:58 ET (14:58 GMT)

Nestle in talks to end supermarket row as pricing pressures build

21 February 2018

Reuters News

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LONDON/ZURICH (Reuters) - **Nestle** <NESN.S> is in talks to end a pricing stand-off with several European supermarkets, including Belgium's Colruyt <COLR.BR> and Switzerland's Coop, which have dropped some of the Swiss group's products in the latest sign of growing pressures on the retail industry.

Nestle, the world's biggest packaged food maker, is facing off with AgeCore, a Geneva-based group representing six European retailers, which is seeking better supply terms. **Nestle**, which just reported its weakest annual sales growth in at least two decades, is under heavy shareholder pressure to boost sales and profit margins.

Swiss chain Coop said it had stopped orders on more than 150 Nestle products, including Cailler Perle chocolate, Nescafe Azera coffee and pizza brand Buitoni La Fina, demanding better supply conditions.

Nestle said on Wednesday it regretted consumers could not currently access its products in some stores in Europe. It said it continued to negotiate in good faith and hoped to find an amicable solution soon.

The spat is the latest sign of tension between retailers and suppliers.

Manufacturers like Nestle, Unilever <ULVR.L> and Procter & Gamble <PG.N> are grappling with changing consumer tastes towards healthier food and independent brands. They try to offset that by selling more higher-priced items, but the retailers are reluctant to put up prices as they face their own battle with changing shopping habits and online players like Amazon.com <AMZN.O>.

Nestle is also under pressure from activist shareholder Daniel Loeb, whose hedge fund Third Point took a \$3.5 billion stake last year and has pushed for higher margins, something Nestle has also embraced.

"They need to drive the margin, they've been very clear about that," said Liberum analyst Robert Waldschmidt. "This is a line in the sand and they're going to stand their ground a bit more on price. These retailers are calling them out on it and testing them."

REACHING A DEAL

Waldschmidt predicts the two sides will compromise soon, but also estimated that in the worst case - if Nestle permanently lost all sales to AgeCore - it would cost it 2 or 3 percentage points of group sales.

Colruyt, known for its no-frills, low-cost strategy, confirmed on Wednesday it was a member of the AgeCore buying group and that talks were ongoing between AgeCore and Nestle.

"We are convinced that both parties, just as always, will reach an agreement," it said in a statement, declining to provide further details.

Italian supermarket chain Conad said AgeCore companies had reduced their purchases of Nestle products by around 20 percent, with negotiations underway over prices.

Geneva-based AgeCore could not immediately be reached for comment. According to its LinkedIn page, it represents Edeka in Germany, Eroski in Spain and Intermarche in France, as well as Colruyt, Conad and Swiss Coop. Edeka, Eroski and Intermarche declined to comment.

Disagreements between manufacturers and retailers over price are commonplace and usually get worked out privately, though occasionally products get "delisted" temporarily.

In March last year, Britain's Tesco <TSCO.L> stopped selling several Heineken <HEIN.AS> beers, and in October 2016, Unilever <ULVR.L> and Tesco had a row dubbed "Marmitegate" by the British press after the nation's iconic spread disappeared from some shelves.

It is easier for manufacturers to push through price rises when they can show their own ingredient costs have gone up. Prices for many commodities have been stable in recent quarters but are now rising. That has led some companies, like Reckitt Benckiser <RB.L> and Unilever, to predict price increases this year.

Nestle had a 900 million Swiss franc (\$962.05 million) increase in its commodity costs last year, it said when reporting earnings earlier this month. But it only managed a 0.8 percentage point increase in its pricing.

"Ultimately innovation by Nestle is key - if they have consumer relevant products and concepts that others don't, retailers can't afford to turn Nestle away," said Kepler Cheuvreux analyst Jon Cox. "This is obviously part of (CEO Mark) Schneider's challenge to accelerate innovation."

(\$1 = 0.9355 Swiss francs)

(Additional reporting by Samantha Koester in Brussels, Elisa Anzolin in Milan, Angelika Gruber in Zurich and Matthias Inverardi in Duesseldorf; Editing by Philip Blenkinsop, Georgina Prodhan, Mark Potter and Jane Merriman)

Released: 2018-2-21T20:29:12.000Z

BRIEF-Steve Presley Named Market Head And CEO Of **Nestlé** USA

20 February 2018
Reuters News
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Feb 20 (Reuters) - **Nestlé** USA:

* **NESTLÉ** USA SAYS STEVE PRESLEY NAMED MARKET HEAD AND CEO OF **NESTLÉ** USA AS PAUL GRIMWOOD IS APPOINTED NON-EXECUTIVE CHAIRMAN Source text for Eikon: Further company coverage:

Released: 2018-2-20T18:30:01.000Z

Business

Nestlé posts poor results and hints at L'Oréal sale

16 February 2018
The Independent
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Business

Consumer goods giant **Nestlé** has posted a disappointing set of earnings for 2017, with sales growth falling to its lowest level in more than two decades.

The Kit Kat maker reported that revenues rose 2.4 per cent last year on an organic basis, which was below analyst expectations for a 2.7 per cent increase. Chief executive Mark Schneider said that Nestlé was aiming for revenue growth of between 2 and 4 per cent this year.

The group also opened the door to a potential sale of its investment in L'Oréal, explaining that it would not

raise its stake of 23 per cent in the French cosmetics group and that it would keep all its other options open.

It also said that it would not renew a shareholder pact with the Bettencourt family, which is also a major L'Oréal stakeholder, but that it remains "committed to the company that has given us very good returns over the years".

L'Oréal's sales growth helped to buoy Nestlé's results in 2017, which were challenged by a tough performance across its mass-market food and drinks business. Last week, L'Oréal said that it had the resources to buy Nestlé's holding and is ready to do so.

Mr Schneider took over as boss around a year ago and has demonstrated a keen focus on merger and acquisition opportunities. As well as hiving off Nestle's US chocolate business, he has overseen the purchase of Canadian dietary supplements maker Atrium Innovations for \$2.3bn.

Yesterday the group indicated that it would continue this strategy of "active portfolio management". "The sweet spot is in small to mid-sized deals, but we don't want to rule out anything," Mr Schneider told reporters.

BRIEF- Nestle | CEO comments on outlook

15 February 2018

Reuters News

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Feb 15 (Reuters) - **Nestle** Sa:

* **NESTLE** CEO SAYS ACKNOWLEDGES THAT 2020 MID SINGLE DIGIT GROWTH TARGET HAS BECOME TOUGHER AFTER WEAKER 2017

* NESTLE CEO SAYS ATRIUM DEAL WON'T CONTRIBUTE TO GROUP ORGANIC GROWTH FOR A YEAR AFTER CLOSING, EXPECTED IN CURRENT QUARTER

* NESTLE CFO SAYS PRICING WAS LIMITED DUE TO LIMITED CONTRIBUTIONS FROM LATIN AMERICA AND SUB-SAHARAN AFRICA

* NESTLE CFO SAYS BUSINESS IN BRAZIL IMPACTED BY DAIRY DEFLATION OF ABOUT 20 PERCENT

* NESTLE CFO SAYS SEEING SIGNS OF MODERATE PRICE DECREASE IN ITS COMMODITY BASKET

* NESTLE CFO SAYS 900 MILLION CHF INCREASE IN COMMODITY COSTS LAST YEAR

* NESTLE CFO SAYS MOST CATEGORIES IMPACTED FROM COMMODITY PRICE INCREASES, BUT WERE OFFSET BY EFFICIENCIES

* NESTLE CFO SAYS SEES OPPORTUNITIES FOR FURTHER IMPROVEMENTS IN WORKING CAPITAL

* NESTLE CEO SAYS VIEW ON SKIN HEALTH UNIT UNCHANGED -- BEST TO RESTRUCTURE UNIT NOW, STRATEGISE LATER

* NESTLE CEO SAYS HAS SAME AMOUNT OF CONFIDENCE ON MEETING 2020 TARGET, DESPITE IT BEING STEEPER

* NESTLE CEO SAYS CAN'T BE HAPPY W/ 1 PERCENT GROWTH RATE FOR NUTRITION UNIT, BUT ALREADY HAS 'FAIRLY ENERGETIC' ACTION IN PLACE Source text for Eikon: Further company coverage: (Reporting By Martinne Geller)

Released: 2018-2-15T15:33:13.000Z

Nestlé To Start Direct Operations In Afghanistan

11 February 2018

Bakhtar News Agency

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Sunday, February 11, 2018

Kabul (BNA) **Nestlé**, a Switzerland based global food and beverage Company announced it started operating directly in Afghanistan by establishing a new entity named **Nestlé** Afghanistan Limited.

The company has established its head office in Kabul. Ali Sadozai, President, Nestlé Afghanistan Limited, upon its commencement stated: Our decision to operate directly and invest locally indicates our growing confidence in the region's economic opportunities. This is the beginning of Nestlé's long-term relationship with local consumers. We are very excited to contribute to the quality of life of people in Afghanistan by offering healthy and nutritious products that Nestlé is known for the world over. The company during its first phase will import and co-manufacture food products in collaboration with its strategic distribution and manufacturing partners The Habib Gulzar Group before further development. During this phase, the company will continue to offer the products that the local consumers are already familiar with. Establishing a company locally, will allow us to be closer to the consumers. It is also indicative of growing confidence amongst the international business community to do business directly with Afghanistan. This trend will bring investment, direct and indirect employment.

Nestle Acquires Majority Stake in Terrafertil

9 February 2018

Dow Jones Newswires Chinese (English)

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Nestle SA (NESN.EB) said Friday that it has acquired a majority interest in organic plant-based foods and snack company Terrafertil.

Nestle said the move widens its presence in Latin America, the United States and the United Kingdom. No financial details of the transaction have been made available.

Terrafertil employs 400 people and has four factories in Ecuador, Mexico, Colombia and Chile. It was founded in 2005 and is managed by three founding brothers.

The transaction includes all of Terrafertil's operations and assets in the seven countries where it operates. Nestle said that Terrafertil will continue to be managed by its founders and will operate as a stand-alone entity.

Write to Anthony Shevlin at anthony.shevlin@dowjones.com

(END) Dow Jones Newswires

09-02-18 1753GMT

Nestle defends itself against baby milk criticism

8 February 2018

Reuters News

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ZURICH, Feb 8 (Reuters) - **Nestle** defended itself on Thursday against an activist group's criticism of its baby milk, saying it respects international marketing standards and does not suggest its products are better than breastmilk.

It was responding to a report by the Changing Markets Foundation accusing the world's largest packaged food company of putting profit before science.

In a statement Nestle, whose baby food brands include Gerber, said it complies with the World Health Organization code on marketing breastmilk substitutes and applies its own policy when it is stricter than national legislation.

"Nestle ensures that the composition of its formulas is strictly informed by the best available science," it said. "Nestle does not use any statements on its infant formula products or in its other communications that idealize its products or imply they are superior to or equivalent to breastmilk," it added.

The Changing Markets Foundation report had found Nestle had many inconsistencies across its range of formula products and cast doubt on the credibility of some of its health claims.

The Changing Markets Foundation is a Dutch group that says it promotes campaigns to address sustainability challenges by trying to shift business away from companies with unsustainable products.
(Reporting by Martinne Geller, Writing by Michael Shields; Editing by Keith Weir)

Released: 2018-2-8T12:47:11.000Z

EXCLUSIVE-Merck's consumer health sale at risk as Nestle bows out - sources

2 February 2018
Reuters News
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LONDON/FRANKFURT, Feb 2 (Reuters) - The sale of Merck KGaA's consumer health unit has been thrown off track after Nestle has pulled out, leaving the race to buy the maker of Seven Seas vitamins without its main contender, sources familiar with the matter told Reuters.

Nestle has walked away from the process, led by JPMorgan , after months of negotiations as the Swiss company was put off by Merck's price expectations of about 4 billion euros (\$4.99 billion), the sources said.

Nestle and Merck declined to comment. A spokesman for Merck said that "the process of evaluating options for our consumer health business is well on track."

Four sources familiar with the sale said that interest from other bidders, including British consumer goods giant Reckitt Benckiser, was also waning as a rival consumer health auction, led by U.S. drug giant Pfizer, was gaining momentum.

Reckitt is now concentrating on buying the Pfizer unit which makes Advil painkillers, Centrum multivitamins and Chapstick lip balm and is worth about \$20 billion, the sources said.

Reckitt declined to comment.

Germany's Merck said last year it was looking to sell its consumer healthcare business, which has annual sales of about \$1 billion, to help to fund more research into prescription drugs.

Nestle was initially seen as a natural buyer for the business, which also makes Bion nutritional supplements, after previous talks to set up a consumer joint venture with Merck fell through over the summer.

Consumer health is a fragmented sector ranging from over-the-counter medicines and vitamins to sports nutrition products and condoms. It has proved fertile ground for deals in recent years, as aging populations and health-conscious consumers drive demand.

Nestle's CEO Mark Schneider is a healthcare veteran and wants a deeper focus on nutrition, health and wellness.

Nestle made a non-binding bid for the Merck's business in November and was then shortlisted to carry out due diligence and submit a final offer this year.

But the Swiss food group could not reach an agreement on price as Merck was targeting a valuation as high as 20 times the unit's core earnings, according to one of the sources.

Another source said mounting pressure from Dan Loeb's activist fund Third Point, which last year made a \$3.5 billion investment in Nestle, also played a role in deciding against buying the Merck's business.

Loeb has repeatedly asked Nestle to move faster to overhaul its strategy. He wants the Swiss company to boost its exposure in high-growth areas such as coffee, pet care, bottled water and nutrition while selling "ill-fitting businesses" more quickly.

Schneider has so far taken positive steps including selling the U.S. confectionery business to Italy's Ferrero for \$2.8 billion but he wants to be disciplined on price, the sources said.

Famous for his sharply-worded letters to corporate chieftains, Loeb wrote on Jan. 22 that he was concerned about Nestle pushing more deeply into consumer healthcare with the purchase of Canadian vitamin maker Atrium Innovations and said he wants a better explanation of that move.

(\$1 = 0.8013 euros) (Additional reporting by Arno Schuetze. Editing by Jane Merriman)

Released: 2018-2-2T21:11:12.000Z

Business

Nestlé under fire for marketing claims on baby milk formulas

1 February 2018

The Guardian

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Exclusive: Report finds Swiss multinational is violating advertising codes and misleading consumers with nutritional claims

The Swiss multinational **Nestlé** has been accused of violating ethical marketing codes and manipulating customers with misleading nutritional claims about its baby milk formulas.

A new report by the Changing Markets Foundation has found that Nestlé marketed its infant milk formulas as "closest to", "inspired by" and "following the example of" human breastmilk in several countries, despite a prohibition by the UN's World Health Organisation (WHO).

The study, which analysed over 70 Nestlé baby milk products in 40 countries, also found that Nestlé often ignored its own nutritional advice in its advertising.

In South Africa, the firm used sucrose in infant milk formulas, while marketing its Brazilian and Hong Kong formulas as being free of sucrose "for baby's good health".

In Hong Kong, it promoted its baby milk powders as healthier – because they were free from vanilla flavourings – even as it sold other vanilla-flavoured formulas elsewhere in the territory.

Nusa Urbancic, campaigns director for the Changing Markets Foundation told the Guardian: "We have come to understand that companies manipulate consumers' emotional responses to sell a variety of products, but this behaviour is especially unethical when it comes to the health of vulnerable babies."

"If the science is clear that an ingredient is safe and beneficial for babies then such ingredients should be in all products. If an ingredient is not healthy, such as sucrose, then it should be in no products. Nestlé's inconsistency on this point calls into serious question whether it is committed to science, as it professes to be."

Nestlé is the global market leader for infant milk products with a market share of close to a quarter. It has been [dogged by the advertising issue](#) since a 1974 report called [The Baby](#) sparked a worldwide boycott.

In 1981, the WHO adopted a strict code of advertising banning the promotion of baby milk products as being in any way comparable to breastmilk. Nestle insists that it follows the code "as implemented by national governments".

But the new report finds that it touted products in the US such as Gerber Good Start Gentle powder as "our closest to breastmilk", and sold its Beba Optipro 1 powder in Switzerland as "following the example of breastmilk".

Similar Nestlé products in Hong Kong and Spain were advertised as being "inspired by human milk", and having "an identical structure" to breastmilk.

The company did not respond to specific questions about the new study but a Nestlé spokesperson told the Guardian it supported WHO recommendations and believed that breastmilk was, wherever possible, "the ideal source of nutrition for babies."

However, not all infants could be breastfed as recommended and "where needed or chosen by parents, we offer high quality, innovative, science-based nutritional products for mothers and infants from conception to two years of age," the employee said. "We market these products in a responsible way at all times, and the claims made on our products are based on sound scientific evidence."

Some academics, though, have highlighted the way that language used by corporates to promote infant milk formulas can sometimes mislead consumers about this.

Last year, Prof George Kent of the University of Hawaii wrote that describing a product as "closer to breastmilk ... is not the same as saying it is close to breastmilk. New York is closer than New Jersey to Paris, but that does not mean New York is close to Paris."

Breastmilk is a "personalised" and continuously changing nutrition between mother and child that contains live substances – such as antibodies and immune-system related compounds – which cannot yet be replicated in a lab.

Nestle to Cut More French Jobs and Centralize Headquarters

26 January 2018

Dow Jones Newswires Chinese (English)

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Nestle SA (NESN.EB) said Friday that it plans to further reduce its workforce in France as it looks to cut costs and centralize operations.

A spokesperson for the Swiss food company said as many as 400 jobs will be lost as part of a reduction in its French workforce, mainly in support services. The company wants to avoid layoffs, and attrition is expected to account for the reduction in staff numbers, a company spokesman said.

Nestle also expects to cut the number of headquarters in France from seven to one by 2020, the spokesman said.

Write to Anthony Shevlin at anthony.shevlin@dowjones.com

(END) Dow Jones Newswires

26-01-18 1253GMT

Nestle Fails to Satisfy Third Point

23 January 2018

The Wall Street Journal

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Daniel Loeb's Third Point LLC ratcheted up the pressure on **Nestle** SA, saying its business portfolio needs to be further simplified.

Nestle has already taken a number of steps recommended by Mr. Loeb, an activist investor who built up a stake in the consumer-goods company last year. But Mr. Loeb, in a letter to Third Point investors on Monday, said **Nestle** could make more changes, including selling its skin-health business. He also repeated a call for **Nestle** to sell its large stake in cosmetics giant L'Oreal SA.

Mr. Loeb prodded new Chief Executive Mark Schneider to clarify Nestle's focus, saying shareholders were confused by recent acquisitions.

The letter follows several months during which the two sides appeared to agree on some of the big strategic shifts needed. Indeed, Mr. Loeb acknowledged Monday that Nestle has taken some important steps recently, pointing to new board members the company announced last week and its plans to increase margins and stock buybacks. But the letter is a clear sign that Mr. Loeb isn't completely satisfied, raising the possibility of a more public confrontation.

"These actions are important steps in the right direction that make it clear that Nestle is responding to calls for action," Mr. Loeb wrote. "We hope now that Dr. Schneider has completed his first year and there is new blood on the Board, the company is able to move with greater alacrity."

Nestle, whose diverse businesses include frozen pizza, ice cream, skin creams and bottled water, has attracted criticism from other investors for being spread too thin at a time of rapidly changing consumer tastes and heightened competition.

The company in recent years has tried to reformulate some of its most popular offerings to make them healthier. It has also looked for acquisitions more recently to help it shift focus to higher-growth food, drink and health-sciences offerings, such as coffee, meat-free frozen meals and vitamins.

"We keep an open dialogue with all of our shareholders and we remain committed to executing our accelerated value creation strategy," said a spokesman for the Swiss company. "Nestle's board and management welcome the continued input of all shareholders."

Mr. Loeb wants Nestle to increase capital return to investors by accelerating or increasing the share buybacks it has already announced, the letter said. Third Point owns about a 1.25% stake in Nestle.

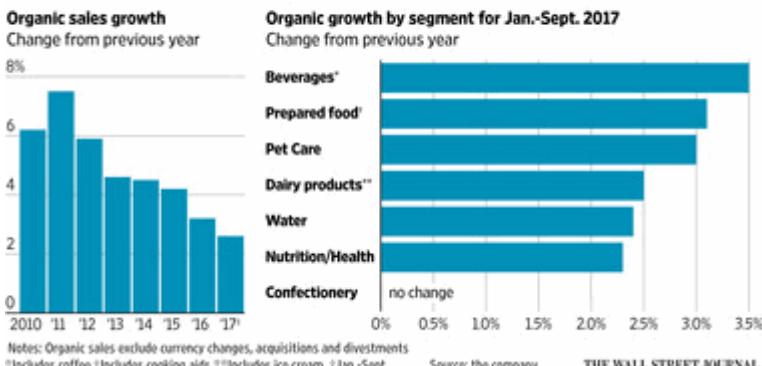
After Mr. Loeb's previous demands, Nestle has set a formal profit-margin target, announced a \$20.8 billion share-buyback program and said it would use acquisitions and divestitures to drive growth. Nestle agreed earlier this month to sell its U.S. confectionery arm.

In September, the company said it was accelerating the buyback program it originally announced in June. Last week, the company said it would add to its board the chief executives of Zara owner Inditex SA and Adidas AG, as well as the former financial head of Baker Hughes, an oil-field services company acquired by General Electric Co.

Mr. Loeb on Monday criticized all those moves as not being far-reaching enough.

From Ice Cream to Skin Cream

Nestlé offers a wide variety of products, and some investors have criticized it for being spread too thin.



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THE WALL STREET JOURNAL.

U.S. EDITION

Italian Confectioner in Sweet Deal With **Nestle**

17 January 2018

The Wall Street Journal

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How do you say "Butterfinger" in Italian? Americans may soon find out.

Italian candy maker Ferrero International SA muscled further into the North America market, agreeing to pay \$2.8 billion to buy **Nestle** SA's U.S. chocolate business that includes the Butterfinger and Baby Ruth brands.

Ferrero beat out Hershey Co. as Nestle, based in Switzerland, carried out a monthslong sales process that also drew interest from several private-equity firms.

Adding the Nestle business, which had about \$900 million in sales in 2016, will make family-owned Ferrero the third-biggest chocolate seller in the U.S. It is Ferrero's third sweets acquisition in the country in less than a year, as the Italian maker of Ferrero Rocher chocolates and Nutella spread bets billions of dollars on an industry that many companies are turning away from after a slowdown.

Candy is struggling to compete with healthier snacks such as nuts and granola bars, losing shopper dollars and shelf space. While Hershey bid against Ferrero for the Nestle assets, the U.S. company is also diversifying beyond sweets -- as is its biggest domestic competitor, Mars Inc.

Last year, M&M's maker Mars, the world's largest pet-food manufacturer, purchased a veterinary clinic and dog day-care operator VCA Inc. for \$7.7 billion. It also bought a minority stake in KIND LLC, which makes fruit-and-nut bars. Hershey said last month it would buy SkinnyPop popcorn owner Amplify Snack Brands Inc. in its largest deal to date, valued at \$1.6 billion.

But industry analysts say Americans' sweet tooth can still generate growth for confectioneries that invest in innovation and marketing. That is what Ferrero will be counting on. It has a strong record of innovating and recently released Tic Tac gum, a twist on the mint that has been around for decades.

Ferrero, founded in the small northern Italian town of Alba, is already the world's No. 4 confectionery by market share and had about \$12 billion in revenue in 2016.

The acquisition follows Ferrero's purchase last year of Lemonheads maker Ferrara Candy Co. for about \$1.3 billion, and the much smaller Fannie May Confections for \$115 million. Ferrero's new strategy of pursuing acquisition-led growth, especially in the U.S., has been led by Executive Chairman Giovanni Ferrero, the founder's grandson who in 2011 took sole charge of the company.

In addition to the acquisitions, Mr. Ferrero has sought to promote organic growth with new products, including the recently introduced cookie version of its Kinder Surprise egg that is sold in Europe but not in the U.S.

Vevey-based Nestle, which has long tried to position itself as a health-food company, has faced criticism from investors lately for lack of focus, with a brand portfolio that includes products as diverse as vitamins, bottled water, pizza and ice cream.

Nestle, which gets only about 3% of its U.S. sales from sweets, insists it is committed to confectionery outside the U.S., although the business isn't among Chief Executive Mark Schneider's top priorities. Globally, more than 80% of Nestle's confectionery business is made up of local brands, a model that differs from many of Nestle's other big businesses. Nestle has been launching more high-end chocolate, hoping to chase sales growth as overall chocolate volumes decline. Performance so far has remained sluggish.

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Earning Estimates

Date

Target Currency:

Local



NESN-CH
Nestle S.A.
 Consumer Non-Durables

Reported Cu
 Price 75.40
 Market Val 234656.86 CHF

FACTSET CONSENSUS					
	SALES				
	12/2018	12/2019	12/2020	12/2021	12/2022
FACTSET Consensus (Mean)	91635.18	94972.96	98741.10	103461.50	106422.00
FACTSET Consensus (Median)	91665.00	94959.00	98343.70	103382.00	106422.00
	EBITDA				
	12/2018	12/2019	12/2020	12/2021	12/2022
FACTSET Consensus (Mean)	18629.48	19889.43	21382.93	22426.77	#VALUE!
FACTSET Consensus (Median)	18712.00	19906.50	21248.00	22522.30	#VALUE!
	EBIT				
	12/2018	12/2019	12/2020	12/2021	12/2022
FACTSET Consensus (Mean)	15109.28	16287.96	17608.82	18950.70	19427.00
FACTSET Consensus (Median)	15406.00	16416.00	17643.00	18731.00	19427.00
	NET INCOME				
	12/2018	12/2019	12/2020	12/2021	12/2022
FACTSET Consensus (Mean)	10973.11	11843.63	12905.80	13630.87	#VALUE!
FACTSET Consensus (Median)	10821.00	11856.00	13084.00	13557.00	#VALUE!
	EPS				
	12/2018	12/2019	12/2020	12/2021	12/2022
FACTSET Consensus (Mean)	3.85	4.18	4.60	4.87	#VALUE!
FACTSET Consensus (Median)	3.85	4.18	4.63	4.95	#VALUE!
	CAPEX				
	12/2018	12/2019	12/2020	12/2021	12/2022
FACTSET Consensus (Mean)	4356.18	4497.22	4674.00	4863.02	5040.00
FACTSET Consensus (Median)	4396.85	4570.35	4899.34	4857.00	5040.00
	DIVIDEND PER SHARE				
	12/2018	12/2019	12/2020	12/2021	12/2022
FACTSET Consensus (Mean)	2.50	2.67	2.86	2.88	#VALUE!
FACTSET Consensus (Median)	2.50	2.64	2.80	2.88	#VALUE!
	NAVPS				
	12/2018	12/2019	12/2020	12/2021	12/2022
FACTSET Consensus (Mean)	-	-	-	-	-
FACTSET Consensus (Median)	-	-	-	-	-
	BOOK VALUE PER SHARE				
	12/2018	12/2019	12/2020	12/2021	12/2022
FACTSET Consensus (Mean)	20.11	20.21	20.23	22.45	-
FACTSET Consensus (Median)	19.83	19.56	20.26	22.45	-

Equity Research Reports

Nestlé

Switzerland | Food | MCAP CHF 230.3bn

28 March 2018

Buy

Target Price	CHF 90.00
Current Price	CHF 74.00
Up/downside	21.6%
Change in TP	none
Change in EPS	none 18E / none 19E

CEO sees self-help as best medicine

CEO Mark Schneider told Switzerland's NZZ that transformation within the group was the priority and that large scale M&A and portfolio transformation should not be anticipated. He reiterated 2-4% organic sales growth expectations for this year and mid-term goals. Overall, we see a subdued Q1 and expect a period of sideways trading.

Transformation from within

CEO Mark Schneider told Switzerland's NZZ that internal transformation was the priority with M&A focused on small and mid-sized deals, with discipline needed. Organic growth remained the most important long-term value driver for the group. He said Nestlé was not a pharmaceutical company but rather interested in the area of health products because nutrition and metabolism are important for health. Schneider said that one of his principles was not to talk too much but to deliver a lot.

Interview may dampen expectations of big deal, L'Oréal hopes

We suspect the interview is likely to dampen expectations that Nestlé is on the cusp of major M&A after being linked with Merck and Pfizer consumer health units. In addition, hopes that the L'Oréal stake will be disposed could also ease (we never expected the L'Oréal stake to be sold, just for a buyback, but could be disposed in the event of a jumbo deal).

Tanker takes a long time to turn, Q1 likely soft

We see a lot going on under the hood at Nestlé (widespread restructuring in Europe, incremental bolt on deals, exiting businesses such as US confectionery, improvement in China and US businesses). However, Nestlé is a big ship and it is going to take time to accelerate growth. We assume Q1 organic sales of c. 2.5%.

Stock may trade sideways short term

We remain committed to our investment case on Nestlé regarding a long-term corporate transformation. However, we are now in the execution phase and after the initial excitement of a new CEO and announced initiatives, the group has to get on with grinding out the improvements with margin expansion more likely than sales growth in the short term. With Q1 (due April 19) likely subdued, we see it trading sideways, probably up until H1 results (July 26). Our CHF90 TP is DCF derived (our estimates through 2020E, 4% mid-term growth and +50bp margin, 7% WACC and 2% terminal growth).

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Market data

Bloomberg: NESN SW	Reuters: NESN.S
Market cap (CHFm)	230,300
Free float	100%
No. of shares outstanding (m)	3.112
Avg. daily volume (CHFm)	745.0
YTD abs performance	-11.7%
52-week high/low (CHF)	86.00/73.00

FY to 31/12 (CHF)	12/18E	12/19E	12/20E
Sales (m)	91,620	96,448	101,834
EBITDA adj (m)	18,891	20,444	22,277
EBIT adj (m)	14,001	15,959	17,927
Net profit adj (m)	11,589	12,753	14,065
Net fin. debt (m)	21,593	24,653	24,701
FCF (m)	10,187	10,663	11,757
EPS adj. and fully dil.	3.84	4.34	4.89
Consensus EPS	3.8	4.2	4.6
Net dividend	2.60	2.80	3.10

FY to 31/12 (CHF)	12/18E	12/19E	12/20E
P/E adj and ful. dil.	19.3	17.1	15.1
EV/EBITDA	12.4	11.6	10.6
EV/EBIT	16.7	14.9	13.2
FCF yield	4.4%	4.6%	5.1%
Dividend yield	3.5%	3.8%	4.2%
Net fin.debt/EBITDA	1.1	1.2	1.1
Gearing	35.1%	41.7%	41.2%
ROIC	13.6%	15.3%	17.0%
EV/IC	3.0	3.0	2.9



Key financials

FY to 31/12 (CHF)	2013	2014	2015	2016	2017	2018E	2019E	2020E
Income Statement (CHFm)								
Sales	92,158	91,612	88,785	89,469	89,791	91,620	96,448	101,834
% Change	2.7%	-0.6%	-3.1%	0.8%	0.4%	2.0%	5.3%	5.6%
EBITDA adjusted	18,057	17,874	17,210	17,439	17,956	18,891	20,444	22,277
EBITDA margin (%)	19.6%	19.5%	19.4%	19.5%	20.0%	20.6%	21.2%	21.9%
EBIT adjusted	14,047	14,019	13,382	13,693	13,233	14,001	15,959	17,927
EBIT margin (%)	15.2%	15.3%	15.1%	15.3%	14.7%	15.3%	16.5%	17.6%
Net financial items & associates	633	7,366	364	133	205	420	500	560
Others	0	0	0	0	0	0	0	0
Tax	-3,256	-3,367	-3,305	-4,413	-2,779	-3,190	-3,590	-4,053
Net profit from continuing operations	10,445	14,904	9,467	8,883	7,538	10,831	12,469	14,034
Net profit from discontinuing activities	0	0	0	0	0	0	0	0
Net profit before minorities	10,445	14,904	9,467	8,883	7,538	10,831	12,469	14,034
Net profit reported	10,015	14,456	9,066	8,531	7,183	10,456	12,069	13,609
Net profit adjusted	11,175	10,968	10,353	10,499	10,979	11,589	12,753	14,065
Cash Flow Statement (CHFm)								
Cash flow from operating activities	14,992	14,700	14,302	15,582	13,486	14,807	15,413	16,732
Capex	-5,330	-4,423	-4,294	-4,692	-4,703	-4,620	-4,750	-4,975
Free cash flow	9,662	10,277	10,008	10,890	8,783	10,187	10,663	11,757
Acquisitions & Divestments	100	2,293	-361	-1,956	-696	280	0	0
Dividend paid	-6,552	-6,863	-6,950	-6,937	-7,126	-7,185	-7,722	-8,106
Others	220	-3,342	-5,797	-485	-4,923	-7,000	-6,000	-3,700
Change in net financial debt	3,430	2,365	-3,100	1,512	-3,962	-3,718	-3,059	-49
Balance Sheet (CHFm)								
Intangible assets	43,712	54,357	52,008	53,404	50,363	51,973	51,563	51,163
Tangible assets	26,895	28,421	26,576	27,554	27,775	28,875	29,900	30,950
Financial & other non-current assets	19,769	16,711	15,974	18,901	20,052	19,954	19,860	19,771
Total shareholders' equity	64,139	71,884	63,986	65,981	62,777	61,434	59,188	60,002
Pension provisions	6,279	8,081	7,691	8,420	7,111	7,111	7,111	7,111
Liabilities and provisions	50,024	53,485	52,315	57,500	60,492	61,127	61,249	61,374
Net financial debt	14,690	12,325	15,425	13,913	17,875	21,593	24,653	24,701
Working capital requirement	1,476	995	-63	-2,653	-1,921	-2,157	-1,866	-1,565
Invested Capital	72,083	83,773	78,521	78,305	76,217	78,691	79,597	80,548
Per share data								
EPS adjusted	3.50	3.44	3.31	3.40	3.55	3.85	4.35	4.90
EPS adj and fully diluted	3.49	3.43	3.30	3.39	3.54	3.84	4.34	4.89
% Change	7.6%	-1.7%	-3.8%	2.7%	4.5%	8.3%	13.1%	12.6%
EPS reported	3.14	4.53	2.90	2.76	2.32	3.47	4.12	4.74
Cash flow per share	4.70	4.61	4.57	5.04	4.36	4.91	5.26	5.83
Book value per share	19.61	22.00	19.92	20.90	19.89	19.96	19.75	20.45
Dividend per share	2.15	2.20	2.25	2.30	2.35	2.60	2.80	3.10
Number of shares, YE (m)	3,224.80	3,224.80	3,188.40	3,112.16	3,112.16	3,112.16	3,112.16	3,112.16
Ratios								
ROE (%)	18.1%	16.5%	15.6%	16.5%	17.4%	19.0%	21.6%	24.1%
ROIC (%)	13.9%	12.1%	11.9%	11.3%	12.1%	13.6%	15.3%	17.0%
Net fin. debt / EBITDA (x)	0.8	0.7	0.9	0.8	1.0	1.1	1.2	1.1
Gearing (%)	22.9%	17.1%	24.1%	21.1%	28.5%	35.1%	41.7%	41.2%
Valuation								
P/E adjusted	18.4	20.0	22.0	21.6	22.6	19.2	17.0	15.1
P/E adjusted and fully diluted	18.4	20.0	22.1	21.7	22.6	19.3	17.1	15.1
P/BV	3.3	3.1	3.7	3.5	4.0	3.7	3.7	3.6
P/CF	13.7	14.9	15.9	14.6	18.4	15.1	14.1	12.7
Dividend yield (%)	3.3%	3.2%	3.1%	3.1%	2.9%	3.5%	3.8%	4.2%
FCF yield (%)	4.7%	4.6%	4.3%	4.8%	3.5%	4.4%	4.6%	5.1%
EV/Sales	2.2	2.5	2.7	2.6	2.8	2.6	2.5	2.3
EV/EBITDA	11.3	12.6	13.8	13.2	13.9	12.4	11.6	10.6
EV/EBIT	14.6	16.1	17.7	16.8	18.9	16.7	14.9	13.2

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Prices in this report are taken as of the previous day's close (to the date of this report) on the home market unless otherwise stated.

Companies mentioned

Stock	ISIN	Currency	Price
Nestlé	CH0038863350	CHF	74.00

Source: Factset closing prices of 27/03/2018

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Company Name	Disclosure
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Rating Breakdown	A	B
Buy	46%	42%
Hold	35%	37%
Reduce	17%	13%
Not Rated/Under Review/Accept Offer	2%	8%
Total	100%	100%

Source: KEPLER CHEUVREUX

A: % of all research recommendations

B: % of issuers to which material services of investment firms are supplied

12 months rating history

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Company Name	Date	Business Line	Rating	Target Price	Closing Price
Nestlé (CHF)	03/07/2017 07:13	Equity Research	Buy	95.00	83.45
	28/07/2017 06:43	Equity Research	Buy	93.00	81.55
	06/12/2017 09:32	Equity Research	Buy	95.00	84.75
	16/02/2018 09:32	Equity Research	Buy	90.00	75.70

Credit research does not issue target prices. Left intentionally blank.

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Hold: The expected upside is below 10% (the expected upside could be higher in light of the company's risk profile).

Reduce: There is an expected downside.

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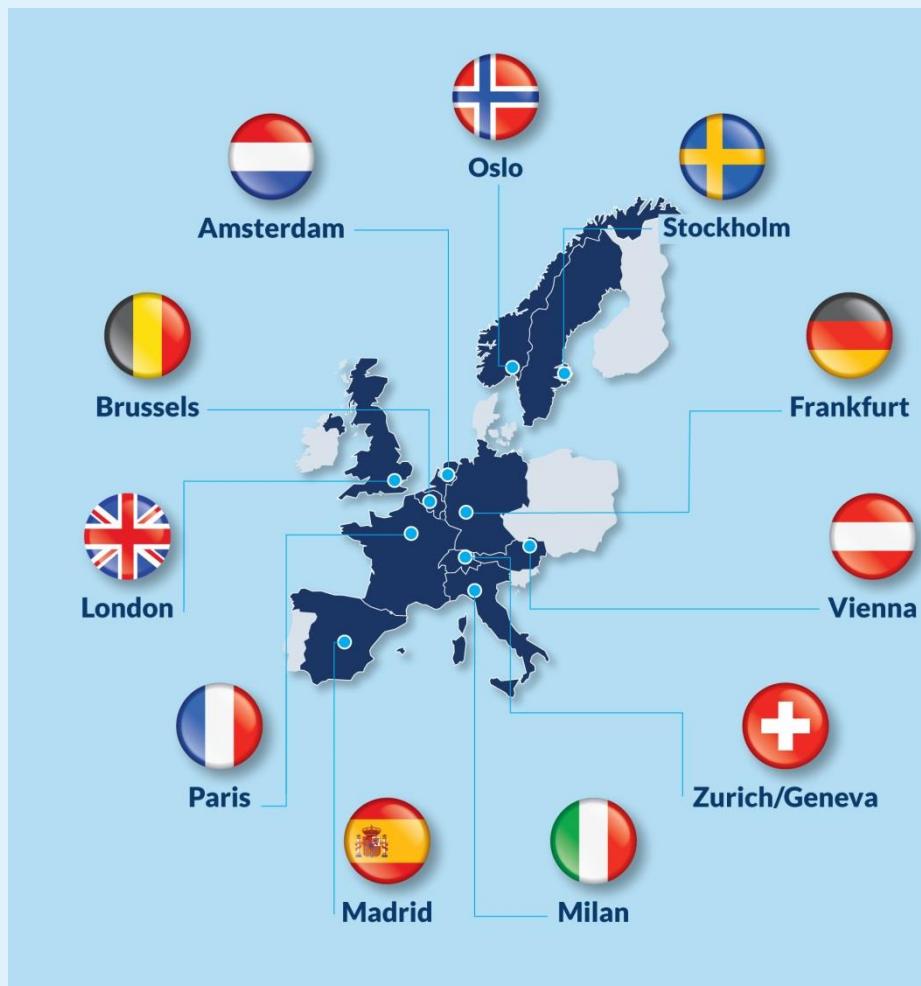
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Nestle (NESN SW)

Mark vs. The World

Key Takeaway

We stay neutral but are feeling warmer, reflecting the 10% share adjustment since December and growing regard for the CEO. While others are wary of low growth, we wonder if it might ultimately create more latitude to act. But with a material top line downgrade and the valuation-to-growth algorithm un compelling, we remain on the sidelines.

Disappointing Q4 leads to a top line downgrade. A slow Q4, described candidly by the CEO as 'disappointing,' leads us to downgrade FY18 organic sales growth (OSG) by 90bps to 2.9%, an apparently consensual view. Our margin & EPS forecasts come up slightly, reflecting a higher-than-expected FY17 base, good progress on costs & accretion from a more evenly-weighted buyback.

Plenty going on, as we continue to warm to the new CEO. Actions speak louder than words for CEO Mark Schneider, with change continuing apace. Since the turn of the year the leadership of the US has been changed, US confectionery has been sold, a cumulative 1700 jobs look to have been reduced (that we can identify) and a further disposal is on the slipway. The more we see of Schneider, the more we warm to his candour, clarity and bias to action.

But so very hard to shift the needle. But this is one mighty supertanker to turn around. 30% of sales are hitched to the no-growth US market. Brazil is a deflationary headwind. The global Nutritionals and Waters businesses are under-performing Danone's. Portfolio reshaping is underway, but even a sweet exit from US confy would scarcely move the OSG needle, at the cost of some OSG momentum in H2 17.

Challenges ahead, plus full and fair valuation, keeps us neutral. Pricing momentum continues to be weak while RIG (volume & mix) softened in Q4. Cost savings are coming through but NESN may need to re-invest more of the proceeds in FY18 than it originally envisaged. The implication is that NESN looks un compelling to us on valuation-to-growth metrics.

Valuation/Risks

We continue to value NESN vs peers at 13.5x EBITDA, which resolves to 19x PER. More or less unchanged EBITDA numbers offset by higher net debt lower our PT to CHF 81. Peers trade as follows (estimated EV:EBITDA/PER): ULVR (14.2x/18.3x); Danone (11.6x/17.5x); Kraft Heinz (14.0x/17.7x). Risks include i.) fx ii.) US demand conditions.

HOLD

Price target CHF81.00
(from CHF83.00)
Price CHF75.92[^]

Financial Summary

Net Debt (MM):	CHF22,012.0
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Market Data

52 Week Range:	CHF86.40 - CHF73.80
Total Entprs. Value (MM):	CHF254,714.4
Market Cap. (MM):	CHF232,702.4
Institutional Ownership:	79.0%
Shares Out. (MM):	3,065.1
Float (MM):	3,092.0
Avg. Daily Vol.:	5,739,635

CHF	Prev.	2017A	Prev.	2018E	Prev.	2019E	Prev.	2020E
Rev. (MM)	89,709.0	89,791.0	93,022.0	90,621.0	97,020.0	93,665.0	101,443.0	97,410.0
EBIT (MM)	14,547.0	14,729.0	15,598.0	15,315.0	16,825.0	16,362.0	18,178.0	17,527.0
EBIT Margin	16.2%	16.4%	16.8%	16.9%	17.3%	17.5%	17.9%	18.0%
EPS								
FY Dec	3.49	3.54	3.79	3.88	4.19	4.23	4.68	4.62
FY P/E		21.4x		19.6x		17.9x		16.4x

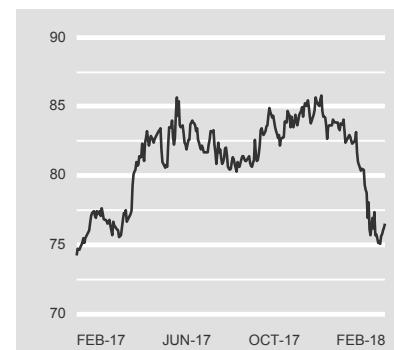
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* Jefferies International Limited

Price Performance



[^]Prior trading day's closing price unless otherwise noted.

Mark vs. The World

NESN has described Q4 as 'disappointing'

But the more disappointing the performance, the more latitude there is to act

New CEO Schneider is battling both internal and external constraints

There is a lot of work underway, including quiet but meaningful progress on headcount

But the effort required to move the needle is immense: witness US confectionery

The external environment isn't helping

While we feel warmer than we did in the summer, we remain on the sidelines

Last week's Q4 marked Nestle CEO Mark Schneider's first anniversary in the role. In the eyes of the market anyway. An anniversary that was marked with a top line performance in the final quarter that the CEO himself described as disappointing.

That NESN felt able to mark its own work with such candour and directness is to us a signal of what progress has been made in the past 20 months or so. Our sense is that there is now a more deeply-shared acknowledgement of the problems that need to be solved and the challenges that need to be faced. And, while somewhat counter-intuitive, we think the more disappointing the performance is now, the more latitude Schneider has to act.

But it really still does feel to us a case of Mark vs. The World. Two worlds in fact: the external one of slow markets and a fast pace of change and the internal one of a large, localised, organisation that makes driving such change more than usually difficult.

But progress is being made, not least in the sensitive area of headcount. It still isn't NESN's style to emphasise headcount reductions. But at a breakfast last week, Schneider invited the sell-side to do some googling, which we have (Exhibit 4). We count around 1700 jobs reduced or under review. Less than 1% of the workforce, but an encouraging start. Beyond headcount is a raft of more heavily flagged initiatives, all aligned with Schneider's programme of category prioritisation, growth acceleration, margin improvement, portfolio rationalisation and balance sheet optimisation. c.2% of the portfolio has been 'churned' (relative to a 10% target), there are four new Zone, country or functional heads. Two Global Units have been localised. There is now a formal medium-term margin target and a generous buyback.

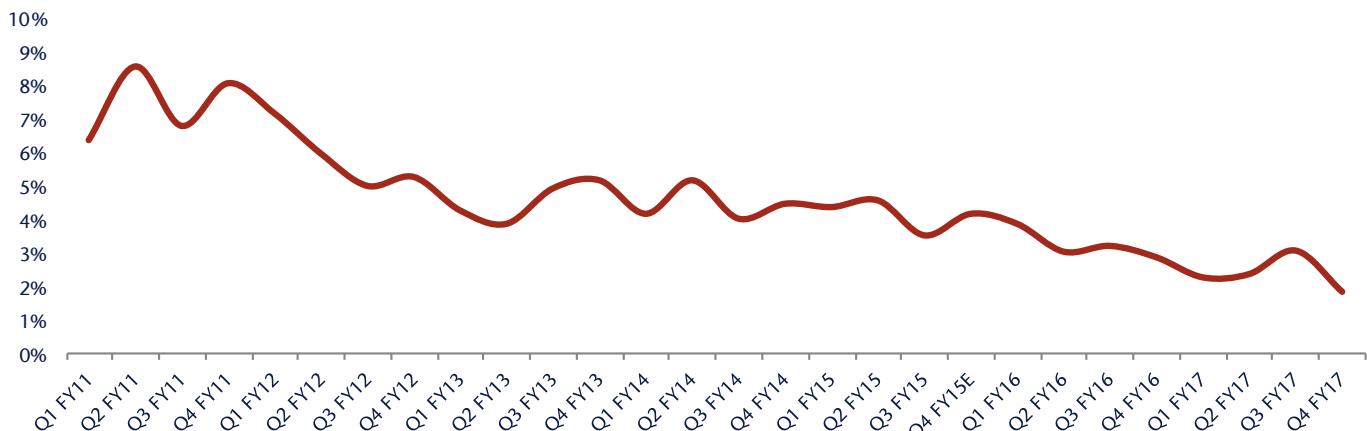
Plenty of good work therefore seems to be underway and the tiller is being pushed towards an emphatically new horizon. But we think the sheer inertia that arises from the size and complexity of the organisation must be a tough obstacle for the CEO. Take the exit from US confectionery. An ex-growth, but material, business has been sold swiftly, and at a good price. But it is ultimately only 1% of Group turnover and the exit will probably be accretive to group growth by less than 10bps, when it annualises into the base in 12 months' time. The price of that has been 12-months of implementation planning and a loss of momentum during the sale process that contributed to a halving of Zone AMS growth in H2. The implication is that NESN is a world of big numbers, where moving the needle meaningfully is going to take time, and effort.

This would be less of a concern if the markets it serves were more prepared to offer a lending hand. But Schneider's external world is no more susceptible to rapid change than his internal one. Organic growth slowed markedly in Q4, despite a marginally easier comp, reflecting now well-documented problems in the US and Brazil. So, while NESN has retained its volume growth crown in FY17, pricing is anaemic by peer standards and Q4 showed marked deceleration. Virtually all major categories slowed in FY17, with NESN under-performing Danone (itself in the process of a turnaround) in the comparable categories of Waters and Nutrition.

The more we get to know CEO Schneider, the more positive we become. The combination of that, plus a 10% downward correction in the shares since the December 2017 peak (5% correction relative to the SX3P, in which NESN has a 30% weight) leaves us feeling warmer about the shares than we did in the mid-summer euphoria between Third Point and the Investor Seminar. But we think the valuation is full and fair and, for the moment, it really does feel like Mark vs. The World to us. A titanic battle what we think is best observed from the sidelines.

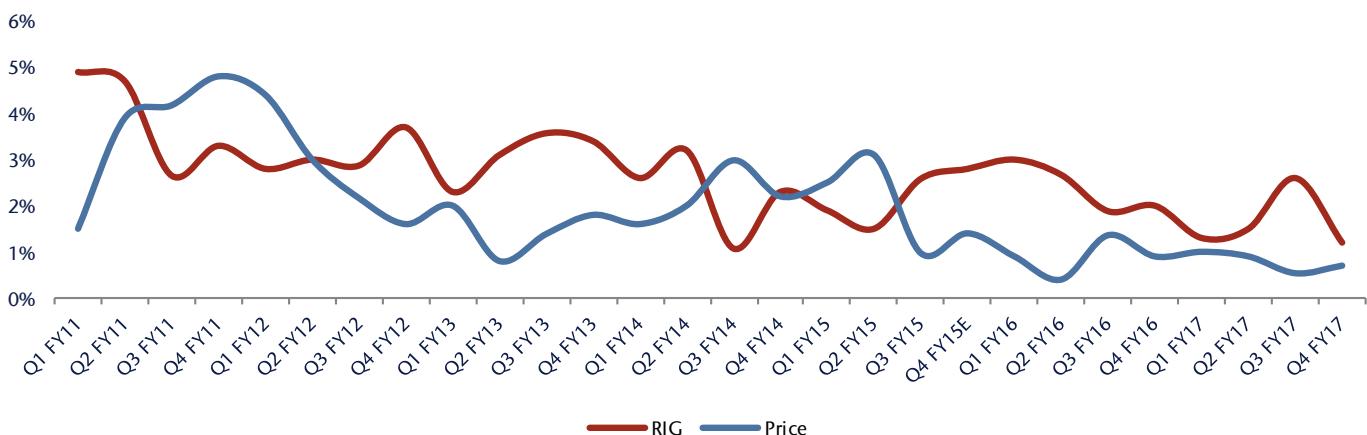
Trend charts

Exhibit 1: Group organic sales growth per quarter since Q1 2011



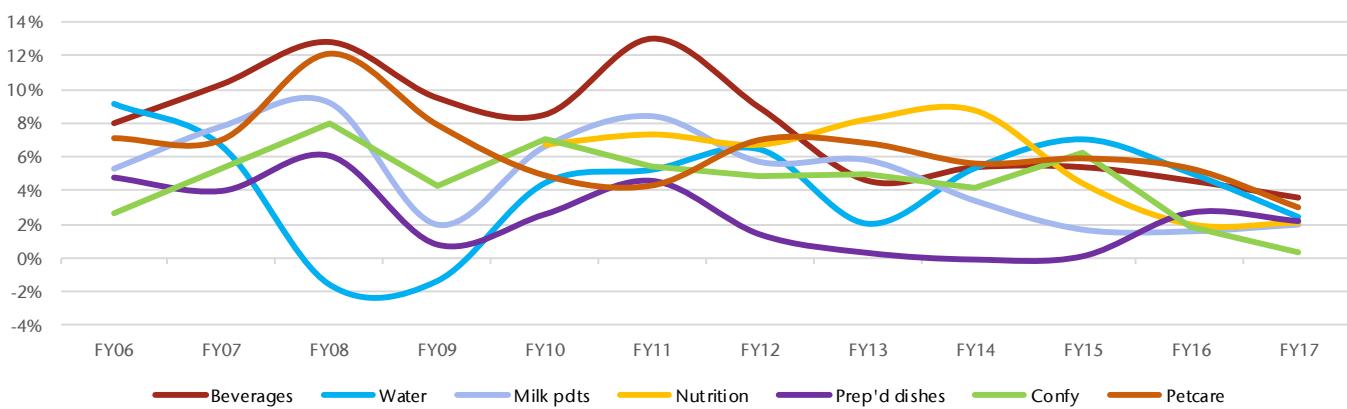
Source: Company data; Jefferies analysis

Exhibit 2: Group RIG (volume & mix) vs. price per quarter since Q1 2011



Source: Company data; Jefferies analysis

Exhibit 3: Organic growth by category since 2006



Source: Company data; Jefferies analysis

Exhibit 4: A Busy Agenda at Vevey

Timeline & key events since Mark Schneider's appointment

	Board & Senior Management	Organisational Structure	Portfolio re-shaping	Layoffs	Costs & Margins	Balance sheet
2016						
June	Mark Schneider appointed					
July						
August						
September	Macro Settembri replaces retiring Luis Cantarell as EVP EMEA Paul Navarre replaces Humberto Antunes as CEO Skin Health	NESN Professional re-aligned into Zones				
October						
November						
December						
2017						
January						
February		Announce relocation of US HQ from Glendale, CA to Arlington, VA				
March						
April			298 Manufacturing jobs across 4 sites in UK			
May						
June		Strategic review of US confectionery announced. Category priorities clarified				Announce CHF 20bn buyback
July			c.40 Finance jobs in Singapore			
August			Closure of Skin Cream factory in Switz. 190 jobs			
September		Blue Bottle acquired	450 R&D jobs at Skin Health, Sofia Antipolis	New 2020 margin targets announced		
October			50 Manufacturing jobs in Waverley, IA			
November	New CTO Stefan Palzer, EVP Nutrition Heiko Schipper departs	Nutrition re-aligned into Zones				
December		Altium acquired for \$2.3bn				
2018						
January	New board members announced from Inditex, Adidas & Baker Hughes	US confectionery sold for \$2.8bn	400 admin jobs in France. 300 jobs at Purina, St. Louis			
February	Steve Presley appointed CEO, NESN USA	L'Oréal shareholder agreement not renewed. Gerber Life review				

Source: Company data; websites; Jefferies analysis

Forecasts

Exhibit 5: Changes to forecasts for NESN.VX

Forecasts (CHFm)	FY18E New	FY 18E Old	% Chg	FY19E New	FY19E Old	% Chg
Sales	90621	93022	(2.6%)	93665	97020	(3.5%)
Organic growth	2.9%	3.7%	(85bps)	3.6%	4.3%	(69bps)
Underlying profit	15315	15598	(1.8%)	16362	16825	(2.8%)
Trading profit	14551	14618	(0.5%)	15770	16067	(1.9%)
Underlying margin	16.9%	16.8%	13bps	17.5%	17.3%	13bps
Trading margin	16.1%	15.7%	34bps	16.8%	16.6%	28bps
Underlying EPS (FD)	CHF 3.88	CHF 3.79	2.3%	CHF 4.23	CHF 4.19	1.0%
Net debt	22012	14201	55.0%	26120	19392	34.7%

Drivers of Change

Our EPS increases by 1-2%, reflecting primarily leverage effects and a modest margin upgrade, offset by a lower OSG outlook and slightly more adverse fx.

Source: Jefferies analysis & estimates

Exhibit 6: Profit & Loss Forecasts (CHF m unless otherwise stated)

	FY16A	FY17A	FY18E	FY19E	FY20E
Underlying basis					
Sales	89469	89791	90621	93665	97410
Underlying op. profit	14307	14729	15315	16362	17527
Net financing	(637)	(619)	(699)	(802)	(857)
PBT	13670	14110	14617	15560	16670
Underlying taxes	(3803)	(3844)	(3683)	(3921)	(4201)
U'lying Associates	1011	1089	1227	1304	1386
PAT	10878	11355	12160	12942	13855
Non-controlling	(379)	(376)	(370)	(392)	(418)
Underlying Net Profit	10499	10979	11790	12551	13437
EPS (CHF)					
Basic	3.40	3.55	3.89	4.24	4.62
Fully diluted	3.39	3.54	3.88	4.23	4.62
DPS (CHF)	2.30	2.35	2.40	2.45	2.50
Trading profit basis					
Sales	89469	89791	90621	93665	97410
Trading profit	13693	13233	14551	15770	16913
Net financing	(637)	(619)	(699)	(802)	(857)
PBT	13056	12614	13852	14968	16056
U'lying tax on trading PBT	(3632)	(3436)	(3491)	(3772)	(4046)
U'lying Associates	1011	1089	1227	1304	1386
PAT	10435	10267	11588	12500	13395
Non-controlling	(352)	(355)	(370)	(392)	(418)
Trading Net Profit	10083	9912	11218	12108	12977
EPS (CHF)					
Basic	3.26	3.21	3.70	4.09	4.47
Fully diluted	3.26	3.20	3.69	4.08	4.46
DPS (CHF)	2.30	2.35	2.40	2.45	2.50

Source: Company data; Jefferies analysis & estimates

Exhibit 7: Cashflow & net debt forecasts (CHF m unless otherwise stated)

	FY16A	FY17A	FY18E	FY19E	FY20E
Underlying profit	14307	14729	15315	16362	17527
D&A & share-based	3297	3373	3421	3538	3721
EBITDA	17604	18102	18736	19899	21248
Investment in NWC	1801	(243)	(342)	(225)	(277)
Cash exceptionals	(120)	(234)	(160)	(160)	(160)
Pension catch-up	(167)	(71)	(150)	(150)	(150)
Other	(293)	(561)	(450)	(450)	(450)
Cashflow from ops	18825	16993	17634	18914	20211
Net capex	(4692)	(4703)	(5236)	(5395)	(5587)
Operating cashflow	14133	12290	12398	13520	14624
Cash tax	(3435)	(3666)	(3674)	(3555)	(3822)
Cash interest	(327)	(423)	(699)	(802)	(857)
Dividends from associates	519	582	797	847	901
Recurring FCF to equity	10890	8783	8823	10010	10846
Net M&A/oth. Investment	(2639)	(763)	845	0	0
C'flow pre-tax & financing	8251	8020	9668	10010	10846
Dividends	(6937)	(7126)	(7287)	(7266)	(7275)
Buybacks	760	(3295)	(6500)	(6500)	(3500)
Other financial	21	(1595)	(333)	(353)	(376)
FX & other impacts on net debt	(583)	34	315	0	0
Change in net debt	1512	(3962)	(4137)	(4108)	(305)
Opening net debt	15425	13913	17875	22012	26120
Closing net debt	13913	17875	22012	26120	26425

Source: Company data; Jefferies analysis & estimates

Exhibit 8: Key ratios (priced at CHF 76.14 on 27 February 2018)

	FY16A	FY17A	FY18E	FY19E	FY20E
Growth & margin					
Organic sales growth	3.5%	2.4%	2.9%	3.6%	4.0%
U'lying profit margin	16.0%	16.4%	16.9%	17.5%	18.0%
U'lying margin progress	20bps	41bps	50bps	57bps	52bps
Financial					
Net debt:EBITDA- yr avg.	0.8x	0.9x	1.1x	1.2x	1.2x
Net debt:EBITDA - yr. end	0.8x	1.0x	1.2x	1.3x	1.2x
EBITDA interest cover	53.8x	42.8x	26.8x	24.8x	24.8x
Underlying tax rate	27.8%	27.2%	25.2%	25.2%	25.2%
DPS growth					
Dividend payout ratio	68%	66%	62%	58%	54%
Recurring FCF dividend cover	1.6x	1.2x	1.2x	1.4x	1.5x
Profit & return					
U'lying margin, post tax	11.5%	11.9%	12.6%	13.1%	13.5%
Asset turn	1.2x	1.2x	1.2x	1.2x	1.2x
ROIC (post-tax)	13.4%	14.1%	14.8%	15.5%	16.3%
NWC days (on sales)	-1	0	2	3	4
Operating cash conversion (operating cashflow pre-tax & financing/adj. profit)					
Pre-capex	132%	115%	115%	116%	115%
Post-capex	99%	83%	81%	83%	83%
Capex:depreciation	1.7x	1.6x	1.8x	1.8x	1.8x
Valuation					
PER (u'lying basis)	22.5x	21.5x	19.6x	18.0x	16.5x
PER (trading basis)	23.4x	23.8x	20.6x	18.7x	17.1x
Dividend yield	3.0%	3.1%	3.2%	3.2%	3.3%
Free cash flow yield	4.6%	3.7%	3.7%	4.3%	4.6%

Source: Company data; Jefferies analysis & estimates

Exhibit 9: Group & Divisional sales forecast drivers

	FY-17A	1Q-18E	2Q-18E	H1-18E	3Q-18E	9M-18E	Q4-18E	H2-18E	FY-18E	FY-19E	FY-20E
Total Group											
Revenue CHFm	89,791	21,621	22,271	43,893	22,320	66,213	24,409	46,729	90,621	93,665	97,410
RIG (volume)	1.6%	3.2%	2.1%	2.7%	1.2%	2.2%	2.5%	1.9%	2.3%	2.7%	2.7%
Price/Mix	0.8%	0.6%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	1.0%	1.3%
Organic growth	2.4%	3.8%	2.7%	3.2%	1.9%	2.8%	3.1%	2.5%	2.9%	3.6%	4.0%
M&A	(2.0%)	0.2%	(0.1%)	0.0%	(0.1%)	(0.0%)	(0.2%)	(0.2%)	(0.1%)	(0.1%)	0.0%
Forex	(0.2%)	(1.1%)	(1.3%)	(1.2%)	(1.4%)	(1.3%)	(3.4%)	(2.5%)	(1.9%)	(0.2%)	0.0%
Total	0.4%	2.9%	1.2%	2.0%	0.3%	1.4%	(0.4%)	(0.1%)	0.9%	3.4%	4.0%
Per Division											
Zone AMS											
Revenue CHFm	32,237	7,100	7,420	14,520	7,730	22,250	8,538	16,267	30,782	31,122	31,745
RIG (volume)	0.1%	2.2%	(0.1%)	1.0%	(0.2%)	0.6%	1.2%	0.5%	0.8%	1.0%	1.0%
Price/mix	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	1.0%
Organic growth	0.7%	2.2%	(0.1%)	1.0%	(0.2%)	0.6%	1.2%	0.5%	0.8%	1.5%	2.0%
Zone EMENA											
Revenue CHFm	18,514	4,848	4,682	9,530	4,665	14,195	5,328	9,993	19,518	20,175	20,881
RIG (volume)	1.6%	3.3%	5.4%	4.3%	2.0%	3.5%	2.7%	2.3%	3.3%	2.5%	2.5%
Price/mix	0.6%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%
Organic growth	2.1%	4.2%	6.3%	5.2%	2.9%	4.4%	3.6%	3.2%	4.2%	3.5%	3.5%
Zone AOA											
Revenue CHFm	20,902	5,361	5,281	10,642	5,220	15,862	5,818	11,038	21,745	23,123	24,742
RIG (volume)	2.8%	5.3%	3.3%	4.2%	1.4%	3.3%	5.4%	3.4%	3.8%	4.5%	4.5%
Price/mix	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	2.0%	2.5%
Organic growth	4.5%	7.1%	5.1%	6.1%	3.2%	5.1%	7.2%	5.2%	5.6%	6.5%	7.0%
Waters											
Revenue CHFm	7,922	1,792	2,185	3,976	2,192	6,169	1,759	3,951	7,894	8,260	8,673
RIG (volume)	1.7%	2.0%	0.4%	1.1%	5.0%	2.4%	3.7%	4.4%	2.7%	4.0%	4.0%
Price/mix	0.3%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	1.0%	1.0%
Organic growth	1.9%	2.7%	1.1%	1.8%	5.7%	3.1%	4.4%	5.1%	3.4%	5.0%	5.0%
Other											
Revenue CHFm	10,216	2,520	2,704	5,224	2,513	7,737	2,966	5,479	10,682	10,985	11,370
RIG (volume)	4.4%	2.9%	2.6%	2.7%	0.9%	2.1%	0.2%	0.5%	1.6%	3.0%	3.0%
Price/mix	0.3%	(1.1%)	(1.1%)	(1.1%)	(0.1%)	(0.8%)	(0.1%)	(0.1%)	(0.6%)	0.0%	0.5%
Organic growth	4.6%	1.8%	1.5%	1.6%	0.8%	1.4%	0.1%	0.4%	1.0%	3.0%	3.5%

Source: Company data; Jefferies analysis & estimates

Note: Divisional sales, profit, organic growth and margin data remains provisional pending NESN's disclosure of reallocated former Nutrition Division sales and profit at Q1. Pending that, these numbers are our estimates, that reconcile to Group totals.

Exhibit 10: Divisional margin & trading profit drivers

Total Group	FY-17A	H1-18E	H2-18E	FY-18E	FY-19E	FY-20E
Underlying Profit CHFm	14,729	7,157	8,158	15,315	16,362	17,527
Zone AMS						
Underlying Profit CHFm	6,657	2,819	3,706	6,525	6,777	7,069
Underlying margin %	20.7%	18.7%	22.1%	21.2%	21.8%	22.3%
Underlying margin VLY	57bps	49bps	56bps	55bps	58bps	50bps
Zone EMEA						
Underlying Profit CHFm	3,447	1,842	1,886	3,728	3,961	4,200
Underlying margin %	18.6%	18.6%	18.2%	19.1%	19.6%	20.1%
Underlying margin VLY	69bps	50bps	50bps	48bps	55bps	50bps
Zone AOA						
Underlying Profit CHFm	4,326	2,321	2,285	4,606	5,017	5,484
Underlying margin %	20.7%	21.1%	20.0%	21.2%	21.7%	22.2%
Underlying margin VLY	4bps	50bps	50bps	48bps	55bps	50bps
Waters						
Underlying Profit CHFm	1,012	514	535	1,048	1,140	1,239
Underlying margin %	12.8%	12.2%	12.8%	13.3%	13.8%	14.3%
Underlying margin VLY	28bps	50bps	50bps	51bps	55bps	50bps
Other						
Underlying Profit CHFm	1,625	735	1,006	1,741	1,850	1,969
Underlying margin %	15.9%	13.4%	17.7%	16.3%	16.8%	17.3%
Underlying margin VLY	50bps	50bps	51bps	39bps	55bps	50bps
Unallocated						
Underlying Cost CHFm	-2,338	-1,074	-1,259	-2,333	-2,383	-2,433

Source: Company data; Jefferies analysis & estimates

Note: Divisional sales, profit, organic growth and margin data remains provisional pending NESN's disclosure of reallocated former Nutrition Division sales and profit at Q1. Pending that, these numbers are our estimates, that reconcile to Group totals.

Company Description

With a market capitalisation of more than CHF180bn Nestle is the largest food company globally. Revenues were CHF92bn in 2013. The company generates its revenues from a diverse mix of food and beverage products, with 22% from Powdered and Liquid Beverages (Nescafe/ Nespresso), 7% from Waters (Vittel/San Pellegrino), 19% from Milk products and Ice Cream, 13% from Nutrition, 15% from Prepared Dishes and Cooking Aids and with Chocolate, Confectionery, Biscuits contributing 11% and Petcare the remaining 12%. Nestle owns around 23% of L'Oreal (leading global cosmetics producer).

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(Article 3(1)e and Article 7 of MAR)

Recommendation Published , 21:10 ET. February 27, 2018
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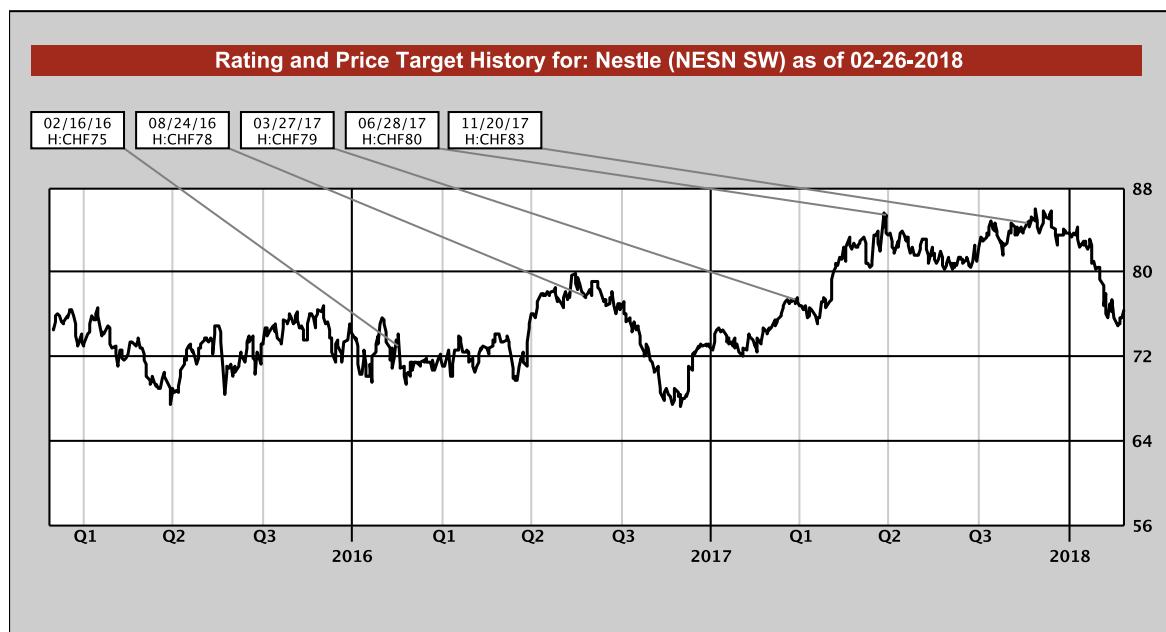
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D: Dropped Coverage

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			71	6.38%
			22	2.67%
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February 20, 2018 11:23 AM GMT

Nestle SA

3 Key Takeaways from Sell-Side Meeting

↳ Stock Rating Overweight	↳ Industry View In-Line	◎ Price Target SFr 90.00
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1) Portfolio management – CEO Mark Schneider confirmed Nestle is generally targeting 10% of portfolio management in buying and selling, but commented that it will continue to evaluate this target over time. 2) OTC Assets – “Never say never” when pushed on the possibility of acquisitions of over €10bn, but feedback was that valuations are currently very high and focusing on small/mid-sized acquisitions is more value accretive. 3) Pricing Pressure – Nestle acknowledge the pricing pressure in the market - it believes the key driver is digital/price transparency and this issue is not unique to staples. 2018 should show better performance here vs 2017 as last year’s incentives were more focused on RIG (volume).

MORGAN STANLEY & CO. INTERNATIONAL PLC+

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Nestle SA (NESN.S, NESN SW)

Food Producers / Switzerland

Stock Rating	Overweight
Industry View	In-Line
Price target	SFr 90.00
Shr price, close (Feb 19, 2018)	SFr 74.96
52-Week Range	SFr 86.40-72.00
Mkt cap, curr (mn)	SFr 232,677
Net debt (12/17e) (mn)*	SFr 12,726
EV, curr (mn)*	SFr 247,981

* = GAAP or approximated based on GAAP

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Valuation methodology & risks

NESN.S

Nestle (PT: SFr 90)

Valuation methodology: Our Price Target of SFr 90 is derived from our base-case scenario, and assumes that Nestle can trade at a target multiple of 23x 2018e, ahead of its 12-month forward long-term average of ~18x and a 10% premium to US/EU peers , to reflect: (i) an acceleration in returns and cash generation as well as best-in-class operating performance, including a significant acceleration in margin delivery, and (ii) the broader staples group at higher multiples vs. history. A target multiple approach is one that we adopt across all our European Food Producer stocks. This is backed up by our DCF and residual income models.

Price target risks: The key risk to our call is sector rotation out of Consumer Staples due to an improvement in the macro environment or a further weakening in emerging markets. Company-specific risks include (i) a further strengthening of the Swiss franc against Nestle's major currencies, (ii) higher than expected reinvestment or restructuring and (iii) greater competition in some of Nestle's core businesses such as coffee, pet care and nutrition.

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(as of January 31, 2018)

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STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)	
	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MISC
Overweight/Buy	1173	37%	318	41%	27%	571	39%
Equal-weight/Hold	1390	44%	359	47%	26%	653	45%
Not-Rated/Hold	53	2%	5	1%	9%	8	1%
Underweight/Sell	564	18%	90	12%	16%	219	15%
TOTAL	3,180		772			1451	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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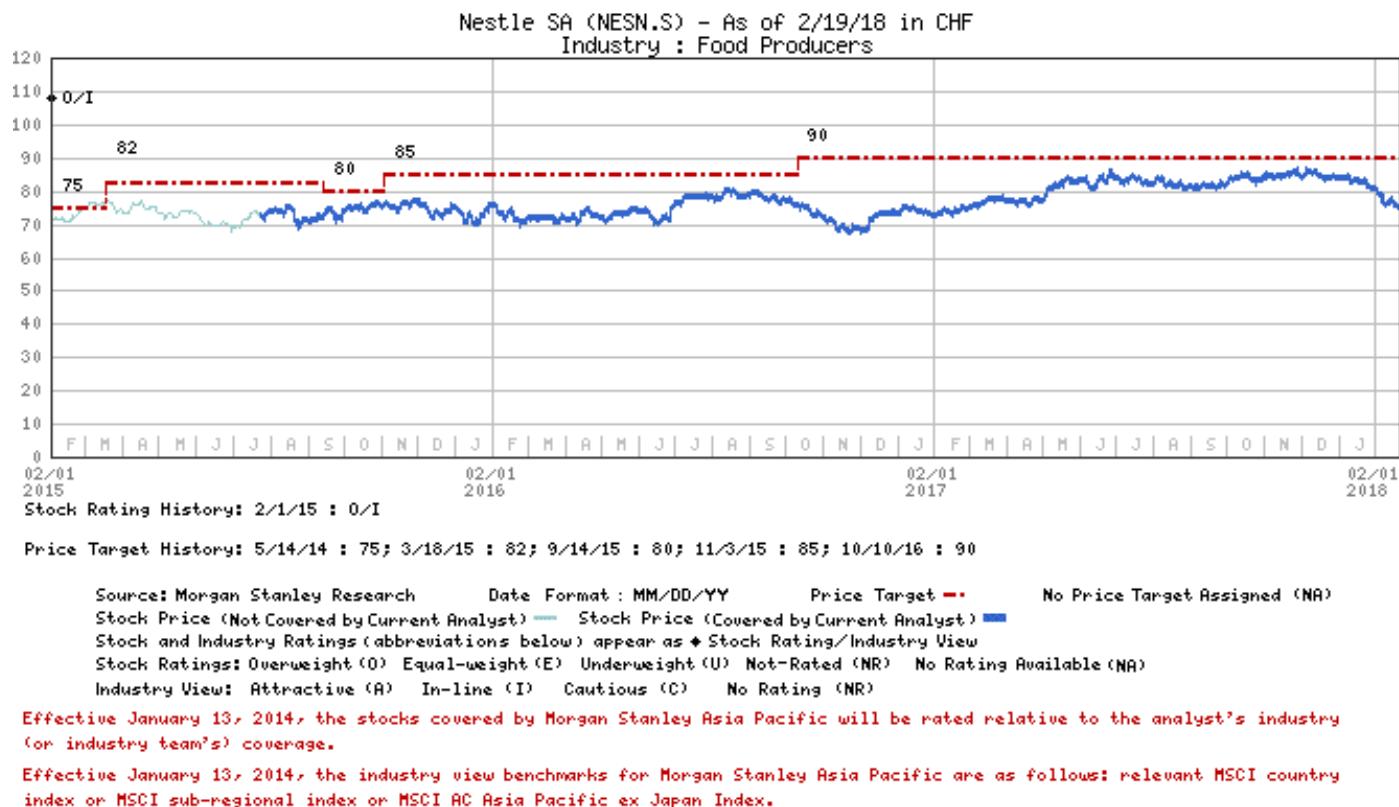
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INDUSTRY COVERAGE: Food Producers

COMPANY (TICKER)	RATING (AS OF)	PRICE* (02/19/2018)
Eileen Khoo, CFA		
Danone (DANO.PA)	O (07/15/2014)	€64.47
Nestle SA (NESN.S)	O (02/28/2012)	SFr 74.96
Unilever NV (UNc.AS)	E (02/19/2017)	€43.20
Unilever PLC (ULVR.L)	E (02/19/2017)	3,732p
Richard Taylor		
Bakkavor Group Plc (BAKK.L)	E (12/21/2017)	196p

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.

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Nestle

20 Questions for management

We share below our key questions for Nestlé management to frame the discussion on both the strategy and operational issues post recent results. For a summary of recent FY17 results, please see our [note](#).

10 Strategic questions

- 1) **Organic growth revival.** The path to MSD growth in 2020 relies on three building blocks: Fixing base business / Portfolio management / Focus on high-growth categories. For each of your three building blocks: what are the initiatives going forward, when will you implement them, when will they materialize in higher organic growth?
- 2) **Margin target.** Given the good progress in FY17 efficiency savings, do you see upside to the savings target? If so, will that feed into margin beyond your 17.5%-18.5% target or do you plan to increase reinvestments behind your brands?
- 3) **Health & Wellness.** How do you balance becoming a “Health & Wellness” company with your traditional Food heritage (i.e. categories which are not considered as ‘healthy’)?
- 4) **Consumer Healthcare.** While two large Consumer Healthcare businesses are under strategic review (Pfizer and Merck KGaA), you acquired a mid-sized player, Atrium. Which categories do you define in Consumer Healthcare? Do you see Nestlé as a #1/2 player in the category going forward?
- 5) **Company structure.** Professional and Nutrition evolved from globally managed units to regionally managed business units. What are the drivers of these changes and should we expect the same change at Waters and Other businesses? While you aim to be very local through the zone structure, do you think the organisation is well suited to compete effectively and leverage its scale?

Nestle (NESN.S;NESN SW)

FYE Dec	2014A	2015A	2016A	2017A	2018E (Prev)	2018E (Curr)
Adj. EPS FY (SF)	3.43	3.30	3.39	3.54	3.90	3.90
Adj P/E FY	22.0	22.9	22.3	21.3	19.3	19.3
Revenue FY (SF mn)	91,612	88,785	89,469	89,791	90,970	90,970
EBITDA FY (SF mn)	17,077	16,560	16,825	16,460	17,587	17,587
EV/EBITDA FY	14.2	14.8	14.3	14.8	14.0	14.0
EBIT FY (SF mn)	14,019	13,382	13,693	13,233	14,318	14,318
FCF Yield FY	4.0%	3.8%	4.9%	3.6%	4.7%	4.7%
Dividend Yield FY	2.9%	3.0%	3.0%	3.1%	3.2%	3.2%

Source: Company data, Bloomberg, J.P. Morgan estimates.

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Overweight

NESN.S, NESN SW

Price: SF75.48

Price Target: SF97.00

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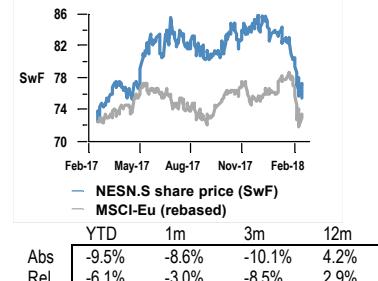
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Price Performance



Company Data

Price (SF)	75.48
Date Of Price	16 Feb 18
Price Target (SF)	97.00
Price Target End Date	31-Dec-18
52-week Range (SF)	86.40-71.45
Market Cap (SF bn)	236.71
Shares O/S (mn)	3,136

- 6) **Nestlé's cultural challenges.** What kind of cultural challenges does Nestlé face to adapt to the changing externalities?
- 7) **Pace of change in the Food industry.** How is Nestlé going to tackle the ongoing structural changes of the Food industry (e.g. millennials, digital, and discounters)? Is size an issue to retain the capacity to win? What are you doing to improve speed and agility to compete effectively versus smaller players?
- 8) **Capital Allocation and returns improvement.** Beyond the reshuffling of mid-sized businesses (US Confectionery/Atrium, Gerber life insurance), do you think there is place for bigger deals?
- 9) **L'Oréal stake.** You have committed not to raise your stake in L'Oréal, are we right in reading that a further step down in the stake is hence the next step? What will be the catalyst for this?
- 10) **Digital strategy.** What steps are you taking to digitalize the organisation: not only in tackling digital marketing and ecommerce, but also using technology/big data in different parts of the organisation from R&D, to supply chain, distribution? Shall we expect bigger investments in IT? How shall you position Nestlé versus the rise of big tech companies also aiming to serve the same consumer base?

10 Operational questions

- 1) **2-4% top-line growth in 2018.** You emphasized the time lag between your initiatives and subsequent impact on organic growth. Should we expect a stronger H218 than H118 given US Confectionery disposal and the materialization of your initiatives in the latter part of the year?
- 2) **Pricing outlook.** Q417 pricing in emerging markets (0.6%) was almost similar to pricing in Developed markets (0.9%). With deflationary raw materials in 2018, do you expect EM pricing to remain at c1%?
- 3) **US businesses.** US growth disappointed in 2017, while US Confectionery is disposed, how advanced are you in repositioning Frozen Foods? When do you expect a reversal to positive growth at Baby food?
- 4) **LA growth.** What is the growth outlook for LatAm in 2018 given the deflationary environment in Brazil?
- 5) **AOA outlook.** While growth in China turned positive in FY17 with stabilization of Yinlu, AOA volume came-in at its lowest level since Q315, excluding Chinese New Year effect, what were the drivers of the deceleration?
- 6) **Europe:** The total Zone was the best-performing Zone growth in Q417 (4.0%). How sustainable is a c3-4% growth in 2018?

- 7) **Nestlé Nutrition.** Growth disappointed in 2017. While you implemented energetic actions and a reorganization to improve the growth, you also flagged 'diversion' due to these changes. What is the growth outlook of Nutrition (per regions) in H118/H218?
- 8) **Competition in Beverages US.** What is your strategy to face consolidation of beverages industry in the US (Keurig/Dr Pepper) and stronger interests of Bevs competitors in sparkling waters?
- 9) **Healthcare & Skin Health.** Could you give more details on the new leadership team at Skin Health and the restructuring program?
- 10) **Industry consolidation.** What is your strategy on the Confectionery market? As a leading milk company, what do you make of Danone's entry into plant-based category?

Investment Thesis, Valuation and Risks

Nestle (*Overweight*; Price Target: SF97.00)

Investment Thesis

We rate Nestlé Overweight and believe it remains well placed to outperform the sector from a top-line perspective driven by RIG, alongside a sustainable improvement in its trading profit margins in constant currencies. This should drive earnings growth ahead of peers on our estimates. Further, we believe capital allocation and portfolio rationalization will play an increasingly important role in the company's investment thesis, ultimately leading to strong operational performance and cash returns to shareholders.

Valuation

We maintain our OW rating with a Dec-18 PT of CHF97. We derive our PT from a 15% premium to the EU Food/HPC sector 2018 PE of 21x.

Risks to Rating and Price Target

Downside risks include: 1) further deterioration in the consumer environment in developed markets; 2) further strengthening of the Swiss franc; 3) higher input cost inflation than expected; and 4) increased price competition as a result of lower commodity costs.

Nestle: Summary of Financials

Profit and Loss Statement						Cash flow statement					
SF in millions, year end Dec	FY15	FY16	FY17	FY18E	FY19E	SF in millions, year end Dec	FY15	FY16	FY17	FY18E	FY19E
Revenues	88,785	89,469	89,791	90,970	94,099	EBIT	14,032	14,307	14,729	15,433	16,521
% change Y/Y	(3.1%)	0.8%	0.4%	1.3%	3.4%	Change in Working Capital	741	1,801	(243)	695	757
Gross Margin (%)	50.0%	51.0%	50.3%	50.6%	50.8%	Depreciation & Amortization	3,178	3,132	3,227	3,269	3,382
EBIT	13,382	13,693	13,233	14,318	15,403	Interest	-	-	-	-	-
EBIT Margin	15.8%	16.0%	16.4%	17.0%	17.6%	Cash flow from operations	12,397	14,953	11,990	14,226	15,247
% change Y/Y	(4.5%)	2.3%	(3.4%)	8.2%	7.6%	Capex	(3,872)	(4,010)	(3,934)	(3,986)	(4,123)
EBITDA	16,560	16,825	16,460	17,587	18,784	Free Cash Flow	8,977	11,403	8,506	10,737	11,587
EBITDA margin	18.7%	18.8%	18.3%	19.3%	20.0%	Acquisitions/ Divestments	-	-	-	-	-
% change Y/Y	(3.0%)	1.6%	(2.2%)	6.8%	6.8%	Cash Flow From Investing	(4,159)	(6,123)	(4,940)	(4,765)	(4,929)
Net Interest	(624)	(637)	(619)	(663)	(620)	Dividends paid	(6,950)	(6,937)	(7,126)	(7,266)	(7,249)
Profits before tax	11,784	12,526	9,493	13,569	14,702	Share Repurchase	(6,377)	760	(3,295)	(6,000)	(6,000)
Tax	(3,704)	(3,803)	(3,844)	(3,722)	(4,007)	Cash Flow From Financing	(13,773)	(7,986)	(11,506)	(13,266)	(13,249)
Tax Rate	31.4%	30.4%	40.5%	27.4%	27.3%	Net cash/(debt) at start of year	7,448	4,884	7,990	7,938	7,938
Net Profit (Reported)	9,066	8,531	7,183	10,666	11,560	Decrease/(Increase) in Net debt	(5,535)	844	(4,456)	(3,805)	(2,930)
% change Y/Y	(37.3%)	(5.9%)	(15.8%)	48.5%	8.4%	Net cash/(debt) at end of year	4,884	7,990	7,938	7,938	7,938
Adjusted Earnings	10,353	10,499	10,979	11,821	12,735						
Diluted Shares Outstanding	3,136	3,097	3,098	3,030	2,965						
EPS (Reported)	2.89	2.75	2.32	3.52	3.90						
% change Y/Y	(36.1%)	(4.7%)	(15.8%)	51.8%	10.8%						
EPS (Adjusted)	3.30	3.39	3.54	3.90	4.30						
% change Y/Y	(3.8%)	2.7%	4.5%	10.1%	10.1%						
Balance sheet						Ratio Analysis					
SF in millions, year end Dec	FY15	FY16	FY17	FY18E	FY19E	SF in millions, year end Dec	FY15	FY16	FY17	FY18E	FY19E
Assets						Per Share Amounts					
Cash & Cash Equivalents	4,884	7,990	7,938	7,938	7,938	Basic Earnings per share	2.90	2.76	2.32	3.53	3.91
Accounts Receivables	12,252	12,411	12,422	11,962	11,729	Diluted Earnings per share	2.89	2.75	2.32	3.52	3.90
Inventories	8,153	8,401	9,061	9,014	9,152	Dividend per share	2.25	2.30	2.35	2.40	2.44
Current Assets	29,434	32,042	32,190	31,691	31,618						
Tangible Assets	26,576	27,554	27,775	49,262	50,395	Adj P/E Multiple	22.9	22.3	21.3	19.3	17.6
Net Fixed Assets	26,576	27,554	27,775	49,262	50,395	EV/EBITDA Multiple	14.8	14.3	14.8	14.0	13.2
Total Assets	123,992	131,901	130,380	144,904	146,378	P/CEPS	19.1	15.6	19.5	16.1	14.7
Liabilities						Net Debt/Equity	24.1%	21.1%	28.5%	27.6%	30.5%
ST Loans	9,629	12,118	10,536	13,226	15,038	Net Debt/EBITDA	0.9	0.8	1.1	1.2	1.2
Current Liabilities	33,321	37,517	36,054	38,940	41,435						
Long-term liabilities	11,601	11,091	15,932	15,932	15,932						
Provisions	2,601	2,640	2,445	2,445	2,445						
Total Liabilities	60,006	65,920	67,603	70,489	72,984						
Minority interests	1,648	1,391	1,273	1,273	1,273						
Shareholders Equity	63,986	65,981	62,777	74,416	73,393						

Source: Company reports and J.P. Morgan estimates.

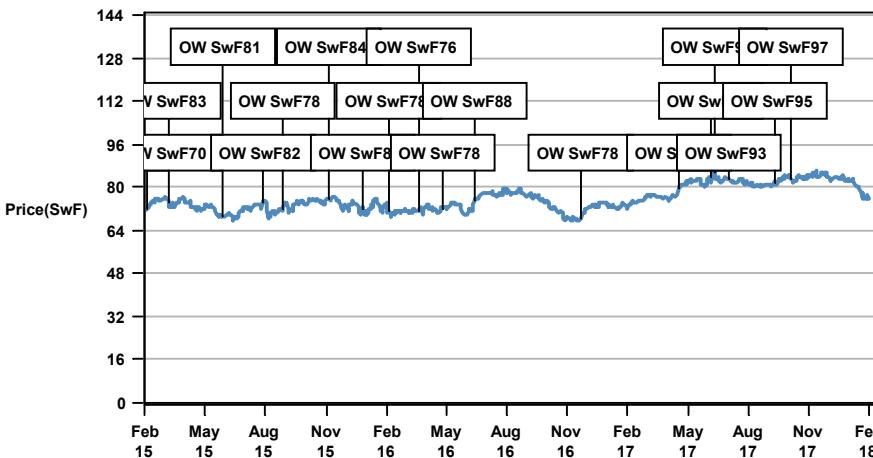
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Nestle (NESN.S, NESN SW) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
 Initiated coverage May 06, 1999.

Date	Rating	Share Price (SwF)	Price Target (SwF)
20-Feb-15	OW	71.90	70.00
25-Mar-15	OW	74.00	83.00
15-Jun-15	OW	69.50	81.00
13-Aug-15	OW	74.15	82.00
14-Sep-15	OW	71.80	78.00
23-Nov-15	OW	76.05	84.00
12-Jan-16	OW	71.80	80.00
22-Feb-16	OW	71.15	78.00
05-Apr-16	OW	71.05	76.00
12-May-16	OW	72.30	78.00
30-Jun-16	OW	74.75	88.00
06-Dec-16	OW	68.40	78.00
05-May-17	OW	79.25	84.00
21-Jun-17	OW	84.00	87.00
28-Jun-17	OW	85.65	90.00
18-Jul-17	OW	83.60	93.00
28-Sep-17	OW	81.55	95.00
20-Oct-17	OW	83.45	97.00

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IB clients*	53%	50%	35%
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IB clients*	70%	66%	54%

*Percentage of investment banking clients in each rating category.

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Europe Equity Research
19 February 2018

J.P.Morgan CAZENOVE

Rating	UNDERPERFORM
Price (15 Feb 18, SFr)	75.70
Target price (SFr)	(from 76.00) 70.00
Market Cap (SFr m)	235,590.5
Enterprise value (SFr m)	251,502.6

Target price is for 12 months.

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Nestle (NESN.S)

DECREASE TARGET PRICE

Struggling with a US headwind

- Nestlé's FY17 organic sales growth was just 2.4%. Nestlé's N American and W European grocery businesses (excluding Nespresso, Nestle Skin Health and Nestle Health Science) represent c44% of group sales. We estimate that, in aggregate, they saw zero volume growth in FY17.
- We believe Nestlé's N American grocery business (29% of sales) remains particularly challenged. E-commerce is finally starting to take-off. The traditional big box retailers are increasingly turning to price/private label as a way of retaining footfall. Small start-up brands are adeptly targeting affluent 'Millennial' consumers. Pricing is non-existent and Nestle is losing share in most of its categories. In our view, these are structural challenges that will take a number of years to play out. This year will likely see input cost pressure due to the weaker dollar (most notably distribution costs).
- With almost a third of its portfolio struggling to grow, we expect Nestle will again this year be in the bottom half of the consumer staples organic sales growth 'league table' (CSe 3.4%). Without major portfolio change, we regard Nestlé's mid-single digit organic sales growth target (by 2020) as stretching. Yet a significant M&A driven pivot to consumer health care, for example, offers limited synergies and carries significant execution risk, in our view.
- Interestingly, the US food sector has de-rated as investors have become increasingly concerned about the lack of top-line growth. Whilst the Nestle multiple has recently compressed, at 19.5x FY18E earnings, it currently trades on a 20% PE premium to the US food names.
- We lower our target price for Nestle by 8% to SFr 70 to reflect lower cash flow estimates and a slightly slower medium term sales growth assumption and re-iterate our Underperform rating. Risks include a strengthening US dollar and a stronger than expected emerging market consumption.

Share price performance



The price relative chart measures performance against the SMI PRICE which closed at 8917.8 on 15/02/18
 On 15/02/18 the spot exchange rate was SFr1.15/Eu 1.-
 Eu.8/US\$1

Performance	1M	3M	12M
Absolute (%)	-8.7	-10.3	4.5
Relative (%)	-3.9	-8.1	-1.6

Financial and valuation metrics

Year	12/17A	12/18E	12/19E	12/20E
Revenue (SFr m)	89,791	90,813	94,174	97,867
EBITDA (SFr m)	17,956	18,688	19,848	21,124
Adjusted net income (SFr m)	10,979	11,746	12,445	13,298
CS EPS (adj.) (SFr)	3.54	3.89	4.25	4.63
Prev. EPS (SFr)	-	3.95	4.33	4.77
ROIC (%)	13.3	13.6	14.2	14.8
P/E (adj.) (x)	21.4	19.5	17.8	16.4
P/E rel. (%)	105	98	105	106
EV/EBITDA (x)	13.7	13.5	12.9	12.2
Dividend (12/18E, SFr)	2.45	Net debt/equity (12/18E, %)		38.6
Dividend yield (12/18E, %)	3.2	Net debt (12/18E, SFr m)		23,626.8
BV/share (12/18E, SFr)	19.9	IC (12/18E, SFr m)		84,807.5
Free float (%)	100.0	EV/IC (12/18E, (x))		3.0

Source: Company data, Thomson Reuters, Credit Suisse estimates

DISCLOSURE APPENDIX AT THE BACK OF THIS REPORT CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, LEGAL ENTITY DISCLOSURE AND THE STATUS OF NON-US ANALYSTS. US Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Nestle (NESN.S)

Price (15 Feb 2018): SFr75.7; Rating: UNDERPERFORM; Target Price: (from 76.00) 70.00; Analyst: Alan Erskine

Income statement (SFr m)	12/17A	12/18E	12/19E	12/20E
Revenue	89,791	90,813	94,174	97,867
EBITDA	17,956	18,688	19,848	21,124
Depr. & amort.	(3,227)	(3,258)	(3,364)	(3,480)
EBIT	14,729	15,429	16,483	17,643
Net interest exp.	(619)	(769)	(941)	(1,037)
Associates	-	-	-	-
PBT	14,110	14,660	15,542	16,606
Income taxes	(3,844)	(3,709)	(3,932)	(4,201)
Profit after tax	10,266	10,951	11,610	12,405
Minorities	(376)	(401)	(435)	(475)
Preferred dividends	-	-	-	-
Associates & other	1,089	1,195	1,270	1,368
Net profit	10,979	11,746	12,445	13,298
Other NPAT adjustments	0	0	0	0
Reported net income	10,979	11,746	12,445	13,298
Cash flow (SFr m)	12/17A	12/18E	12/19E	12/20E
EBIT	14,729	15,429	16,483	17,643
Net interest	(423)	(669)	(841)	(937)
Cash taxes paid	(3,666)	(4,061)	(3,729)	(4,040)
Change in working capital	(243)	0	(200)	(200)
Other cash and non-cash items	2,507	2,119	2,561	2,843
Cash flow from operations	12,904	12,818	14,274	15,309
CAPEX	(3,934)	(3,996)	(4,144)	(4,306)
Free cashflow to the firm	8,783	8,664	10,003	10,908
Acquisitions	(1,362)	(2,500)	0	0
Divestments	140	2,800	0	0
Other investment/(outflows)	(1,905)	(769)	(769)	(769)
Cash flow from investments	(7,061)	(4,465)	(4,913)	(5,075)
Net share issue/(repurchase)	(2,702)	(7,000)	(7,000)	(3,000)
Dividends paid	(7,468)	(7,716)	(7,860)	(8,025)
Issuance (retirement) of debt	-	-	-	-
Cashflow from financing	(10,170)	(14,716)	(14,860)	(11,025)
Changes in net cash/debt	(3,962)	(5,752)	(4,857)	(117)
Net debt at start	13,913	17,875	23,627	28,484
Change in net debt	3,962	5,752	4,857	117
Net debt at end	17,875	23,627	28,484	28,601
Balance sheet (SFr m)	12/17A	12/18E	12/19E	12/20E
Assets				
Total current assets	32,190	28,333	26,302	29,093
Total assets	130,380	130,052	129,646	133,346
Liabilities				
Total current liabilities	36,054	36,345	37,300	38,349
Total liabilities	67,603	68,871	71,146	72,768
Total equity and liabilities	130,380	130,052	129,646	133,346
Per share	12/17A	12/18E	12/19E	12/20E
No. of shares (wtd avg.) (mn)	3,098	3,019	2,931	2,873
CS EPS (adj.) (SFr)	3.54	3.89	4.25	4.63
Prev. EPS (SFr)	-	3.95	4.33	4.77
Dividend (SFr)	2.35	2.45	2.57	2.70
Free cash flow per share (SFr)	2.84	2.87	3.41	3.80
Key ratios and valuation	12/17A	12/18E	12/19E	12/20E
Growth/Margin (%)				
Sales growth (%)	0.4	1.1	3.7	3.9
EBIT growth (%)	2.9	4.8	6.8	7.0
Net income growth (%)	4.6	7.0	6.0	6.9
EPS growth (%)	4.5	9.8	9.1	9.0
EBITDA margin (%)	20.0	20.6	21.1	21.6
EBIT margin (%)	16.4	17.0	17.5	18.0
Pretax profit margin (%)	15.7	16.1	16.5	17.0
Net income margin (%)	12.2	12.9	13.2	13.6
Valuation	12/17A	12/18E	12/19E	12/20E
EV/Sales (x)	2.7	2.8	2.7	2.6
EV/EBITDA (x)	13.7	13.5	12.9	12.2
EV/EBIT (x)	16.7	16.3	15.6	14.5
Dividend yield (%)	3.10	3.24	3.40	3.57
P/E (x)	21.4	19.5	17.8	16.4
Credit ratios (%)	12/17A	12/18E	12/19E	12/20E
Net debt/equity (%)	28.5	38.6	48.7	47.2
Net debt to EBITDA (x)	1.0	1.3	1.4	1.4
Interest coverage ratio (x)	23.8	20.1	17.5	17.0

Source: FTI, Company data, Thomson Reuters, Credit Suisse Securities (EUROPE) LTD. Estimates

Company Background

Nestle SA is a Swiss Company engaged in the nutrition, health and wellness sectors. It is the holding company of the Nestle Group, which comprises subsidiaries, associated companies and joint ventures throughout the world.

Blue/Grey Sky Scenario



Our Blue Sky Scenario (SFr) (from 90.00) 83.00

In our Blue Sky scenario we assume Nestlé returns to its 5-6% organic sales growth model (then fading to 2.5% by 2030) and margins expand to 18.5% by 2021.

Our Grey Sky Scenario (SFr) (from 67.00) 64.00

In our Grey Sky scenario we assume consumer spending slows further, putting pressure on both Nestlé's top-line and profitability. In this scenario we assume the 2.5% organic sales growth Nestle reported in 2017 becomes the new norm and margins only expand by 10bps per annum.

Share price performance



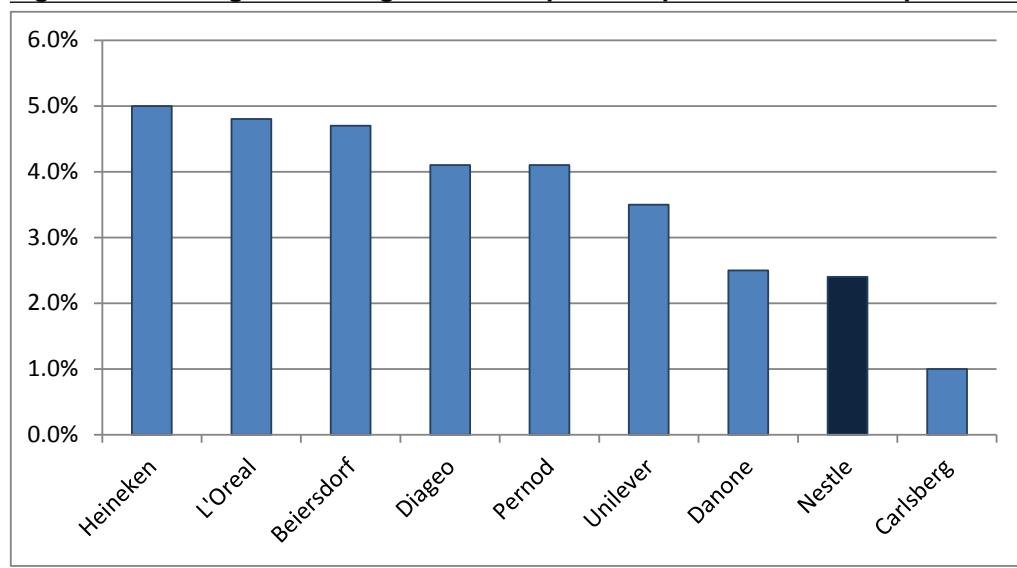
The price relative chart measures performance against the SMI PRICE which closed at 8917.8 on 15/02/18

On 15/02/18 the spot exchange rate was SFr1.15/Eu 1.- Eu.8/US\$1

Struggling with a US headwind

Nestlé's organic sales growth in FY17 was just 2.4%, putting it near the bottom of the consumer staples 'league table'.

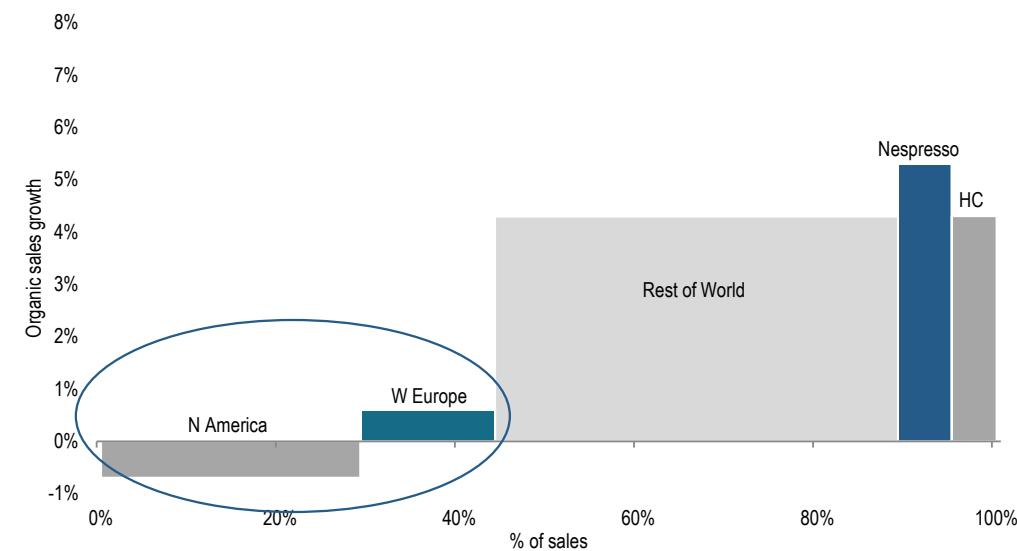
Figure 1: FY17 organic sales growth of staples companies that have reported



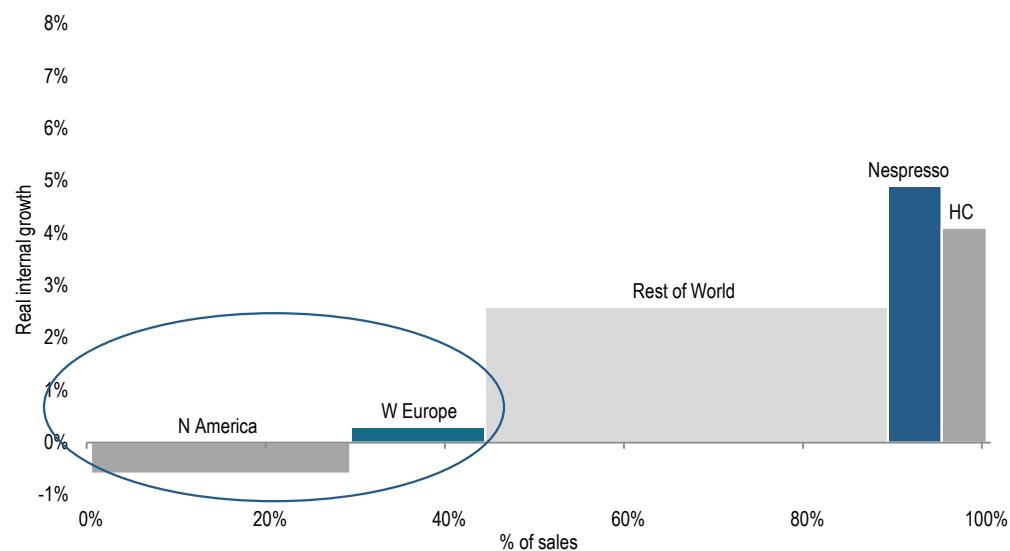
Beiersdorf growth is Consumer only. The Unilever growth excludes Spreads
Source: Company data, Credit Suisse estimates

Nestlé's N American and W European grocery businesses (excluding Nespresso, Nestle Skin Health and Nestle Health Science) represent c44% of group sales. We estimate that, in aggregate they saw flat sales and volumes in FY17.

Figure 2: Nestle – Analysis of organic sales growth



Source: Company data, Credit Suisse estimates

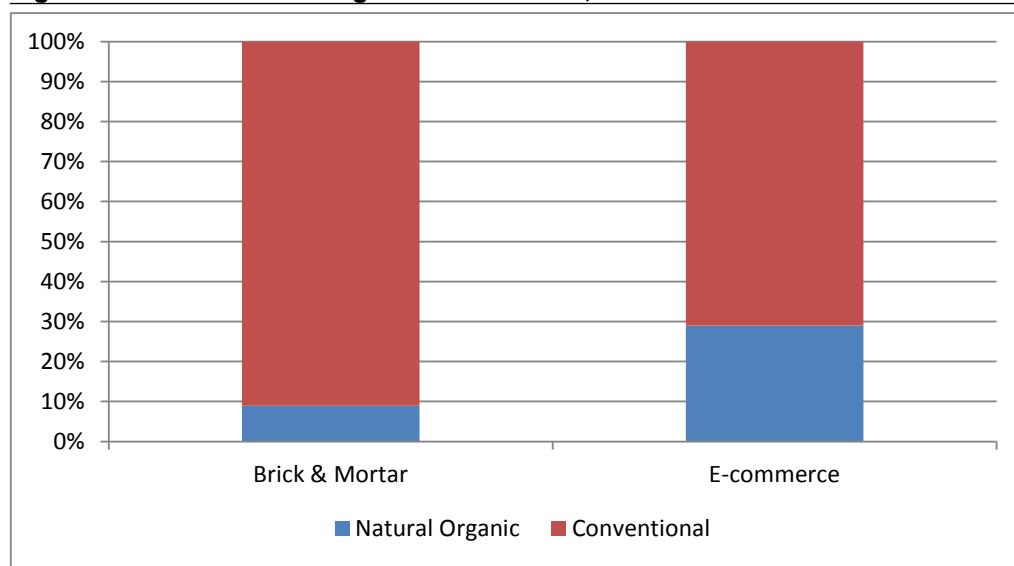
Figure 3: Nestle – Analysis of RIG

Source: Company data, Credit Suisse estimates

We believe Nestlé's N American grocery business (29% of group sales) remains highly challenged.

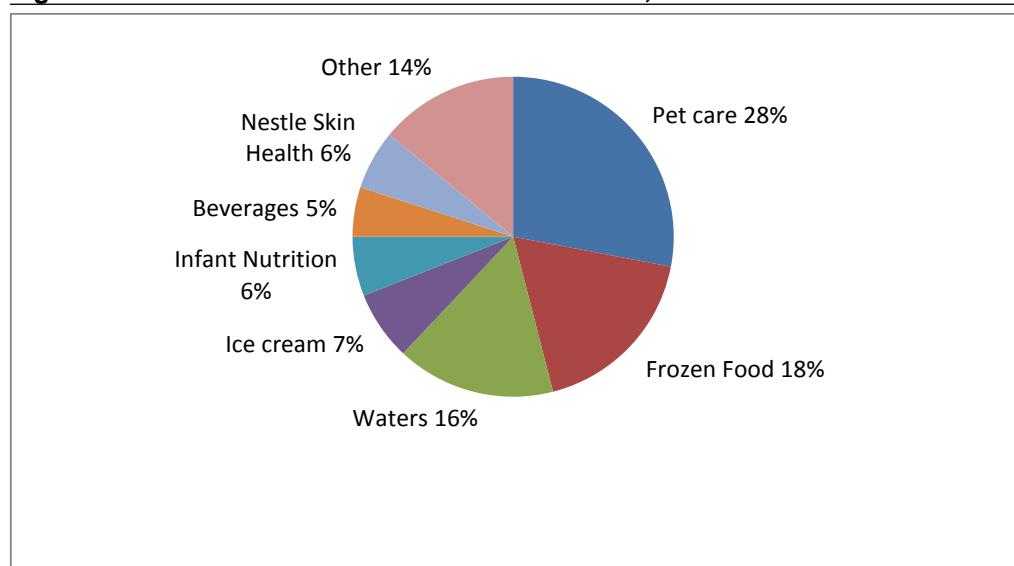
- The route to market is changing as e-commerce is finally starting to take-off.
- The traditional big box retailers (eg WalMart) are increasingly turning to price/private label as a way of retaining footfall and putting pressure on their suppliers to lower prices/improve service levels.
- Small entrepreneurial start-up brands are adeptly targeting affluent 'Millennial' consumers who are heavy users of the internet and prioritize factors such as; naturalness, authenticity, and personalization.

In our view, these are structural challenges that will take a number of years to play out, we do not subscribe to the view that the soft top line the large branded food companies are experiencing is primarily due to a time lag before stronger economic growth starts to feed through to consumer spending.

Figure 4: US food & beverage channel shares, 2016

Source: Hain Celestial

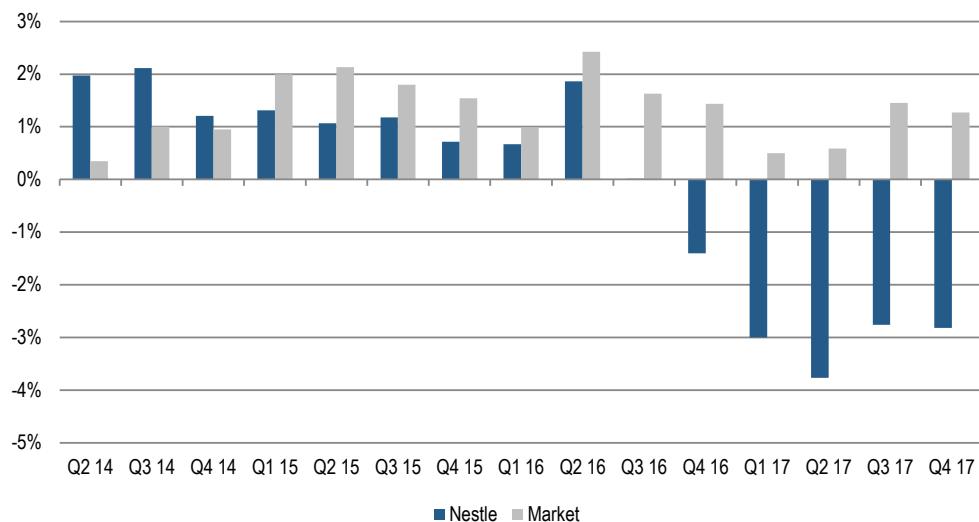
We estimate Nestlé's N American grocery organic sales growth last year was -0.7%, of which pricing was -0.5%. Based on Nielsen data (which admittedly does not capture some of the specialist and e-commerce channels), Nestle appears to be losing share in all of its key categories.

Figure 5: Breakdown of Nestlé's N American sales, 2017¹

Source: Company data, Credit Suisse estimates

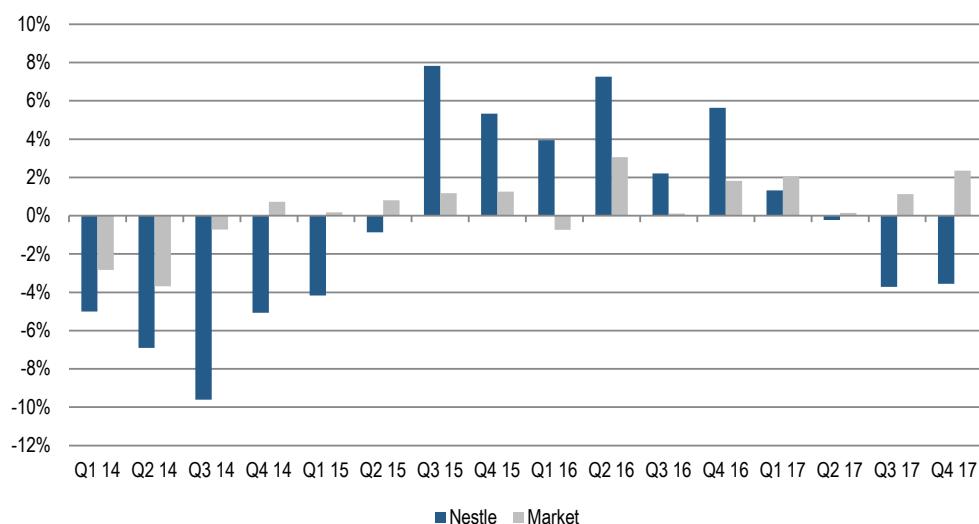
- **Pet care.** Nestle continues to lose share, particularly in dog food, to competitors (Smucker, Ainsworth, Blue Buffalo) successfully targeting Millennial consumers with a premium natural/organic offering. Out of these, Blue Buffalo is the fastest growing and despite an overall market share of c4%, Blue Buffalo is the largest pet food brand in the growing e-commerce and specialty channels.

¹ Pro forma excluding confectionery

Figure 6: US Pet care sales change year-over-year

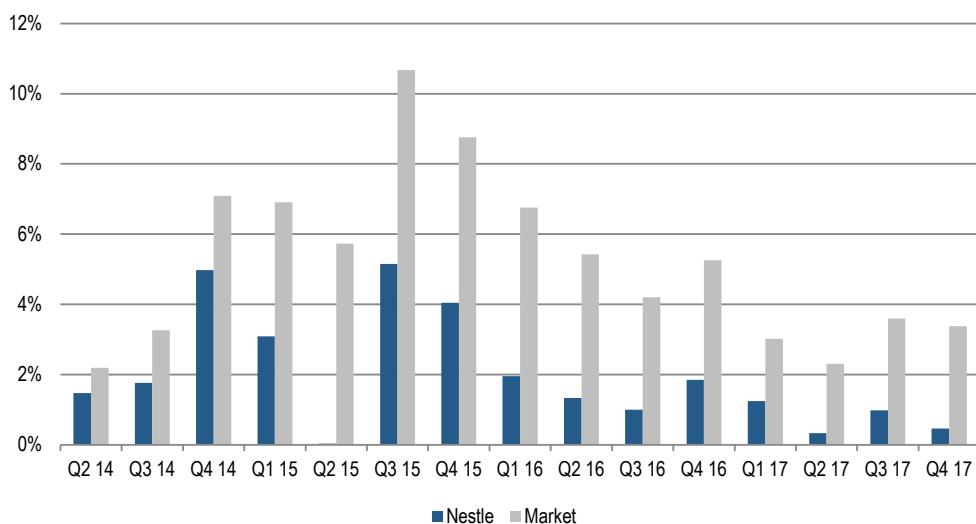
Source: Nielsen, Credit Suisse

- **Frozen Food.** The benefits of Nestlé's extensive relaunch of Stouffers/Lean Cuisine, in terms of boosting the category and gaining share, appears to have been relatively short-lived. In FY17 Nestle lost share; mainly to Conagra (renovation-led) and private label.

Figure 7: US Frozen Foods sales change year-over-year

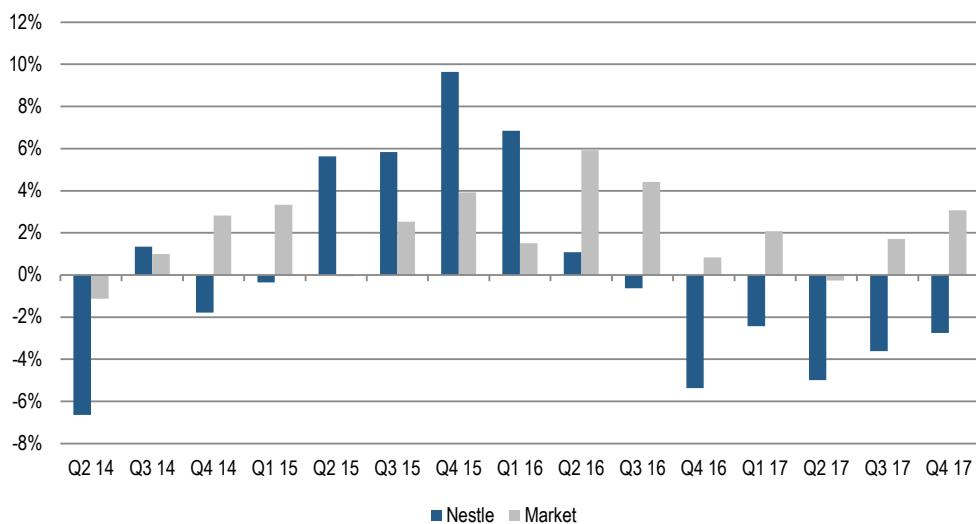
Source: Nielsen, Credit Suisse

- **Bottled Water.** Whilst adversely impacted last year by weather, the category is growing low-mid single digit, benefitting from the continuing shift away from CSDs in the US. However, the growth segment of flavored sparkling water has become more hotly contested. La Croix is successfully targeting the millennial consumer via digital marketing (eg Instagram) prompting recent competitive launches from Pepsi.

Figure 8: US Bottled Water sales change year-over-year

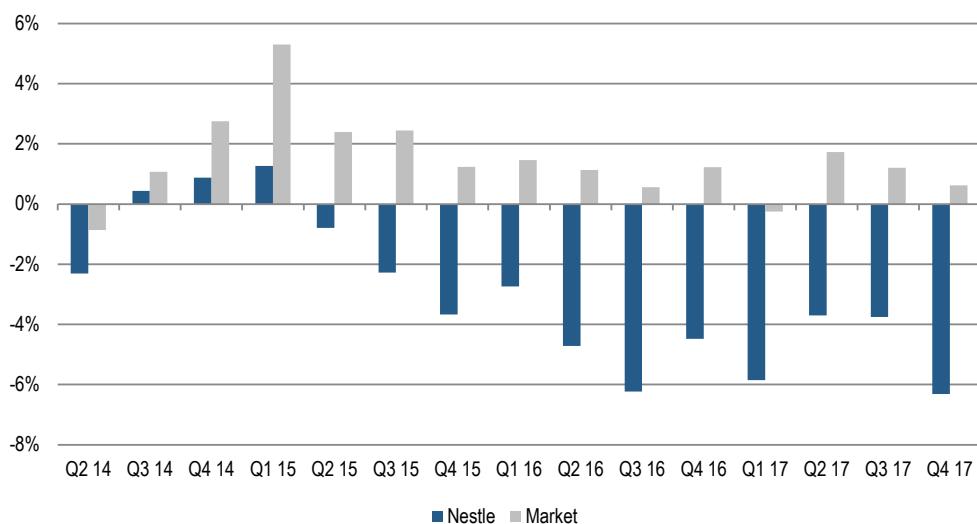
Source: Nielsen, Credit Suisse

- **Ice cream.** Nestle (and Unilever) lost share in FY17 primarily to start-up brand Halo Top with a low calorie/high protein offering. Halo Top has gone from 0% to 5% market share in two years. Whilst Unilever's share has recently begun to recover (helped by the launch of Breyers high protein offering), we are yet to see any material improvement at Nestle.

Figure 9: US Ice cream sales change year-over-year

Source: Nielsen, Credit Suisse

- **Baby Food.** Despite an extensive relaunch in September (emphasizing its non-GMO origin), Nestle's Gerber brand has continued to cede share to smaller organic brands such as Happy Family (Danone).

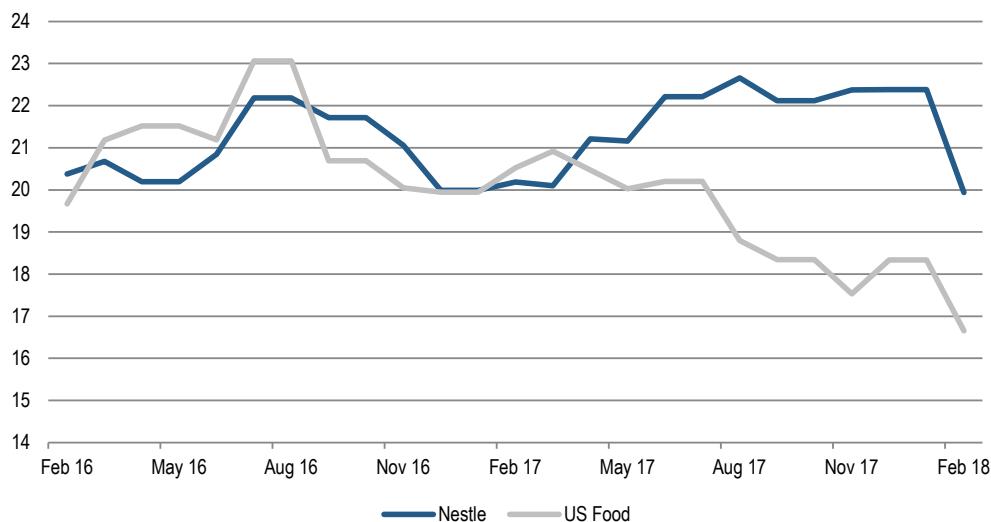
Figure 10: US Baby Food sales change year-over-year

Source: Nielsen, Credit Suisse

In FY 18 we are assuming another year of flattish organic revenues for Nestlé's N American grocery business (the absence of the confectionery business for the second half only removes an estimated 10bp drag on the region's growth). We also expect greater input cost pressures this year due to the weaker dollar, most notably freight/distribution costs.

With almost a third of its portfolio struggling to grow, we expect Nestle will again this year be towards the bottom of the consumer staples organic sales growth 'league table'. Mathematically if 30% of the portfolio grows at 1-2%, the remainder has to grow at 6-7% to get to an overall growth rate of 5%.

Interestingly, the US food sector de-rated last year as investors became increasingly concerned about the lack of top-line growth. Whilst the Nestle valuation has recently compressed, it still trades on a 20% PE premium to the US food names.

Figure 11: Nestle PE versus US Food²

Source: Company data, Credit Suisse estimates

Indeed, without major portfolio change we regard Nestlé's mid-single digit organic sales growth target (by 2020) as stretching. Yet a significant M&A driven pivot, to consumer health care for example, in our view carries significant execution risk.

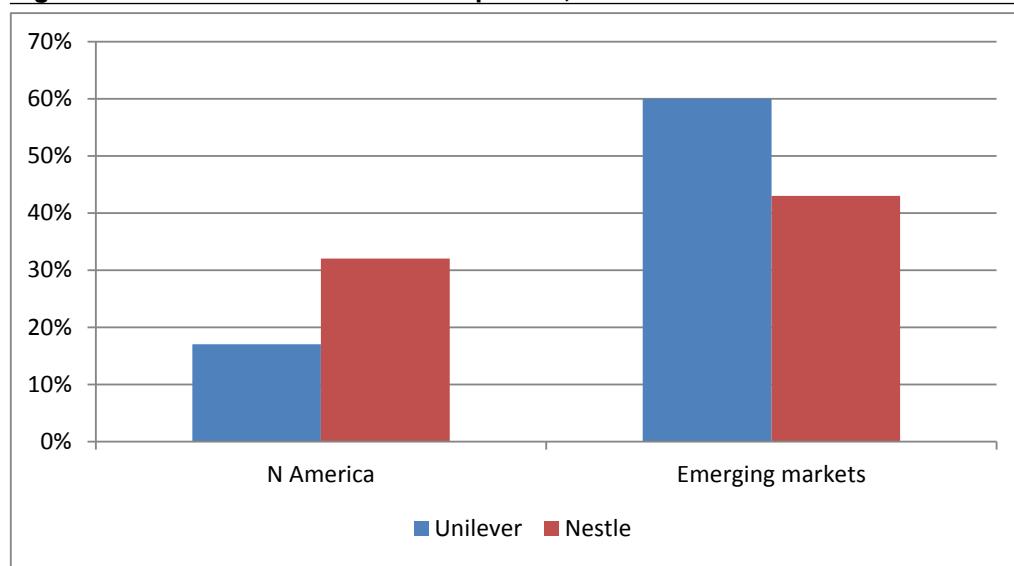
Nestle currently trades on a FY18 PE of 19.5x versus Unilever on 19.0x. Yet Unilever has;

- a much lower exposure to the challenged N American market,
- a greater EM exposure (particularly to India which we expect to be one of the fastest growing EM consumer markets this year), and,
- generates 40% of profits from the high return beauty category (we exclude soap).

For FY18 we are forecasting Nestle to generate organic sales growth of 3.4% versus 3.7% (3.9% ex spreads) for Unilever.

Following receipt of the spreads disposal proceeds (and assuming no buyback) we estimate Unilever's YE net debt would be approximately €15bn; 1.6x Ebitda. Following receipt of the US confectionery disposal proceeds (and assuming SFr 7bn of the SFr 20bn buyback is effected this year), we estimate Nestlé's YE net debt will be SFr 24bn; 1.3x Ebitda.

² US Food represents the average PE of the following stocks; Kraft Heinz, Mondelez, General Mills, Kellogg, Hershey and Campbell Soup.

Figure 12: Nestle & Unilever sales exposure, 2017

Since the start of 2016, Nestle has marginally under-performed the rest of the consumer staples sector (by 3%), notwithstanding: (1) the engagement of an activist shareholder (Third Point) and (2) Schneider's announcement of a SFr20bn share buy-back and a 2020 margin target (17.5-18.5%). Nestle currently trades in-line with the consumer staples sector multiple (FY18 PE of 19.5x) despite offering inferior top-line growth.

In our view, CEO Schneider, has introduced a greater sense of urgency and accountability but is still working out how best to leverage Nestlé's scale and scope, whilst simultaneously responding effectively to a fragmenting consumer base.

We think other staples companies are further down this learning curve; we note that in 2017, Danone's bottled water business registered organic sales growth of 4.7%, versus Nestlé's of 2.4%.

In addition, an increasingly important skillset in the sector is the ability to acquire some of the small start-up brands and recover the high take-out multiple by scaling them up quickly (without compromising their 'raison d'être'). This is not as easy as it sounds and again Nestle has just started down this track.

As Schneider navigates these choppy waters, we doubt he is going to be pressurized into any precipitous actions. If we assume Third Point acquired its "roughly 40m [Nestle] shares" in May/June last year, then we estimate it paid approximately \$84 per share. The current price is \$82. Over the same period the S&P500 is up 11%.

We are lowering our TP for Nestle by 8% to SFr 70 reflecting an updating of our assumptions including a c5% downgrade to our near term free cash estimates (FX and higher restructuring) and marginally lowering our average 2021-31 sales growth assumption to 3.25%. We re-iterate our Underperform rating.

Figure 13: Summary derivation of target price

12M to end December	2017	2018	2019	2020	2021	2031
Sales	89,791	90,813	94,174	97,867	101,578		137,588
Underlying op profit	14,729	15,429	16,483	17,643	18,487		26,238
Free cash flow	7,792	8,880	9,761	10,748	11,485		17,003
Discounted cash flow	8,304	8,452	8,615	8,524			5,843
Assumed cost of equity	8.0%						
Cost of debt (pre-tax)	3.5%						
Debt assumption 2021-31	1.3x Ebitda						
Tax rate	25%						
NPV of cash flow 2017-31	107,810						
Terminal value	115,401						
	223,211						
Net debt	-17,575						
Plus Associates market value	28,116						
Less Minorities	-10,818						
Less Pension deficit	-7,111						
Equity value	215,823						
Number of shares	3,064						
Target price	70						

Source: Company data, Credit Suisse estimates

Figure 14: Nestle breakdown of sales and profit (SFr bn) by category, 2017

	Sales	Ebita	Margin	Split
Nescafe	8.0	2.12	27%	13%
Nespresso	5.2	1.00	19%	6%
Dolce Gusto	1.6	0.15	9%	1%
Other coffee (RTD, R&G)	1.1	0.20	18%	1%
Other beverages (Milo, Nesquik etc)	4.0	0.95	24%	5%
Beverages	19.9	4.42	22.2%	26%
N America	3.9	0.54	14%	3%
W Europe	2.1	0.25	12%	1%
Other	2.0	0.22	11%	1%
Water	8.0	1.01	12.7%	6%
Milk (Nido, CoffeMate, Yinlu etc)	10.6	2.21	21%	13%
Ice cream	2.8	0.30	11%	2%
Milk	13.4	2.51	18.7%	15%
Infant nutrition	10.4	2.38	23%	15%
Health Science	2.4	0.32	13%	2%
Skin Health	2.5	0.26	10%	1%
Nutrition	15.3	2.96	19.4%	17%
Frozen/chilled	6.4	0.95	15%	6%
Culinary	5.6	1.15	21%	6%
Culinary	12.0	2.10	17.6%	12%
Chocolate/sugar	7.5	1.21	16%	7%
Biscuits	1.3	0.17	13%	1%
Confectionery	8.8	1.38	15.8%	8%
N America	7.5	1.78	24%	10%
Other	5.0	0.90	18%	6%
PetFood	12.5	2.68	21.5%	16%
Central costs		-2.34		
Total	89.8	14.73	16.4%	

Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 15-Feb-2018)

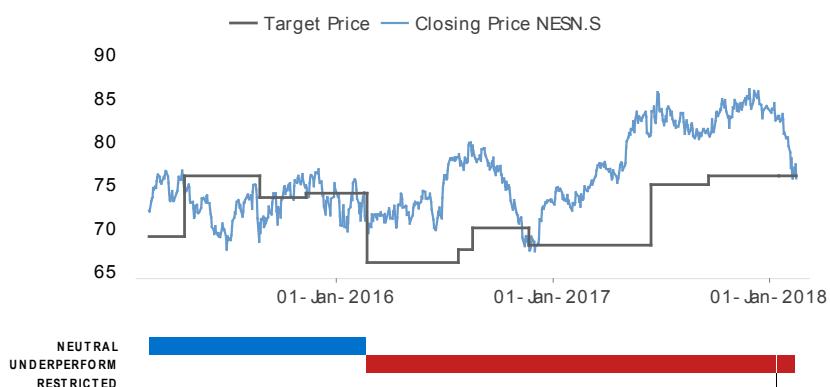
Campbell Soup Company (CPB.N, \$47.7)
Conagra Brands (CAG.N, \$36.36)
Danone (DANO.PA, €64.12)
General Mills (GIS.N, \$56.89)
Kellogg Company (K.N, \$69.82)
Mondelez (MDLZ.OQ, \$44.08)
Nestle (NESN.S, SFr75.7, UNDERPERFORM, TP SFr70.0)
PepsiCo, Inc. (PEP.OQ, \$110.97)
The Kraft Heinz Company (KHC.OQ, \$72.71)
Third Point Reinsurance Ltd. (TPRE.N, \$14.15)
Tyson Foods (TSN.N, \$75.88)
Unilever (UNC.AS, €43.42)
Unilever (ULVR.L, 3780.0p)
Walmart Inc. (WMT.N, \$103.23)

Disclosure Appendix**Analyst Certification**

Alan Erskine, Faham Baig and Pieter Vorster each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for Nestle (NESN.S)

NESN.S	Closing Price	Target Price	Rating
Date	(SFr)	(SFr)	
19-Feb-15	72.00	69.00	N
20-Apr-15	74.00	76.00	
25-Aug-15	70.50	73.50	
11-Nov-15	74.90	74.00	
22-Feb-16	71.15	66.00	U
25-Jul-16	78.15	67.50	
18-Aug-16	79.50	70.00	
21-Nov-16	68.15	68.00	
15-Jun-17	81.00	75.00	
20-Sep-17	80.90	76.00	
16-Jan-18	82.62		R
17-Jan-18	82.92	76.00	U



* Asterisk signifies initiation or assumption of coverage.

The analyst(s) responsible for preparing this research report received Compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities

As of December 10, 2012 Analysts' stock rating are defined as follows:

Outperform (O) : The stock's total return is expected to outperform the relevant benchmark* over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

*Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and Asia stocks (excluding Japan and Australia), ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark (India - S&P BSE Sensex Index); prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, the expected total return (ETR) calculation includes 12-month rolling dividend yield. An Outperform rating is assigned where an ETR is greater than or equal to 7.5%; Underperform where an ETR less than or equal to 5%. A Neutral may be assigned where the ETR is between -5% and 15%. The overlapping rating range allows analysts to assign a rating that puts ETR in the context of associated risks. Prior to 18 May 2015, ETR ranges for Outperform and Underperform ratings did not overlap with Neutral thresholds between 15% and 7.5%, which was in operation from 7 July 2011.

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Volatility Indicator [V] : A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward.

Analysts' sector weightings are distinct from analysts' stock ratings and are based on the analyst's expectations for the fundamentals and/or valuation of the sector* relative to the group's historic fundamentals and/or valuation:

Overweight : The analyst's expectation for the sector's fundamentals and/or valuation is favorable over the next 12 months.

Market Weight : The analyst's expectation for the sector's fundamentals and/or valuation is neutral over the next 12 months.

Underweight : The analyst's expectation for the sector's fundamentals and/or valuation is cautious over the next 12 months.

*An analyst's coverage sector consists of all companies covered by the analyst within the relevant sector. An analyst may cover multiple sectors.

Credit Suisse's distribution of stock ratings (and banking clients) is:

Global Ratings Distribution

Rating	Versus universe (%)	Of which banking clients (%)
Outperform/Buy*	47%	(62% banking clients)
Neutral/Hold*	38%	(57% banking clients)
Underperform/Sell*	13%	(52% banking clients)
Restricted	2%	

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Target Price and Rating

Valuation Methodology and Risks: (12 months) for Nestle (NESN.S)

Method: Our price target (SFr 70) is based on our APV (adjusted present value), a hybrid DCF that splits the operating cash flows (discounted at an 8% cost of equity), and the tax shield (discounted at the cost of debt). A terminal growth rate of 2.5% is assumed. We see more risk of Nestlé disappointing than positively surprising the market this year. Currently trading on a small PE premium, we expect Nestlé to underperform the consumer staples sector. Rating: Underperform.

Risk: Key risks to our target price (SFr 70) and Underperform rating are: significant movements in raw material costs or currency can impact the business, as can irrational behaviour by either competitors or retailers. Food scares, shortages, or contamination can also impact the business. With its Emerging Market exposure, the group's activities in the region can be materially affected by an unexpected change in the economic environment.

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Nestle SA

Work in progress

Notwithstanding weaker market conditions, Nestle's Q4 sales remind of the work required to restore competitiveness across the core F&B portfolio. On a more positive standpoint, savings and margin momentum add credibility to the 2020 margin target. We recognise Nestle's efforts to create a faster, more agile organisation. We also welcome the more proactive approach to M&A in steering the portfolio to more on-trend/dynamic categories and channels. Whilst we believe the portfolio has the credentials to participate in wider category growth, we remain wary of the time to transform a culture and accelerate agility. Although aware of the potential upside to our PT, the modest (1%) premium to staples (2019E PE) does not look misaligned.

Good progress on structure costs, but top line underwhelms: A more challenged US market along with a sharp onset of dairy-related deflationary pressures in Brazil are largely accountable for the surprising slowdown in Q4 growth. That said, in aggregate share trends are as of yet to improve (slight loss of share as per H1). Accelerated progress in the structured costs initiative (down 40bps for the year), supported a 90 bps increase in underlying margin progression in H2, despite a H2 GM decline (60bps).

FY 18 outlook and assumptions: Our FY18 OSG forecast is lowered from +3.5% to +3.0% (FY17 +2.4%), reflecting the slower momentum exiting 2017. M&A should benefit growth through the year, whilst Nestle is upbeat on the innovation pipeline. We also assume some macro-driven improvement in Brazil as well as the wider EM complex. Our margin forecast of +60bps is unchanged, with a less onerous cost environment (potential deflation) enabling a better GM delivery.

L'Oreal (clear direction) & other M&A: Nestle's decision to not renew the shareholder agreement with the Bettencourt family and state its intention to not increase its L'Oreal holding signals an eventual sell down, in our view. This does not however appear imminent, at least whilst L'Oreal is not dilutive to Nestle's operational performance. Nestle's persistent messaging of 'prudence' suggests it is not pursuing either Pfizer or Merck's consumer health businesses, currently under auction (Altrium yet to close).

Estimates/TP: Our EBIT estimates are lowered by 3-4%, mostly reflecting FX (real, Argentinean peso USD), offset by tax/ interest.

NESN.S: Financial and Valuation Metrics EPS CHF

FY Dec	2016	2017	2018	2019	2020
EPS	3.40A	3.55A	3.94E	4.32E	4.73E
Previous EPS	3.40A	3.55E	3.93E	4.33E	N/A
P/E	22.3	21.3	19.2	17.5	16.0

Source: Barclays Research.

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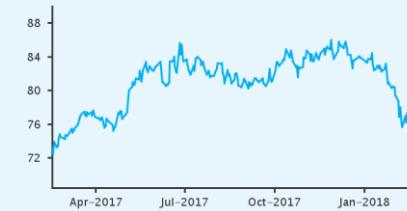
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Stock Rating	EQUAL WEIGHT
	Unchanged
Industry View	NEUTRAL
	Unchanged
Price Target	CHF 84.30
	lowered -0.35% from CHF 84.60
Price (15-Feb-2018)	CHF 75.70
Potential	+11.4%
Upside/Downside	
Tickers	NESN SW / NESN.S
Market Cap (CHF mn)	235591
Shares Outstanding (mn)	3112.16
Free Float (%)	99.54
52 Wk Avg Daily Volume (mn)	5.9
52 Wk Avg Daily Value (CHF mn)	N/A
Dividend Yield (%)	3.0
Return on Equity TTM (%)	11.39
Current BVPS (CHF)	20.12

Source: Thomson Reuters

Price Performance	Exchange-VTX
52 Week range	CHF 86.40-71.45



[Link to Barclays Live for interactive charting](#)

European Consumer Staples

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European Consumer Staples

Industry View: NEUTRAL

Nestle SA (NESN.S)

Stock Rating: EQUAL WEIGHT

Income statement (CHFmn)	2017A	2018E	2019E	2020E	CAGR	Price (15-Feb-2018)	CHF 75.70
Revenue	89,791	91,121	94,411	98,671	3.2%	Price Target	CHF 84.30
EBITDA (adj)	18,114	19,238	20,465	21,876	6.5%	Why Equal Weight? We recognise Nestle's intentions to apply greater urgency to cost reduction and create a more agile organisation under new leadership. We also welcome the more proactive approach to M&A to contemporise the portfolio. We however remain wary of the task to transform a culture and accelerate decision making, whilst valuation offers little headroom.	
EBIT (adj)	13,233	14,293	15,501	16,787	8.3%		
Pre-tax income (adj)	14,110	14,888	15,983	17,306	7.0%		
Net income (adj)	10,979	11,876	12,741	13,780	7.9%		
EPS (adj) (CHF)	3.55	3.94	4.32	4.73	10.1%		
Diluted shares (mn)	3,092.0	3,016.5	2,945.9	2,910.6	-2.0%		
DPS (CHF)	2.35	2.47	2.59	2.72	5.0%		
Margin and return data					Average	Upside case	CHF 92.00
EBITDA (adj) margin (%)	20.2	21.1	21.7	22.2	21.3	Our upside case is predicated on strategic changes from the new CEO, reinvigorated volumes in North America (c.30% sales) and a return to DD organic sales in Zone AOA to drive group organic growth closer to 6%. This would bring Nestlé to a DD premium to the Staples peer group.	
EBIT (adj) margin (%)	14.7	15.7	16.4	17.0	16.0		
Pre-tax (adj) margin (%)	15.7	16.3	16.9	17.5	16.6		
Net (adj) margin (%)	12.2	13.0	13.5	14.0	13.2		
ROA (%)	8.1	8.2	8.9	9.8	8.7		
ROE (%)	17.0	19.3	21.7	24.2	20.5		
ROCE (%)	11.3	11.3	12.5	13.8	12.2		
Cash flow and balance sheet (CHFmn)					CAGR	Downside case	CHF 74.00
Cash flow from operations	13,486	15,295	16,222	17,086	8.2%	Organic growth remains at c.3-4% medium term and the group is required to reinvest more of the CHF 2.3bn structural savings than expected could drive a de-rating back towards its historical average closer to ~18x PE.	
Cash flow from investing	-5,399	-1,514	-1,686	-1,909	N/A		
Cash flow from financing	-10,867	-14,215	-14,410	-11,553	N/A		
Capital expenditure	-4,703	-4,773	-4,945	-5,168	N/A		
Free cash flow	9,206	11,164	11,916	12,472	10.7%		
Tangible fixed assets	27,775	28,950	30,150	31,414	4.2%		
Intangible fixed assets	50,363	47,540	44,750	41,971	-5.9%		
Cash and equivalents	7,938	7,938	7,938	7,938	0.0%		
Total assets	130,380	129,070	128,134	127,885	-0.6%		
Short and long-term debt	26,468	26,902	26,775	23,151	-4.4%		
Total liabilities	67,603	68,950	69,846	67,442	-0.1%		
Shareholders' equity	61,504	58,833	56,987	59,128	-1.3%		
Net debt/(funds)	17,875	18,309	18,182	14,558	-6.6%		
Valuation and leverage metrics					Average	Upside/Downside scenarios	
P/E (adj) (x)	21.3	19.2	17.5	16.0	18.5	Price History	
EV/sales (x)	2.9	2.9	2.8	2.7	2.8	Prior 12 months	
EV/EBITDA (adj) (x)	14.6	13.8	13.0	12.0	13.3	High	
EV/EBIT (adj) (x)	20.0	18.5	17.1	15.6	17.8		
Equity FCF yield (%)	3.9	4.9	5.3	5.7	5.0		
P/BV (x)	3.7	3.8	3.8	3.6	3.7		
Dividend yield (%)	3.1	3.3	3.4	3.6	3.3		
Net debt/EBITDA (adj) (x)	1.0	1.0	0.9	0.7	0.9		
Selected operating metrics					Average	Target	84.30
Organic growth (%)	2.4	3.0	4.0	4.5	3.5	Low	
Tax rate (%)	20	26	26	26	24	Current	75.70
Capex/sales (%)	5.2	5.2	5.2	5.2	5.2		

Source: Company data, Barclays Research

Note: FY End Dec

Summary of estimate changes

FIGURE 1
Estimate changes

	2018E			2019E			2020E		
	Old	New	Change	Old	New	Change	Old	New	Ch
Sales	94,664	91,121	-3.7%	98,823	94,411	-4.5%	103,303	98,671	-4
Organic Growth	3.5%	3.0%	-52	4.4%	4.0%	-35	4.5%	4.5%	-2
U/L Operating Profit	15,973	15,530	-2.8%	17,257	16,622	-3.7%	18,545	17,860	-3
U/L Operating Margin	16.9%	17.0%	17	17.5%	17.6%	14	18.0%	18.1%	-1
YoY change BPS	60	60		60	60		50	50	
EPS	3.93	3.94	0.2%	4.33	4.32	-0.1%	4.73	4.73	0
DPS	2.54	2.47	-2.7%	2.66	2.59	-2.7%	2.80	2.72	-2

Source: Company data, Barclays Research estimates

Q4 FY 17 results wrap

Q4 sales (volumes) disappoint

Q4 organic sales growth of +1.9% slowed from +3.1% in Q3 against a slightly easier comparable. Whilst price was more or less in line with Q3/9m (+0.7%), notwithstanding significant price milk-led deflation in Brazil, RIG slowed to +1.2% in Q4, having been up +2.6% in Q3.

The underlying deterioration in volumes and was mostly down to weaker F&B category growth in the US, not inconsistent with commentary from the peer set. Nestle's own performance in the US also suffered from disruption in the US Confectionery business which was put up for sale in June (due to complete end-Q1 18).

Growth in Brazil was also impacted in Q4 (albeit more price-led) due to deflation in the shelf stable dairy category, with dairy costs said to be down 20% in Q417 vs Q317. Consequently organic growth in Zone Americas in Q4 slowed to flat vs +1.3% in Q3, reflecting lower RIG (-0.1% Q4).

Growth in AOA also slowed more than expected, with RIG markedly slowing (+0.9% vs +4.9% in Q3). This was largely attributed to the timing of Chinese New Year with the Chinese confectionery business, Hsu Fu Chi, in particular impacted (60% of annual sales booked over CNY).

From a category perspective, the weaker consumer environment weighed on the Waters division. Pet Care also had a soft end to the year, following an improved performance in Q2 and Q3, which we attribute to the US. On top of weaker consumer sentiment, Nestle continues to be impacted from the shift in category consumption away from its mass retail stronghold to speciality channels and on line. Meanwhile niche speciality and on-line players continue to encroach on Nestle's share in the mass channel.

Nutrition as well as Milk Products and Ice Cream were impacted in Q4 due to the deflationary pressures in Brazil.

FIGURE 2
Quarterly group RIG, Price and organic sales growth trends



Source: Company data, Barclays Research estimates

The moving parts behind the margin

- The underlying trading operating margin for the FY came in up +40 bps to 16.4%, ahead of consensus at +20 bps. In constant FX, the increase was +50 bps for the year, implying an increase in H2 of +90 bps, having been up +10bps in H1.
- The improved margin trajectory in H2 was driven by lower Marketing and Admin costs (down -150 bps of sales H2 vs -70 bps in H1).
- Nestle cited accelerated efforts in taking out structure costs across the P&L (-40 bps for the FY to 19.2%), of which part falls within Admin.
- This would suggest lower marketing spend drove much of the H2/ FY margin improvement. Nestle attributes this to efficiencies (agency consolidation etc), with consumer-facing spend said not to have been compromised.
- We also believe other variable cost savings initiatives, stemming from the Nestle Continues Excellence mindset, are likely to have contributed to the H2/FY margin delivery.
- The gross margin for the year was down -60 bps, in line with H1, with pricing and savings under recovering an increase in commodity costs the equivalent of CHF 900m (c~3%) for the year (before the benefit of procurement savings).
- Although we believe the rate of inflation was slightly lower in H2 versus H1, we believe the lower/ competitive pricing dynamics in Brazil saw prices fall ahead of cost benefits being realised in the P&L, impacting the H2 gross margin.

FIGURE 3

Nestle margin analysis

Nestlé Year end Dec (\$frm) Costs	2013	2014	2015	H1	H2	2016	1H	2H	2017	2018 E	2019 E	2020 E
Gross margin	47.8%	48.1%	49.6%	50.8%	50.4%	50.6%	50.2%	49.7%	50.0%	50.0%	50.5%	51.0%
BPS	70	30	150	130	70	100	-60	-70	-60	0	50	50
COGS	52.1%	51.8%	50.2%	49.0%	49.4%	49.2%	49.6%	50.1%	49.8%	49.8%	49.3%	48.9%
Distribution	8.8%	8.9%	8.9%	9.1%	8.8%	9.0%	9.3%	8.9%	9.1%	9.2%	9.3%	9.4%
Marketing and Admin	21.3%	21.4%	23.3%	24.2%	23.6%	23.9%	23.5%	22.1%	22.8%	21.4%	21.0%	20.9%
R&D	1.6%	1.8%	1.9%	1.9%	2.0%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Other trading income	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Other trading expenses	1.0%	1.0%	0.8%	0.6%	1.0%	0.8%	0.9%	2.6%	1.8%	1.8%	1.8%	1.8%
COGS	-90	-30	-160	-130	-70	-100	50	70	60	0	-50	-50
Distribution	-10	10	-10	10	10	10	20	10	10	10	10	10
Marketing and Admin	10	10	190	90	40	60	-70	-150	-110	-140	-30	-20
R&D	10	10	10	10	0	0	0	0	0	0	0	0
Other trading income	0	0	0	-10	0	0	0	0	0	0	0	0
Other trading expenses	30	-10	-20	0	-10	0	40	160	100	0	0	0
Trading profit margin												
LY Margin	15.0%	15.2%	15.3%	15.0%	15.1%	15.1%	15.3%	15.3%	15.3%	14.7%	15.7%	16.4%
TY operating margin	15.2%	15.3%	15.1%	15.3%	15.3%	15.3%	15.0%	14.5%	14.5%	14.7%	15.7%	17.0%
Change BPS	20	10	-20	30	20	20	-30	-80	-60	90	70	60
Currency impact	-20	-20	-30	0	-20	-10	-10	-10	-10	-10	-10	-10
Constant currency BPS	40	30	10	30	40	30	-20	-70	-50	100	80	70
Underlying op margin (pre rest & other trading expenses)												
LY marin	15.4%	16.2%	16.2%	15.5%	16.1%	15.8%	15.8%	16.2%	16.0%	16.4%	17.0%	17.6%
TY margin	16.2%	16.2%	15.8%	15.8%	16.2%	16.0%	15.8%	17.0%	16.4%	17.0%	17.6%	18.1%
Change BPS	80	0	-40	30	10	20	0	80	40	60	60	50
Currency impact	-20	-20	-30	0	-20	-10	-10	-10	-10	0	0	0
Constant currency change	100	20	-10	30	30	30	10	90	50	60	60	50

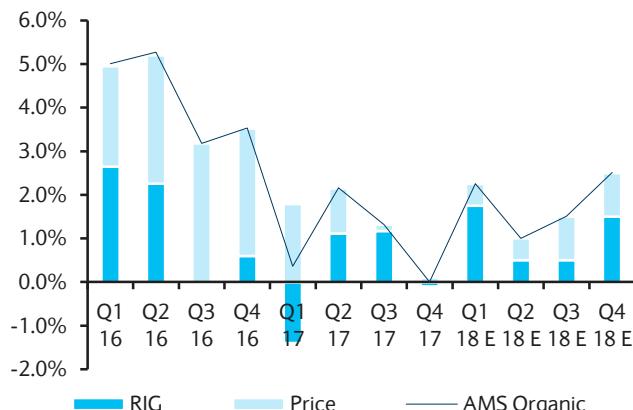
Source: Company data, Barclays Research estimates

FIGURE 4
Nestle cost savings schedule

	2017	2018E	2019E	2020E	Total	Total BPS of av sales
Sales	89,791	91,121	94,411	98,671		
Gross savings initiatives						
Nestle Continuous Excellence	1,500	1,500	1,500	1,500	6,000	640
Manufacturing	160	180	180	180	700	70
Procurement	130	140	140	140	550	60
G & A	225	258	258	258	1,000	110
Total structural savings	515	578	578	578	2,250	240
Total gross savings	2,015	2,078	2,078	2,078	8,250	880
BPS as % of sales	220	230	220	210		
Retained savings						
Nestle Continuous Excellence	75	75	75	75	300	30
Manufacturing	128	144	144	144	560	60
Procurement	104	112	112	112	440	50
G & A	180	207	207	207	800	90
Total structural savings	412	463	463	463	1,800	190
Total retained	487	538	538	538	2,100	220
BPS as % of sales	50	60	60	50		
Last year EBIT margin	16.0%	16.4%	17.0%	17.6%		
This year EBIT margin	16.4%	17.0%	17.6%	18.1%		
Change BPS	40	60	60	50		

Source: Company data, Barclays Research estimates

FIGURE 5
Zone AMS quarterly RIG, price and organic sales growth



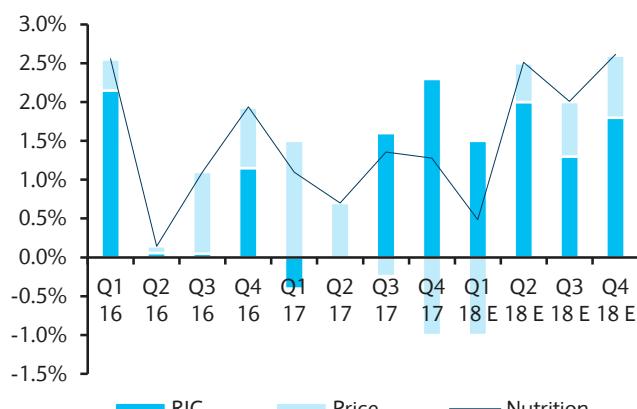
Source: Company Data, Barclays Research estimates

FIGURE 7
Zone AOA quarterly RIG, price and organic sales growth



Source: Company Data, Barclays Research estimates

FIGURE 9
Nestle Nutrition quarterly RIG, price and organic sales growth

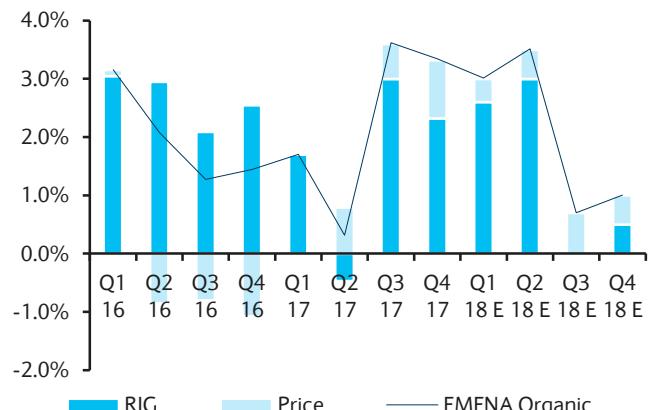


Source: Company Data, Barclays Research estimates

FIGURE 11

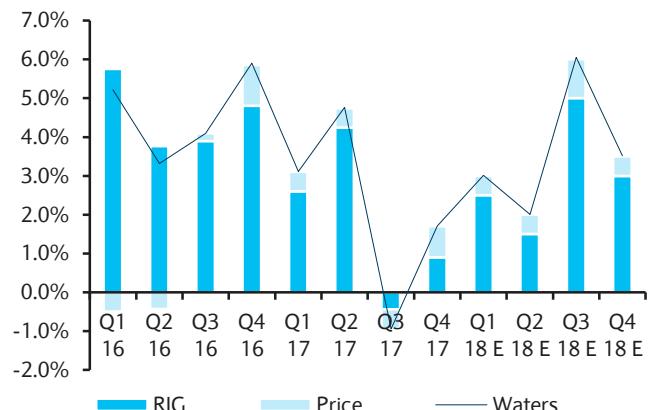
16 February 2018

FIGURE 6
Zone EMEA quarterly RIG, price and organic sales growth



Source: Company Data, Barclays Research estimates

FIGURE 8
Waters quarterly RIG, price and organic sales growth



Source: Company Data, Barclays Research estimates

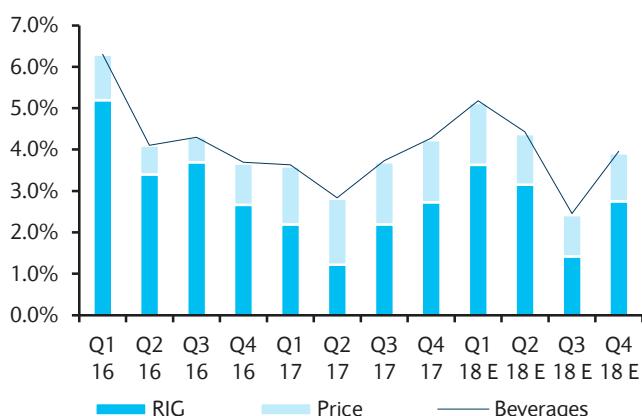
FIGURE 10
Other business quarterly RIG, price and organic sales growth



Source: Company Data, Barclays Research estimates

FIGURE 12

Beverages quarterly organic growth split by RIG and price



Source: Company data, Barclays Research estimates

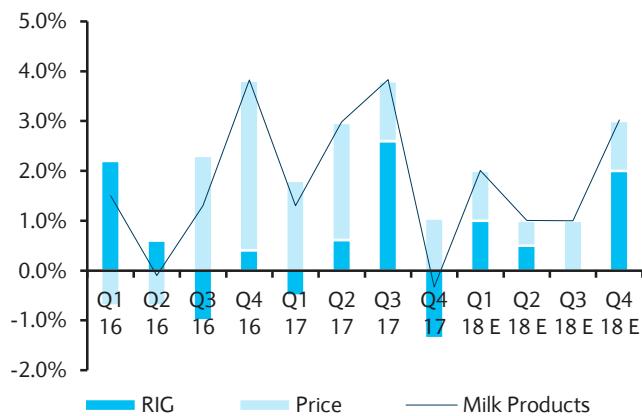
Prepared Dishes quarterly organic growth split by RIG and price



Source: Company data, Barclays Research estimates

FIGURE 13

Milk Products quarterly organic growth split by RIG and price



Source: Company data, Barclays Research estimates

FIGURE 14

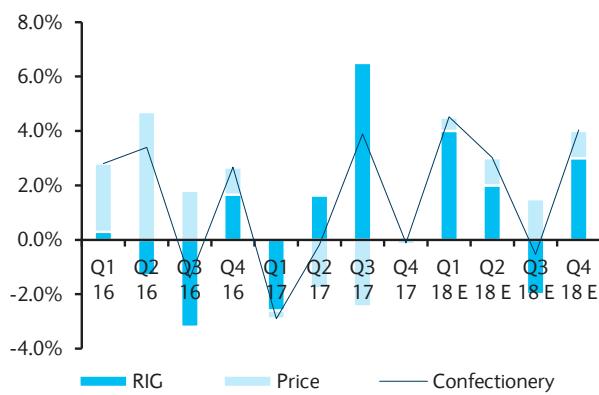
Nutrition quarterly organic growth split by RIG and price



Source: Company data, Barclays Research estimates

FIGURE 15

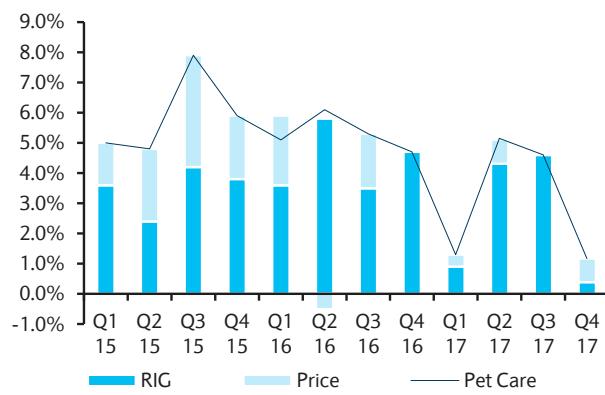
Confectionery quarterly organic growth split by RIG & price



Source: Company data, Barclays Research estimates

FIGURE 16

Pet Care quarterly organic growth split by RIG and price



Source: Company data, Barclays Research

FIGURE 17

Nestle Divisional Forecasts by Geographic Zone (CHFm)

Fiscal Period	2014	2015	2016	1Q	2Q	3Q	4Q	2017	1Q E	2Q E	3Q E	4Q E	2018 E	2019 E	2020 E
Month Ended	Dec	Dec	Dec	Mar	Jun	Sep	Dec	Dec	Mar	Jun	Sep	Dec	Dec	Dec	Dec
Group - Product Category															
Net Sales	91,612	88,785	89,469	21,022	22,001	22,249	24,519	89,791	21,710	22,382	22,497	24,532	91,121	94,411	98,671
Organic revenue growth, %	4.2%	3.2%	2.3%	2.4%	3.1%	1.9%	2.4%	3.1%	2.9%	2.5%	3.4%	3.0%	4.0%	4.5%	
Organic volume growth, %	2.2%	2.4%	1.3%	1.5%	2.6%	1.2%	1.6%	2.5%	2.2%	1.5%	2.4%	2.1%	2.7%	2.8%	
Organic value growth, %	1.9%	0.8%	1.0%	0.9%	0.5%	0.7%	0.8%	0.6%	0.7%	1.0%	0.9%	0.8%	1.3%	1.6%	
Underlying Profit	14,816	14,032	14,307					14,729					15,530	16,622	17,860
EBIT Margin, %	16.2%	15.8%	16.0%					16.4%					17.0%	17.6%	18.1%
BP change	-37	19						41					64	56	49
Trading Operating Profit	14,019	13,382	13,693					13,233					14,293	15,501	16,787
EBIT Margin, %	15.3%	15.1%	15.3%					14.7%					15.7%	16.4%	17.0%
BP change	-20	20						-60					90	70	60
Zone AMS															
Net Sales	26,625	25,844	28,130	6,398	6,916	7,176	7,989	28,479	6,234	6,586	6,971	7,726	27,517	28,200	29,483
Organic revenue growth, %	5.5%	4.2%	4.0%	2.2%	1.3%	0.0%	0.9%	2.3%	1.0%	1.5%	2.5%	1.8%	3.0%	4.5%	
Organic volume growth, %	1.6%	1.3%	-1.4%	1.1%	1.2%	-0.1%	0.2%	1.8%	0.5%	0.5%	1.5%	1.1%	2.0%	2.8%	
Organic value growth, %	3.9%	2.9%	1.8%	1.0%	0.1%	0.1%	0.7%	0.5%	0.5%	1.0%	1.0%	0.8%	1.0%	1.8%	
Underlying Profit	5,141	5,503						5,791					5,786	6,163	6,650
EBIT Margin, %	19.9%	19.6%						20.3%					21.0%	21.9%	22.6%
BP change	1,990	-30						80					70	80	70
Zone EMENA															
Net Sales	17,965	16,403	17,428	3,988	3,812	4,021	4,714	16,535	4,366	4,097	4,127	4,724	17,315	17,734	18,091
Organic revenue growth, %	3.8%	2.0%	1.7%	0.3%	3.6%	3.3%	2.3%	3.0%	3.5%	0.7%	1.0%	2.0%	2.7%	2.0%	
Organic volume growth, %	2.5%	2.7%	1.7%	-0.5%	3.0%	2.3%	1.7%	2.6%	3.0%	0.0%	0.5%	1.5%	2.0%	1.3%	
Organic value growth, %	1.2%	-0.7%	0.0%	0.8%	0.6%	1.0%	0.6%	0.4%	0.5%	0.7%	0.5%	0.5%	0.7%	0.8%	
Underlying Profit	2,701	3,019						2,990					3,151	3,374	3,569
EBIT Margin, %	16.5%	17.3%						18.1%					18.2%	19.0%	19.7%
BP change	1,650	90						80					10	80	70
Zone AOA															
Net Sales	14,792	14,338	15,904	3,955	3,947	3,951	4,371	16,224	4,124	4,019	4,056	4,510	16,709	17,673	18,885
Organic revenue growth, %	0.5%	3.2%	4.5%	5.2%	6.5%	2.8%	4.7%	6.0%	4.5%	4.0%	6.6%	5.3%	6.3%	6.9%	
Organic volume growth, %	-0.1%	2.9%	3.0%	3.0%	4.9%	0.9%	2.9%	4.5%	3.5%	2.5%	5.0%	3.9%	4.2%	4.0%	
Organic value growth, %	0.6%	0.3%	1.5%	2.2%	1.6%	1.9%	1.8%	1.4%	1.0%	1.5%	1.5%	1.4%	2.0%	2.8%	
Underlying Profit	2,759	3,190						3,265					3,518	3,780	4,096
EBIT Margin, %	19.2%	20.1%						20.1%					21.1%	21.4%	21.7%
BP change	1,920	80						10					90	30	30
Nestlé Waters															
Net Sales	7,390	7,625	7,926	1,802	2,223	2,125	1,805	7,955	1,876	2,271	2,242	1,826	8,215	8,581	8,946
Organic revenue growth, %	6.6%	4.5%	3.1%	4.8%	-0.9%	1.7%	2.1%	3.0%	2.0%	6.1%	3.5%	3.7%	4.7%	4.3%	
Organic volume growth, %	6.6%	4.5%	2.6%	4.2%	-0.4%	0.9%	1.8%	2.5%	1.5%	5.0%	3.0%	3.0%	4.0%	4.0%	
Organic value growth, %	-0.1%	0.1%	0.5%	0.5%	-0.5%	0.8%	0.3%	0.5%	0.5%	1.0%	0.5%	0.6%	0.7%	0.3%	
Underlying Profit	869	990						1,012					1,095	1,146	1,190
EBIT Margin, %	11.4%	12.5%						12.7%					13.3%	13.4%	13.3%
BP change	1,140	110						20					60	0	-10
Nestlé Nutrition															
Net Sales	10,915	10,461	10,326	2,591	2,593	2,527	2,650	10,361	2,573	2,618	2,542	2,627	10,359	10,690	11,149
Organic revenue growth, %	3.2%	1.4%	1.1%	0.7%	1.4%	1.3%	1.1%	0.5%	2.5%	2.0%	2.6%	1.9%	3.6%	4.3%	
Organic volume growth, %	1.4%	0.9%	-0.4%	0.0%	1.6%	2.3%	0.9%	1.5%	2.0%	1.3%	1.8%	1.7%	2.3%	2.5%	
Organic value growth, %	1.7%	0.6%	1.5%	0.7%	-0.2%	-1.0%	0.2%	-1.0%	0.5%	0.7%	0.8%	0.3%	1.3%	1.8%	
Underlying Profit	2,394	2,389						2,384					2,458	2,572	2,716
EBIT Margin, %	22.9%	23.1%						23.0%					23.7%	24.1%	24.4%
BP change	2,290	30						-10					70	30	30
Other Businesses															
Net Sales	13,925	14,114	9,755	2,288	2,510	2,449	2,990	10,237	2,536	2,791	2,560	3,119	11,006	11,534	12,117
Organic revenue growth, %	5.4%	3.7%	5.8%	1.9%	7.9%	4.2%	4.8%	3.5%	6.1%	3.0%	5.5%	4.6%	5.1%	5.1%	
Organic volume growth, %	3.7%	3.4%	6.4%	2.9%	6.1%	3.0%	4.5%	2.0%	4.5%	2.0%	4.5%	3.3%	3.0%	3.0%	
Organic value growth, %	1.6%	0.3%	-0.6%	-1.0%	1.8%	1.2%	0.3%	1.5%	1.5%	1.0%	1.0%	1.2%	2.0%	2.0%	
Underlying Profit	2,293	1,505						1,625					1,786	1,933	2,091
EBIT Margin, %	16.2%	15.4%						15.9%					16.2%	16.8%	17.3%
BP change	1,620	-80						40					40	50	50

Source: Company data, Barclays Research estimates

FIGURE 18

Nestle Divisional Forecasts by Product Category (CHFm)

Fiscal Period	2014	2015	2016	1Q	2Q	3Q	4Q	2017	1Q E	2Q E	3Q E	4Q E	2018 E	2019 E	2020 E
Month Ended	Dec	Dec	Dec	Mar	Jun	Sep	Dec	Dec	Mar	Jun	Sep	Dec	Dec	Dec	Dec
Group - Product Category															
Net Sales	91,612	88,785	89,469	21,022	22,001	22,249	24,519	89,791	21,710	22,382	22,497	24,532	91,121	94,411	98,671
Organic revenue growth, %	4.5%	4.0%	3.2%	2.3%	2.4%	3.1%	1.9%	2.4%	3.1%	2.9%	2.5%	3.4%	3.0%	4.0%	4.5%
RIC, %	2.2%	2.3%	2.3%	1.3%	1.5%	2.6%	1.2%	1.6%	2.5%	2.2%	1.5%	2.4%	2.1%	2.7%	2.8%
Price, %	2.2%	1.8%	0.9%	1.0%	0.9%	0.5%	0.7%	0.8%	0.6%	0.7%	1.0%	0.9%	0.8%	1.6%	1.6%
Underlying Profit	14,816	14,032	14,272					14,729					15,530	16,622	17,860
EBIT Margin, %	16.2%	15.8%	16.0%					16.4%					17.0%	17.6%	18.1%
BP change	-37	15						45					64	56	49
Trading Operating Profit	14,019	13,382	13,693					13,233					14,293	15,501	16,787
EBIT Margin, %	15.3%	15.1%	15.3%					14.7%					15.7%	16.4%	17.0%
BP change	6	-23	23					-57					95	73	59
Beverages															
Net Sales	20,302	19,245	19,792	4,809	5,005	4,931	5,663	20,408	5,073	5,162	4,980	5,698	20,913	21,828	23,048
Organic revenue growth, %	5.4%	5.4%	4.6%	3.6%	2.8%	3.7%	4.3%	3.6%	5.2%	4.4%	2.5%	4.0%	4.0%	4.8%	5.6%
RIC, %	4.2%	3.1%	3.7%	2.2%	1.2%	2.2%	2.7%	2.1%	3.6%	3.2%	1.4%	2.8%	2.7%	3.8%	3.6%
Price, %	1.2%	2.3%	0.9%	1.4%	1.6%	1.5%	1.5%	1.5%	1.5%	1.2%	1.0%	1.2%	1.2%	0.9%	1.9%
Underlying Profit	4,736	4,189	4,252					4,461					4,707	5,169	5,600
EBIT Margin, %	23.3%	21.8%	21.5%					21.9%					22.5%	23.7%	24.3%
BP change	60	-160	-30					40					70	120	60
Waters															
Net Sales	6,875	7,112	7,414	1,697	2,075	1,986	1,697	7,455	1,751	2,092	2,080	1,700	7,623	7,952	8,291
Organic revenue growth, %	5.2%	7.0%	5.0%	3.4%	4.9%	-0.8%	2.4%	2.4%	3.0%	2.0%	6.1%	3.5%	3.7%	4.7%	4.3%
RIC, %	6.0%	7.0%	5.0%	3.0%	4.3%	-0.3%	1.5%	2.1%	2.5%	1.5%	5.0%	3.0%	3.0%	4.0%	4.0%
Price, %	-0.8%	0.0%	0.0%	0.4%	0.6%	-0.5%	0.8%	0.3%	0.5%	0.5%	1.0%	0.5%	0.6%	0.7%	0.3%
Underlying Profit	744	839	950					968					1,044	1,084	1,130
EBIT Margin, %	10.8%	11.8%	12.8%					13.0%					13.7%	13.6%	13.6%
BP change	80	100	100					20					70	-10	0
Milk Products															
Net Sales	15,190	14,637	14,331	3,086	3,413	3,392	3,556	13,447	3,153	3,407	3,381	3,544	13,485	13,905	14,466
Organic revenue growth, %	3.3%	1.8%	1.6%	1.3%	3.0%	3.8%	-0.3%	2.0%	2.0%	1.0%	1.0%	3.0%	1.8%	3.5%	4.0%
RIC, %	-1.1%	1.4%	0.5%	-0.5%	0.6%	2.6%	-1.4%	0.4%	1.0%	0.5%	0.0%	2.0%	0.9%	2.3%	2.5%
Price, %	4.4%	0.3%	1.1%	1.8%	2.4%	1.2%	1.0%	1.6%	1.0%	0.5%	1.0%	1.0%	0.9%	3.5%	1.5%
Underlying Profit	2,450	2,556	2,751					2,509					2,543	2,682	2,862
EBIT Margin, %	16.1%	17.5%	19.2%					18.7%					18.9%	19.3%	19.8%
BP change	100	130	170					-50					20	40	50
Nutrition															
Net Sales	14,605	14,854	15,038	3,650	3,826	3,721	4,060	15,257	3,673	3,896	3,754	4,008	15,331	15,822	16,502
Organic revenue growth, %	8.7%	4.1%	2.0%	3.1%	-0.2%	2.4%	3.2%	2.1%	0.5%	3.0%	2.2%	2.1%	2.0%	3.6%	4.3%
RIC, %	5.3%	2.1%	1.6%	2.3%	0.2%	2.2%	2.9%	1.9%	1.5%	2.5%	1.5%	1.3%	1.7%	2.3%	2.5%
Price, %	3.4%	2.0%	0.4%	0.8%	-0.3%	0.2%	0.2%	-1.0%	0.5%	0.7%	0.8%	0.3%	1.3%	1.8%	
Underlying Profit	3,266	2,968	2,900					2,961					3,028	3,177	3,380
EBIT Margin, %	22.4%	20.0%	19.3%					19.4%					19.8%	20.1%	20.5%
BP change	350	-240	-70					10					30	30	40
Prepared Dishes															
Net Sales	13,532	12,579	12,148	2,859	2,873	2,882	3,343	11,957	2,886	2,926	2,940	3,332	12,084	12,367	12,772
Organic revenue growth, %	-0.1%	0.1%	2.7%	4.2%	1.2%	2.3%	1.2%	2.2%	0.8%	3.0%	3.3%	3.0%	2.6%	2.8%	3.3%
RIC, %	-1.2%	-1.3%	2.0%	2.4%	0.0%	0.6%	1.0%	1.0%	0.3%	2.5%	2.3%	2.0%	1.8%	1.3%	1.5%
Price, %	1.1%	1.4%	0.7%	1.8%	1.2%	1.7%	0.2%	1.2%	0.5%	0.5%	1.0%	1.0%	0.8%	1.5%	1.8%
Underlying Profit	1,947	1,854	1,919					2,103					2,166	2,294	2,459
EBIT Margin, %	14.4%	14.7%	15.8%					17.6%					17.9%	18.6%	19.3%
BP change	110	40	110					180					30	60	70
Confectionery															
Net Sales	9,769	8,870	8,679	1,950	1,753	2,275	2,827	8,805	2,041	1,785	2,233	2,846	8,906	9,174	9,540
Organic revenue growth, %	4.1%	5.7%	1.8%	-2.9%	-0.2%	3.9%	-0.1%	0.3%	4.5%	3.0%	-0.5%	4.0%	2.8%	3.4%	4.0%
RIC, %	-0.3%	2.0%	-0.5%	-2.6%	1.6%	6.5%	0.0%	1.4%	4.0%	2.0%	-2.0%	3.0%	1.7%	2.0%	2.2%
Price, %	4.4%	3.7%	2.3%	-0.3%	-1.8%	-2.5%	-0.2%	-1.1%	0.5%	1.0%	1.5%	1.0%	1.0%	1.4%	1.8%
Underlying Profit	1,473	1,330	1,235					1,387					1,452	1,554	1,683
EBIT Margin, %	15.1%	15.0%	14.2%					15.8%					16.3%	16.9%	17.6%
BP change	-80	-10	-80					150					60	60	70
Pet Care															
Net Sales	11,339	11,488	12,067	2,971	3,056	3,062	3,373	12,462	3,133	3,112	3,130	3,404	12,779	13,362	14,051
Organic revenue growth, %	5.6%	5.9%	5.3%	1.3%	5.1%	4.6%	1.2%	3.0%	5.3%	3.0%	3.5%	4.3%	4.0%	5.0%	5.2%
RIC, %	5.0%	3.5%	4.4%	0.9%	4.3%	4.6%	0.4%	2.5%	4.5%	2.5%	2.5%	3.5%	3.2%	3.3%	3.3%
Price, %	0.6%	2.4%	0.9%	0.4%	0.8%	0.0%	0.8%	0.8%	0.8%	0.5%	1.0%	0.8%	0.8%	1.7%	1.8%
Underlying Profit	2,306	2,421	2,554					2,678					2,853	3,008	3,198
EBIT Margin, %	20.3%	21.1%	21.2%					21.5%					22.3%	22.5%	22.8%
BP change	110	70	10					30					80	20	20

Source: Company data, Barclays Research estimates

FIGURE 19

Nestle Income Statement (CHFm)

Fiscal Period	2012	2013	2014	2015	2016	2017	2018 E	2019 E	2020 E
Month Ended	Dec								
Net Revenues (Continuing)	89,721	92,158	91,612	88,785	89,469	89,791	91,121	94,411	98,671
Growth (% YoY)	7.3%	2.7%	-0.6%	-3.1%	0.8%	0.4%	1.5%	3.6%	4.5%
Other Revenue	210	215	253	298	317	330	335	347	363
Growth (% YoY)	64.1%	2.4%	17.7%	17.8%	6.4%	4.1%	1.5%	3.6%	4.5%
COGS	-47,500	-48,111	-47,553	-44,730	-44,199	-44,923	-45,588	-46,762	-48,379
Gross Profit	42,221	44,047	44,059	44,055	45,270	44,868	45,532	47,649	50,292
Gross Margin	47.1%	47.8%	48.1%	49.6%	50.6%	50.0%	50.0%	50.5%	51.0%
Δ in Gross Margin (bps YoY)	-27	74	30	153	98	-63	0	50	50
Distribution Expense	-8,017	-8,156	-8,217	-7,899	-8,059	-8,205	-8,418	-8,817	-9,314
Distribution as a % of Revenues	8.9%	8.8%	8.9%	8.9%	9.0%	9.1%	9.2%	9.3%	9.4%
Δ in Distribution as a % of Revenues (bps YoY)	-16	-9	12	-8	11	13	10	10	10
Marketing & Administration Expense	-19,041	-19,711	-19,651	-20,744	-21,485	-20,540	-19,554	-19,945	-20,653
Marketing & Administration as a % of Revenues	21.2%	21.3%	21.4%	23.3%	23.9%	22.8%	21.4%	21.0%	20.9%
Δ in Marketing & Adminsitratation as a % of Revenues (bps YoY)	41	17	5	189	64	-114	-141	-33	-19
R&D Expense	-1,413	-1,503	-1,628	-1,678	-1,736	-1,724	-1,750	-1,813	-1,894
R&D as a % of Revenues	1.6%	1.6%	1.8%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Δ in R&D as a % of Revenues (bps YoY)	-13	6	15	11	5	-2	0	0	0
Total Net Trading Expense	-496	-845	-797	-650	-614	-1,496	-1,518	-1,573	-1,644
Trading Operating Profit (Continuing, as Reported)	13,464	14,047	14,019	13,382	13,693	13,233	14,293	15,501	16,787
Growth (% YoY)	7.4%	4.3%	-0.2%	-4.5%	2.3%	-3.4%	8.0%	8.5%	8.3%
Trading Operating Profit Margin	15.0%	15.2%	15.3%	15.1%	15.3%	14.7%	15.7%	16.4%	17.0%
Δ in Trading Operating Profit Margin (bps YoY)	2	20	10	-20	20	-60	90	70	60
Other trading income	120	110	78	99	111	113	117	122	
Total other trading expenses	-965	-907	-728	-713	-1,607	-1,349	-1,238	-1,195	
Total net other trading income/ (expenses)	-845	-797	-650	-614	-1,496	-1,237	-1,121	-1,073	
Underlying Operating Profit (Used for Underlying EPS)	13,806	14,892	14,816	14,032	14,307	14,729	15,530	16,622	17,860
Growth (% YoY)	5.4%	7.9%	-0.5%	-5.3%	2.0%	2.9%	5.4%	7.0%	7.4%
Underlying Operating Profit Margin	15.4%	16.2%	16.2%	15.8%	16.0%	16.4%	17.0%	17.6%	18.1%
Δ in Underlying Operating Profit Margin (bps YoY)	-27	77	1	-37	20	40	60	60	50
Total Net Other Operating Expense	-76	-979	-3,114	-974	-530	-3,121	547	566	592
Operating Profit (EBIT)	13,388	13,068	10,905	12,408	13,163	10,112	14,840	16,068	17,379
Net Cost of Debt	-705	-631	-637	-625	-637	-619	-641	-639	-554
Earnings Before Taxes	13,101	14,261	14,179	13,407	13,670	14,110	14,888	15,983	17,306
Income Taxes	-3,574	-3,804	-3,702	-3,305	-4,413	-2,779	-3,797	-4,076	-4,413
Tax Rate (%)	27.3%	26.7%	26.1%	24.7%	32.3%	19.7%	25.5%	25.5%	25.5%
Earnings After Taxes	9,527	10,457	10,477	10,102	9,257	11,331	11,092	11,908	12,893
Income from Associates & JVs	1,293	1,301	828	988	770	824	1,156	1,225	1,297
Growth (% YoY)	40.7%	0.6%	-36.4%	19.3%	-22.1%	-8.3%	40.3%	5.9%	5.9%
Minority Interest	-449	-430	-448	-401	-352	-355	-373	-391	-411
Growth (% YoY)	41.6%	-4.2%	4.2%	-10.5%	-12.2%	0.9%	5.0%	5.0%	5.0%
Reported Net income	9,953	9,504	6,946	9,066	8,531	7,183	11,186	12,186	13,299
Below the line adjustment	418	1,824	3,911	1,287	1,968	3,796	0	0	0
Underlying Net Income	10,371	11,328	10,857	10,353	10,499	10,979	11,876	12,741	13,780
Growth (% YoY)	5.4%	9.2%	-4.2%	-4.6%	1.4%	4.6%	8.2%	7.3%	8.2%
Average Shares Outstanding	3186.4	3191.2	3188.0	3129.0	3091.0	3092.0	3016.5	2945.9	2910.6
Reported EPS	3.12	2.98	2.18	2.90	2.76	2.32	3.71	4.14	4.57
Earnings Per Share (Underlying)	CHF 3.25	CHF 3.55	CHF 3.41	CHF 3.31	CHF 3.40	CHF 3.55	CHF 3.94	CHF 4.32	CHF 4.73
Growth (% YoY)	5.7%	9.1%	-4.1%	-2.8%	2.7%	4.5%	10.9%	9.9%	9.5%
Dividend Per Share	CHF 2.05	CHF 2.15	CHF 2.20	CHF 2.25	CHF 2.30	CHF 2.35	CHF 2.47	CHF 2.59	CHF 2.72
Dividend Payout Ratio	63%	61%	65%	68%	68%	66%	63%	60%	57%

Source: Company data, Barclays Research estimates

FIGURE 20

Nestle Cash Flow (CHFm)

Fiscal Period	2011	2012	2013	2014	2015	2016	2017	2018 E	2019 E	2020 E
Month Ended	Dec	Dec	Dec	Dec	Dec	Dec	Dec	Dec	Dec	Dec
Operating Activities										
Operating Profit	12,471	13,388	13,068	10,905	12,408	13,163	10,112	14,840	16,068	17,379
Non-cash items of income and expense	3,335	3,217	4,352	6,323	4,348	3,807	6,731	3,162	3,276	3,424
Depreciation & Amortization	2,925	3,049	3,199	3,081	3,316	3,176	3,385	3,708	3,842	4,016
Impairment of PP&E and/or Goodwill	166	88	223	2,044	438	596	3,399	-547	-566	-592
Net Results on Disposal of Assets & Businesses	28	-53	1,255	514	488	36	161	0	0	0
Non-cash Items in Financial Assets & Liabilities	27	-44	-577	-34	-135	-208	-380	0	0	0
Equity Compensation Plans	158	156	154	156	166	165	146	0	0	0
Other	31	21	98	562	75	42	20	0	0	0
Cash Flow before changes in operating assets/liabilities	15,806	16,605	17,420	17,228	16,756	16,970	16,843	18,001	19,344	20,803
Change in Working Capital	-1,983	2,015	1,360	-114	741	1,801	-243	522	335	-59
Change in Other Operating Assets & Liabilities	-760	-95	-574	85	-248	54	393	393	393	393
Cash Generated from Operations	13,063	18,525	18,206	17,199	17,249	18,825	16,993	18,916	20,072	21,137
Net Cash Flows from Treasury Activities	-745	-324	-351	-356	-93	-327	-423	-641	-639	-554
Taxes Paid	-2,555	-3,118	-3,520	-2,859	-3,310	-3,435	-3,666	-3,797	-4,076	-4,413
Dividends from Associates	417	585	657	716	456	519	582	817	865	916
Cash Flow From Operating Activities	10,180	15,668	14,992	14,700	14,302	15,582	13,486	15,295	16,222	17,086
Capital Expenditure	-4,779	-5,273	-4,928	-3,914	-3,872	-4,010	-3,934	-3,992	-4,136	-4,323
Expenditure on Intangible Assets	-247	-325	-402	-509	-422	-682	-769	-780	-809	-845
Sale of PP&E	111	130	86	0	0	0	0	0	0	0
Free cash flow	5,265	10,200	9,748	10,277	10,008	10,890	8,783	10,523	11,277	11,918
Acquisition of Businesses	-3,742	-10,916	-321	-1,986	-530	-585	-696	3,259	3,259	3,259
Disposal of Businesses	7	142	421	321	213	271	140	0	0	0
Net investments in Associates	-60	-79	-28	3,958	-44	-748	-140	0	0	0
Outflows from non-current financial investments	-1,802	-192	-244	-137	-6	-39	-26	0	0	0
Inflows from non-current financial investments	0	1,561	2,644	255	521	-335	-593	0	0	0
Net Cash Flows from Short-term Investments	6,452	677	400	-962	0	0	0	0	0	0
Other investing cash flows	-448	-216	766	-98	-19	-34	-134	0	0	0
Dividends Paid to Shareholders	-5,939	-6,213	-6,552	-6,863	-6,950	-6,937	-7,126	-7,266	-7,443	-7,632
Dividends to Minority Interests	-226	-204	-328	-356	-424	-432	-342	-359	-377	-396
Net Acquisitions of minority interests	-40	-165	-337	-49	-10	-168	-104	0	0	0
Purchase of Treasury Shares	-5,480	-532	-481	-1,721	-6,377	760	-3,295	-6,590	-6,590	-3,525
FX Impact	19	-219	-526	42	-478	169	217	0	0	0
Other	-4,471	2,355	-1,732	-316	996	-1,300	-646	0	0	0
Net cash flow	-10,465	-3,801	3,430	2,365	-3,100	1,512	-3,962	-434	126	3,624
Net Debt/ (Cash) - Opening	3,854	14,319	18,120	14,690	12,325	15,425	13,913	17,875	18,309	18,182
Net Debt Closing	14,319	18,120	14,690	12,325	15,425	13,913	17,875	18,309	18,182	14,558

Source: Company data, Barclays Research Estimates

FIGURE 21

Nestle Balance Sheet (CHFm)

Fiscal Period	2012	2013	2014	2015	2016	2017	2018 E	2019 E	2020 E
Month Ended	Dec								
Assets									
Cash & Cash Equivalents	5,713	6,415	7,448	4,884	7,990	7,938	7,938	7,938	7,938
Short-term Investments	3,583	638	1,433	921	1,306	655	655	655	655
Inventories	8,939	8,382	9,172	8,153	8,401	9,061	9,125	9,231	9,551
Trade & Other Receivables	13,048	12,206	13,459	12,252	12,411	12,422	12,356	12,544	13,110
Prepayments & Accrued Income	821	762	565	583	573	607	607	607	607
Derivative Assets	576	230	400	337	550	231	231	231	231
Current Income Tax Assets	972	1,151	908	874	786	919	919	919	919
Assets Held For Sale	368	282	576	1,430	25	357	357	357	357
Total Current Assets	34,020	30,066	33,961	29,434	32,042	32,190	32,188	32,482	33,368
Property, Plant & Equipment	26,576	26,895	28,421	26,576	27,554	27,775	28,950	30,150	31,414
Goodwill	32,688	31,039	34,557	32,772	33,007	29,748	27,036	24,343	21,676
Intangible Assets	13,018	12,673	19,800	19,236	20,397	20,615	20,504	20,407	20,295
Investments in Associates	11,586	12,315	8,649	8,675	10,709	11,628	11,968	12,327	12,708
Financial Assets	4,979	4,550	5,493	5,419	5,719	6,003	6,003	6,003	6,003
Employee Benefit Assets	84	537	383	109	310	392	392	392	392
Current Income Tax Assets	27	124	128	128	114	62	62	62	62
Deferred Tax Assets	2,899	2,243	2,058	1,643	2,049	1,967	1,967	1,967	1,967
Total Non-current Assets	91,857	90,376	99,489	94,558	99,859	98,190	96,882	95,651	94,518
Total Assets	125,877	120,442	133,450	123,992	131,901	130,380	129,070	128,134	127,885
Liabilities									
Short-term Debt	18,408	11,380	8,810	9,629	12,118	10,536	10,536	10,536	10,536
Trade & Other Payables	14,627	16,072	17,437	17,038	18,629	18,872	19,392	20,022	20,848
Accruals & Deferred Income	3,078	3,185	3,759	3,673	3,855	4,094	4,094	4,094	4,094
Provisions	452	523	695	564	620	863	863	863	863
Derivative Liabilities	423	381	757	1,021	1,068	507	507	507	507
Current Income Tax Liabilities	1,608	1,276	1,264	1,124	1,221	1,170	1,170	1,170	1,170
Liabilities For Assets Held For Sale	1	100	173	272	6	12	12	12	12
Total Current Liabilities	38,597	32,917	32,895	33,321	37,517	36,054	36,574	37,204	38,030
Long-term Debt	9,008	10,363	12,396	11,601	11,091	15,932	16,366	16,239	12,615
Employee Benefit Liabilities	8,360	6,279	8,081	7,691	8,420	7,111	7,504	7,897	8,290
Provisions	2,827	2,714	3,161	2,601	2,640	2,445	2,445	2,445	2,445
Deferred Tax Liabilities	2,240	2,643	3,191	3,063	3,865	3,559	3,559	3,559	3,559
Other Payables	2,181	1,387	1,842	1,729	2,387	2,502	2,502	2,502	2,502
Total Non-current Liabilities	24,616	23,386	28,671	26,685	28,403	31,549	32,376	32,642	29,411
Total Liabilities	63,213	56,303	61,566	60,006	65,920	67,603	68,950	69,846	67,442
Equity									
Shareholders' Equity	61,007	62,575	70,130	62,338	64,590	61,504	58,833	56,987	59,128
Minority Interest	1,657	1,564	1,754	1,648	1,391	1,273	1,287	1,301	1,316
Total Equity	62,664	64,139	71,884	63,986	65,981	62,777	60,120	58,288	60,444

Source: Company data, Barclays Research estimates

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Primary Stocks (Ticker, Date, Price)

Nestle SA (NESN.S, 15-Feb-2018, CHF 75.70), Equal Weight/Neutral, A/D/E/J/K/L/M/N

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Unilever PLC (ULVR.L)

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Nestle SA (NESN SW / NESN.S)

CHF 75.70 (15-Feb-2018)

Rating and Price Target Chart - CHF (as of 15-Feb-2018)

Stock Rating

EQUAL WEIGHT

Industry View

NEUTRAL

Currency=CHF

Publication Date	Closing Price	Rating	Adjusted Price Target
22-Jan-2018	82.56		84.60
31-Mar-2017	76.85	Equal Weight	
23-Feb-2017	74.80		80.00
23-Jan-2017	73.10		81.00
21-Oct-2016	73.15		83.00
19-Aug-2016	78.90		85.00
08-Jul-2016	77.30	Overweight	82.00
18-Feb-2016	71.35		73.00
15-Jan-2016	70.10		74.00
28-Aug-2015	70.90		72.00
13-Aug-2015	74.15		74.00
13-Apr-2015	75.55		72.00
19-Feb-2015	72.00		70.00

On 15-Feb-2015, prior to any intra-day change that may have been published, the rating for this security was Equal Weight, and the adjusted price target was 69.00.

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

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Nestlé

Re-rating unlikely on weak top-line prospects; but portfolio management limits downside - Neutral

EPS little changed post FY17, but re-rating hopes dim. Maintain Neutral

Nestlé's 4Q17 volume miss reinforces our view that its organic growth recovery will be more gradual than what the market expects. Pricing missteps in Brazil, lacklustre US Food & Bev market (with no clear outperformance from Nestlé), shifting consumer tastes and competition are all chipping away at Nestlé's top-line recovery. However, we think margin progress & portfolio management offer upside optionality in the medium-term. Post FY17 results our FY18E EPS is down -2%, but we lower our PT to CHF80 as we think the string of top-line misses makes it difficult to justify a significant valuation premium over EU Staples (sector 18E P/E: 19.5x). We prefer Danone in Food.

Key Positives: EMENA improving, margin momentum, portfolio focus/L'Oréal

(1) EMENA had a second straight quarter of organic growth >3% and CFO comments indicate improving prospects for 2018. (2) Cost saving programmes are delivering results – we raise our FY18E U/L EBIT margin to 17.0% (cons 16.7%). (3) Focus on portfolio management seems to be intensifying, with Gerber Life Insurance unit (sales CHF840m) now under review. (4) The Board's decision not to renew the agreement with the Bettencourts gives Nestlé greater optionality with its L'Oréal stake.

Key Negatives: Worst RIG since 2009, lower FCF

(1) RIG of +1.2% in 4Q17 was one of Nestlé's weakest since the financial crisis. CEO is committed to mid-single digit organic growth target by 2020, expecting portfolio actions to accelerate growth; but this is likely to take some time – we forecast +3.0% organic growth in FY18 (cons +3.5%). (2) FCF was -16% on CHF2bn higher WCap – while the latter could improve, higher restructuring might become a greater use of FCF in 2018-19E. (3) "Modest improvement" in Nestlé's China Nutrition contrasts with Danone's >30% Q4 organic growth in China ELN – is Nestlé's S-26 brand losing share?

Valuation: At 20x 18E P/E outperformance relies on portfolio management

A full consensus makes it difficult to argue for significant EPS upside in 2018 (barring sizeable portfolio shifts) and 20x 18E P/E (3% premium to Staples) looks reasonable for the growth on offer. However, upside from portfolio optionality still exists. We lower our PT to CHF80 (-3% from lower LT FCF and -6% from slightly higher WACC to reflect higher interest rates & the recent sector sell-off, to which Nestlé is not immune).

Equities

Switzerland

Food Products

12-month rating

Neutral

12m price target

CHF80.00

Prior: CHF88.00

Price

CHF75.74

RIC: NESN.S BBG: NESN SW

Trading data and key metrics

52-wk range	CHF86.00-73.25
Market cap.	CHF232bn/US\$251bn
Shares o/s	3,058m (REG)
Free float	97%
Avg. daily volume ('000)	6,235
Avg. daily value (m)	CHF511.8
Common s/h equity (12/18E)	CHF58.5bn
P/BV (12/18E)	3.9x
Net debt / EBITDA (12/18E)	1.2x

EPS (UBS, diluted) (CHF)

	From	To	% ch	Cons.
12/18E	3.89	3.81	-2	3.82
12/19E	4.21	4.11	-2	4.23
12/20E	4.54	4.41	-3	4.67

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Highlights (CHFm)	12/15	12/16	12/17	12/18E	12/19E	12/20E	12/21E	12/22E
Revenues	88,785	89,469	89,791	90,082	92,502	95,674	98,956	102,353
EBIT (UBS)	14,032	14,307	14,729	15,304	16,254	17,203	17,981	18,792
Net earnings (UBS)	10,353	10,526	11,000	11,518	12,177	12,827	13,403	14,061
EPS (UBS, diluted) (CHF)	3.30	3.40	3.55	3.81	4.11	4.41	4.66	4.91
DPS (CHF)	2.25	2.30	2.35	2.47	2.63	2.82	3.00	3.16
Net (debt) / cash	(15,425)	(13,913)	(17,875)	(21,697)	(24,065)	(26,081)	(23,827)	(21,452)
Profitability/valuation	12/15	12/16	12/17	12/18E	12/19E	12/20E	12/21E	12/22E
EBIT margin %	15.8	16.0	16.4	17.0	17.6	18.0	18.2	18.4
ROIC (EBIT) %	17.3	18.3	19.2	20.0	21.0	22.0	22.7	23.5
EV/EBITDA (core) x	14.9	14.8	15.3	14.0	13.4	12.8	12.1	11.6
P/E (UBS, diluted) x	22.1	21.6	22.6	19.9	18.4	17.2	16.2	15.4
Equity FCF (UBS) yield %	3.7	4.1	3.1	4.0	4.5	4.9	5.2	5.4
Net dividend yield %	3.1	3.1	2.9	3.3	3.5	3.7	4.0	4.2

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of CHF75.74 on 16 Feb 2018 10:30 GMT

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UBS Research THESIS MAP a guide to our thinking and what's where in this report**PIVOTAL QUESTIONS****Q: Can Nestlé reach mid-single digit organic sales growth by 2020?**

Yes; but we think progress will be gradual due to some headwinds in 2018 (US, pricing, competition). We think Nestlé's strategic investments (coffee, pet, waters, nutrition and consumer health) along with selective divestments will accelerate its organic sales growth to >4% by 2019.

["Have a break. Downgrade to Neutral" 1/11/2018→](#)

Q: Will Nestlé deliver on its EBIT margin target of 17.5%-18.5% by 2020?

Yes; our benchmarking analysis supports our forecasts for 18.0% EBIT margin by 2020. The new management team has already accelerated cost saving/cash use; and 2018 should see further progress. However, this has been largely priced in by the market, leaving no room for disappointment.

["Have a break. Downgrade to Neutral" 1/11/2018→](#)

Q: Can portfolio management unlock further value?

Yes; we estimate Nestlé can spend up to CHF23bn before it reaches 1.5x leverage. Our scenario analysis indicates CHF95 valuation for the shares if Nestlé buys growth assets.

["Have a break. Downgrade to Neutral" 1/11/2018→](#)

UBS VIEW

We rate Nestlé Neutral with a PT of CHF80. We think management's strategic focus on coffee, pet, waters, nutrition and consumer health is the right one for the company; and we continue to see significant upside optionality from portfolio management and cost saving in the long-term. However, in the short-term we think weak US demand, competition and lack of pricing will slow down Nestlé's organic sales growth recovery in 2018. This is likely to preclude further re-rating to the shares over the next 6-12m, considering that consensus forecasts already look full. At 20x 18E PE Nestlé trades at a 3% premium to EU Staples. We think the stock is fairly valued: our PT of CHF80 assumes that Nestlé trades at a valuation premium of c10% vs the sector over the next 12m.

EVIDENCE

UBS Evidence Lab's Global coffee survey and US Nespresso consumer review analysis show significant growth potential for Nestlé's largest business. Our in-depth category analysis further supports our view that Nestlé has been making the right capital allocation decisions; while our global benchmarking analysis shows room for further cost efficiencies, particularly in opex. However, Nielsen data shows that demand in the US (Nestlé's largest market) has slowed down; and Nestlé's key categories are seeing sales declines. With benign commodities, competition is likely to further intensify in 2018. We therefore expect only a gradual organic sales growth recovery for Nestlé in the near term.

WHAT'S PRICED IN?

Our reverse-DCF suggests the market prices in +3.5-4% pa organic sales and +50bps pa EBIT % uplift mid-term; and factors in most of the CHF20bn buyback announced for 2017-20. We find this fair (UBSe: +4.1% / +50bps pa). Portfolio management presents upside risk to the share price, in our view.

UPSIDE / DOWNSIDE SPECTRUM

Value drivers	2018-20E organic sales	2020 U/L EBIT margin	2020E ND/EBITDA	Underlying 2020 EPS	Implied 2020E target multiple
CHF 95 upside	4.5%	19.0%	1.5x	4.90	19.5x
CHF 80 base	3.6%	18.0%	1.3x	4.43	18.0x
CHF 68 downside	3.0%	17.0%	1.3x	4.10	16.5x

Source: UBS

[more →](#)

COMPANY DESCRIPTION

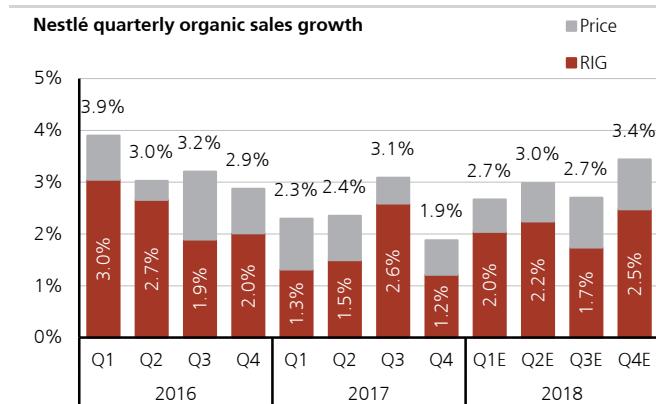
Nestlé is one of the largest global fast-moving consumer goods companies. Its operations encompass Powdered and Liquid Beverages (22% of total revenue), Nutrition and Health...

[more →](#)

UBS MODEL SUMMARY

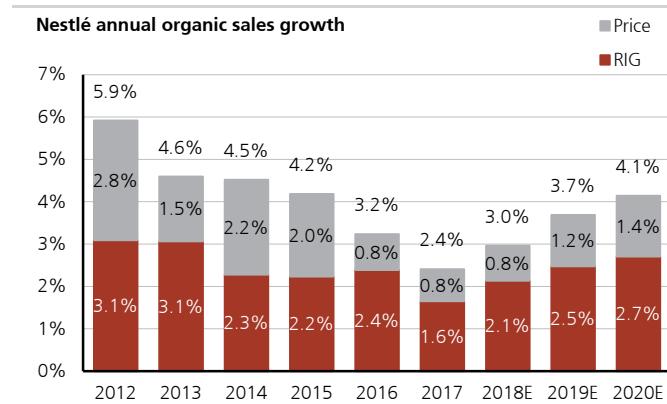
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Figure 1: Nestlé quarterly organic sales growth



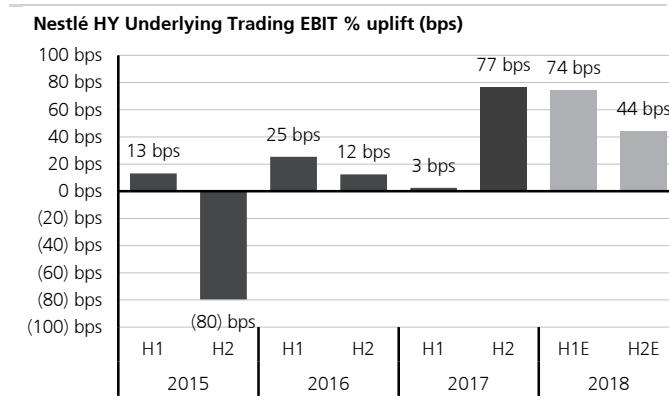
Source: Company reports, UBS estimates

Figure 2: Nestlé annual organic sales growth



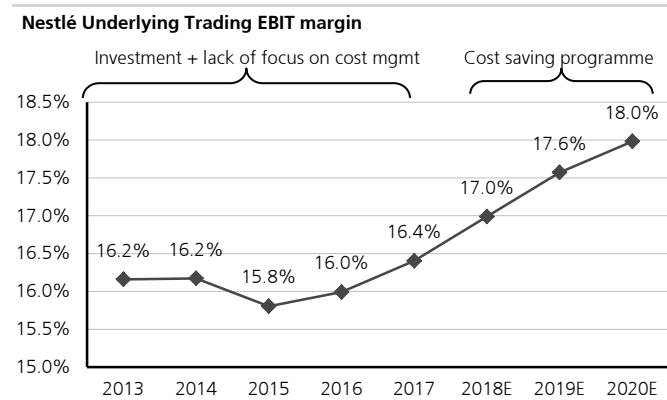
Source: Company reports, UBS estimates

Figure 3: Nestlé HY Underlying trading EBIT margin uplift



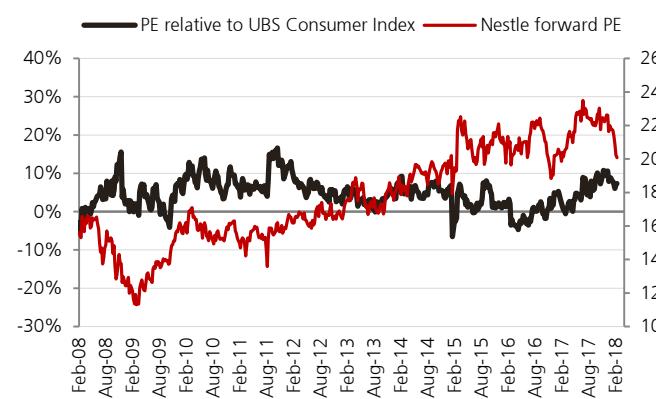
Source: Company reports, UBS estimates

Figure 4: Nestlé annual underlying & trading EBIT margin



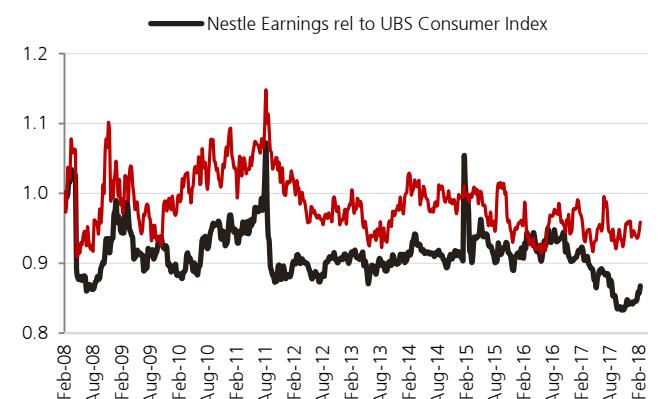
Source: Company reports, UBS estimates

Figure 5: Nestlé PE absolute and relative to EU Staples



Source: Datastream, UBS analysis

Figure 6: Nestlé price and earnings relative to EU Staples



Source: Datastream, UBS analysis

Figure 7: Nestlé organic sales growth by reporting segment

NESTLE SALES (CHFm)	Sales %	2015	1Q16	2Q16	3Q16	4Q16	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18E	2Q18E	3Q18E	4Q18E	2018E	2019E	2020E
GROUP		88,785	20,934	22,221	22,359	23,955	89,469	21,022	22,001	22,250	24,519	89,791	21,128	22,100	22,418	24,436	90,082	92,502	95,674
Reported growth		-3.1%	0.1%	1.4%	1.5%	0.1%	0.8%	0.4%	-1.0%	-0.5%	2.4%	0.4%	0.5%	0.5%	0.8%	-0.3%	0.3%	2.7%	3.4%
FX		-7.4%	-2.8%	-1.2%	-1.2%	-1.4%	-1.6%	-0.4%	-0.3%	-0.5%	0.8%	-0.1%	-2.1%	-2.3%	-1.7%	-3.6%	-2.5%	-0.9%	-0.7%
Net M&A		0.1%	-1.0%	-0.5%	-0.5%	-1.3%	-0.8%	-1.5%	-3.0%	-3.1%	-0.3%	-1.9%	-0.1%	-0.2%	-0.2%	-0.2%	-0.2%	-0.1%	0.0%
Organic		4.2%	3.9%	3.0%	3.2%	2.9%	3.2%	2.3%	2.4%	3.1%	1.9%	2.4%	2.7%	3.0%	2.7%	3.4%	3.0%	3.7%	4.1%
Price		2.0%	0.9%	0.4%	1.3%	0.9%	0.8%	1.0%	0.9%	0.5%	0.7%	0.8%	0.6%	0.7%	1.0%	1.0%	0.8%	1.2%	1.4%
RIG		2.2%	3.0%	2.7%	1.9%	2.0%	2.4%	1.3%	1.5%	2.6%	1.2%	1.6%	2.0%	2.2%	1.7%	2.5%	2.1%	2.5%	2.7%
AMS	32%	5.5%	5.0%	5.0%	3.5%	3.5%	4.2%	0.4%	2.1%	1.3%	0.0%	0.9%	1.4%	1.3%	2.2%	2.8%	2.0%	3.3%	4.2%
Price		3.9%	2.3%	2.8%	3.4%	2.8%	2.9%	1.8%	1.0%	0.1%	0.1%	0.7%	0.2%	0.5%	1.0%	1.0%	0.7%	1.5%	2.0%
RIG		1.6%	2.7%	2.2%	0.0%	0.6%	1.3%	-1.4%	1.1%	1.2%	-0.1%	0.2%	1.2%	0.8%	1.2%	1.8%	1.3%	1.8%	2.2%
EMENA	18%	3.7%	3.2%	1.9%	1.4%	1.4%	2.0%	1.7%	0.3%	3.6%	3.3%	2.3%	2.2%	3.4%	1.6%	2.4%	2.4%	2.5%	3.2%
Price		1.2%	0.1%	-1.0%	-0.9%	-1.1%	-0.7%	0.0%	0.7%	0.7%	1.0%	0.6%	0.5%	0.4%	0.6%	0.4%	0.5%	0.5%	0.7%
RIG		2.5%	3.1%	2.9%	2.2%	2.5%	2.7%	1.7%	-0.4%	3.0%	2.3%	1.7%	1.7%	3.0%	1.0%	2.0%	1.9%	2.0%	2.5%
AOA	18%	0.5%	2.1%	2.6%	3.7%	4.2%	3.2%	4.5%	5.1%	6.5%	2.8%	4.7%	4.4%	3.2%	3.0%	4.5%	3.8%	4.9%	4.9%
Price		0.6%	0.4%	-0.6%	0.3%	0.8%	0.3%	1.5%	2.1%	1.6%	1.9%	1.8%	1.1%	0.7%	1.0%	1.0%	1.0%	1.5%	1.7%
RIG		-0.1%	1.7%	3.1%	3.4%	3.4%	2.9%	3.0%	3.0%	4.9%	0.9%	2.9%	3.3%	2.5%	2.0%	3.5%	2.8%	3.4%	3.2%
WATERS	9%	6.7%	5.3%	3.3%	4.1%	5.9%	4.5%	3.1%	4.7%	-0.9%	1.7%	2.1%	2.9%	2.1%	4.5%	3.0%	3.1%	3.5%	3.8%
Price		0.0%	-0.5%	-0.5%	0.2%	1.0%	0.0%	0.5%	0.4%	-0.5%	0.8%	0.3%	0.7%	0.8%	1.0%	0.5%	0.8%	0.8%	0.8%
RIG		6.7%	5.8%	3.8%	3.9%	4.8%	4.5%	2.6%	4.2%	-0.4%	0.9%	1.8%	2.2%	1.3%	3.5%	2.5%	2.4%	2.7%	3.0%
NUTRITION	12%	3.1%	2.6%	0.1%	1.3%	1.9%	1.5%	1.1%	0.7%	1.4%	1.3%	1.1%	3.5%	3.4%	3.6%	4.0%	3.6%	4.0%	4.2%
Price		1.7%	0.4%	0.0%	1.3%	0.8%	0.6%	1.5%	0.8%	-0.2%	-1.0%	0.2%	0.5%	0.7%	1.3%	1.5%	1.0%	1.5%	1.5%
RIG		1.4%	2.2%	0.1%	0.1%	1.1%	0.9%	-0.4%	-0.1%	1.6%	2.3%	0.9%	3.0%	2.7%	2.3%	2.5%	2.6%	2.5%	2.7%
OTHER BUSINESSES	11%	5.3%	5.2%	3.3%	5.4%	1.4%	3.7%	5.8%	1.8%	7.8%	4.2%	4.8%	2.9%	7.0%	3.0%	5.0%	4.5%	4.5%	4.5%
Price		1.6%	0.7%	-0.6%	1.7%	-0.5%	0.3%	-0.6%	-1.0%	1.6%	1.2%	0.3%	1.3%	2.0%	1.0%	1.5%	1.5%	1.2%	1.2%
RIG		3.7%	4.5%	4.0%	3.7%	1.9%	3.4%	6.4%	2.8%	6.2%	3.0%	4.5%	1.6%	5.0%	2.0%	3.5%	3.1%	3.3%	3.3%

Source: Company reports, UBS estimates

Figure 8: Nestlé EBIT and EPS

NESTLÉ EBIT (CHFm)	EBIT %	2013	1H14	2H14	2014	1H15	2H15	2015	1H16	2H16	2016	1H17	2H17	2017	1H18E	2H18E	2018E	2019E	2020E
Underlying Trading EBIT	100%	14,892	6,615	8,201	14,816	6,650	7,382	14,032	6,808	7,499	14,307	6,798	7,931	14,729	7,152	8,152	15,304	16,254	17,203
- margin		16.2%	15.4%	16.9%	16.2%	15.5%	16.1%	15.8%	15.8%	16.2%	16.0%	15.8%	17.0%	16.4%	16.5%	17.4%	17.0%	17.6%	18.0%
- yoY progress		60 bps	(19) bps	15 bps	1 bps	13 bps	(80) bps	(37) bps	25 bps	12 bps	19 bps	3 bps	77 bps	41 bps	74 bps	44 bps	59 bps	58 bps	41 bps
AMS	34%	19.7%	18.1%	21.1%	19.7%	18.3%	21.3%	19.9%	17.8%	21.3%	19.7%	18.1%	22.3%	20.3%	18.8%	22.7%	20.9%	21.4%	21.7%
YoY change		12 bps	(69) bps	60 bps	5 bps	20 bps	19 bps	17 bps	nm	nm	nm	29 bps	102 bps	65 bps	70 bps	40 bps	57 bps	50 bps	30 bps
EMENA	18%	15.7%	15.8%	16.4%	16.1%	16.5%	16.4%	16.5%	17.6%	17.1%	17.3%	18.1%	18.1%	18.1%	18.9%	18.7%	18.8%	19.4%	20.0%
YoY change		(23) bps	51 bps	36 bps	43 bps	65 bps	2 bps	32 bps	108 bps	65 bps	86 bps	54 bps	97 bps	75 bps	80 bps	60 bps	70 bps	60 bps	60 bps
AOA	19%	19.1%	19.0%	20.0%	19.5%	19.6%	18.9%	19.2%	20.5%	19.4%	19.9%	20.3%	19.9%	20.1%	21.1%	20.3%	20.7%	21.2%	21.7%
YoY change		8 bps	(31) bps	109 bps	41 bps	63 bps	(110) bps	(26) bps	nm	nm	nm	(15) bps	51 bps	19 bps	75 bps	40 bps	57 bps	50 bps	50 bps
WATERS	6%	9.5%	10.4%	9.8%	10.1%	12.0%	10.8%	11.4%	12.4%	12.6%	12.5%	12.4%	13.0%	12.7%	12.8%	13.3%	13.1%	13.5%	13.9%
YoY change		2 bps	88 bps	38 bps	63 bps	159 bps	97 bps	127 bps	35 bps	182 bps	109 bps	5 bps	42 bps	23 bps	40 bps	30 bps	35 bps	40 bps	40 bps
NUTRITION	14%	20.8%	22.9%	22.1%	22.5%	23.2%	22.6%	22.9%	23.5%	22.7%	23.1%	24.8%	21.2%	23.0%	25.1%	21.7%	23.4%	23.7%	24.0%
YoY change		114 bps	241 bps	110 bps	175 bps	26 bps	48 bps	39 bps	34 bps	16 bps	25 bps	129 bps	(155) bps	(13) bps	30 bps	50 bps	40 bps	30 bps	30 bps
OTHER BUSINESSES	10%	18.2%	18.6%	19.8%	19.3%	16.0%	16.4%	16.2%	16.3%	14.6%	15.4%	13.6%	17.9%	15.9%	15.1%	18.6%	16.9%	17.4%	17.8%
YoY change		25 bps	(116) bps	299 bps	104 bps	(252) bps	(337) bps	(303) bps	nm	nm	nm	(272) bps	329 bps	47 bps	150 bps	75 bps	107 bps	50 bps	40 bps
Unallocated Costs		(1,700)	(1,033)	(1,073)	(2,106)	(1,007)	(1,118)	(2,125)	(1,073)	(1,230)	(2,303)	(1,064)	(1,274)	(2,338)	(1,069)	(1,276)	(2,345)	(2,313)	(2,392)
NESTLÉ EPS		2013	1H14	2H14	2014	1H15	2H15	2015	1H16	2H16	2016	1H17	2H17	2017	1H18E	2H18E	2018E	2019E	2020E
Underlying EPS		3.55	1.57	1.87	3.44	1.56	1.75	3.31	1.65	1.75	3.40	1.68	1.87	3.55	1.82	1.99	3.81	4.12	4.43
YoY change		7.5%	-7.4%	0.8%	-3.1%	-0.4%	-6.6%	-3.8%	5.5%	0.1%	2.6%	2.1%	6.8%	4.5%	8.2%	6.8%	7.4%	8.1%	7.4%
DPS		2.15			2.20			2.25			2.30			2.35			2.47	2.63	2.82
YoY change		4.9%			2.3%			2.3%			2.2%			2.2%			5.1%	6.5%	7.3%

Source: Company reports, UBS estimates

Figure 9: Nestlé key financials

NESTLÉ KEY FINANCIALS		2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Net sales	CHFm	89,721	92,158	91,612	88,785	89,469	89,791	90,082	92,502	95,674
Reported growth	%	7.3%	2.7%	-0.6%	-3.1%	0.8%	0.4%	0.3%	2.7%	3.4%
FX	%	1.7%	-3.6%	-5.6%	-7.4%	-1.6%	-0.1%	-2.5%	-0.9%	-0.7%
Net M&A	%	-0.3%	1.8%	0.5%	0.1%	-0.8%	-1.9%	-0.2%	-0.1%	0.0%
Organic	%	5.9%	4.6%	4.5%	4.2%	3.2%	2.4%	3.0%	3.7%	4.1%
Gross profit	CHFm	42,221	44,047	44,059	44,055	45,270	44,868	46,042	47,544	49,375
% of sales	%	47.1%	47.8%	48.1%	49.6%	50.6%	50.0%	51.1%	51.4%	51.6%
Marketing & admin	CHFm	(19,041)	(19,711)	(19,651)	(20,744)	(21,485)	(20,540)	(21,169)	(21,553)	(22,292)
% of sales	%	21.2%	21.4%	21.5%	23.4%	24.0%	22.9%	23.5%	23.3%	23.3%
Other opex	€m	(9,220)	(9,444)	(9,592)	(9,279)	(9,478)	(9,599)	(9,569)	(9,737)	(9,879)
% of sales	%	10.3%	10.2%	10.5%	10.5%	10.6%	10.7%	10.6%	10.5%	10.3%
Underlying Trading EBIT	CHFm	13,960	14,892	14,816	14,032	14,307	14,729	15,304	16,254	17,203
% of sales	%	15.6%	16.2%	16.2%	15.8%	16.0%	16.4%	17.0%	17.6%	18.0%
YoY change (bps)	bps	(25) bps	60 bps	1 bps	(37) bps	19 bps	41 bps	59 bps	58 bps	41 bps
Restructuring	CHFm	(496)	(845)	(797)	(650)	(614)	(1,496)	(1,211)	(648)	(574)
% of sales	%	0.6%	0.9%	0.9%	0.7%	0.7%	1.7%	1.3%	0.7%	0.6%
Trading EBIT	CHFm	13,464	14,047	14,019	13,382	13,693	13,233	14,093	15,607	16,629
% of sales	%	15.0%	15.2%	15.3%	15.1%	15.3%	14.7%	15.6%	16.9%	17.4%
YoY change (bps)	bps	2 bps	24 bps	6 bps	(23) bps	23 bps	(57) bps	91 bps	123 bps	51 bps
Reported EBIT	CHFm	13,388	13,068	10,905	12,408	13,163	10,112	13,913	15,422	16,438
% of sales	%	14.9%	14.2%	11.9%	14.0%	14.7%	11.3%	15.4%	16.7%	17.2%
Net interest expense	CHFm	(705)	(631)	(637)	(624)	(637)	(619)	(696)	(799)	(927)
Underlying Tax	CHFm	(3,574)	(3,804)	(3,838)	(3,704)	(3,803)	(3,844)	(3,652)	(3,864)	(4,069)
Tax rate	%	27.0%	26.7%	27.1%	27.6%	27.8%	27.2%	25.0%	25.0%	25.0%
Assoc/minorities/other	CHFm	844	871	627	649	632	713	562	585	620
Underlying net profit	CHFm	10,525	11,328	10,968	10,353	10,499	10,979	11,518	12,177	12,827
YoY change (%)	%	5.6%	7.6%	-3.2%	-5.6%	1.4%	4.6%	4.9%	5.7%	5.3%
Reported net profit	CHFm	10,228	10,015	14,456	9,066	8,531	7,183	10,435	11,509	12,208
YoY change (%)	%	7.8%	-2.1%	44.3%	-37.3%	-5.9%	-15.8%	45.3%	10.3%	6.1%
Underlying EPS	CHF	3.30	3.55	3.44	3.31	3.40	3.55	3.81	4.12	4.43
YoY change (%)	%	5.9%	7.5%	-3.1%	-3.8%	2.6%	4.5%	7.4%	8.1%	7.4%
Reported EPS	CHF	3.21	3.14	4.54	2.90	2.76	2.32	3.46	3.90	4.21
% change y/y	%	8.1%	-2.2%	44.7%	-36.2%	-4.8%	-15.8%	48.7%	12.8%	8.1%
DPS	CHF	2.05	2.15	2.20	2.25	2.30	2.35	2.47	2.63	2.82
% change y/y	%	5.1%	4.9%	2.3%	2.3%	2.2%	2.2%	5.1%	6.5%	7.3%
Underlying EBITDA	CHFm	17,009	18,057	17,874	17,210	17,439	17,956	18,637	19,769	20,839
Net (Debt)/Cash	CHFm	(18,120)	(14,690)	(12,325)	(15,425)	(13,913)	(17,875)	(21,697)	(24,065)	(26,081)
Net Debt/EBITDA	x	1.1x	0.8x	0.7x	0.9x	0.8x	1.0x	1.2x	1.2x	1.3x
FCF	CHFm	9,905	10,486	14,137	9,945	10,108	8,509	10,438	11,857	12,784
Share buyback	CHFm	0	0	1,645	5,489	0	3,487	6,000	5,000	5,000

Source: Company reports, UBS estimates

UPSIDE / DOWNSIDE SPECTRUM

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Nestle is trading
at CHF75.70
(as of 15 February).

Value drivers	2018-20E organic sales	2020 U/L EBIT margin	2020E ND/EBITDA	Underlying 2020 EPS	Implied 2020E target multiple
CHF 95 upside	4.5%	19.0%	1.5x	4.90	19.5x
CHF 80 base	3.6%	18.0%	1.3x	4.43	18.0x
CHF 68 downside	3.0%	17.0%	1.3x	4.10	16.5x

Source: UBS

Upside (CHF95): Our upside scenario assumes faster-than-expected recovery in organic sales driven by a recovery in the US; and 19% EBIT margin in 2020 from larger-than-expected cost savings and/or a higher drop-through of the savings to the margin line. We also assume Nestlé spends CHF23bn in M&A (valued at 3x EV/Sales). The source of cash consists of (i) CHF13bn from levering up to 1.5x net debt/EBITDA; and (ii) CHF10bn from disposals (based on 5% of sales, equivalent to a quarter of the 20% sales not ranked #1/#2; and valued at 2.0x EV/Sales). Under our upside scenario, we reach a valuation of CHF95, which implies a 19.5x FY20E PE – an 18% premium to EU Staples. Such a premium could be justified if deals structurally improve Nestlé's top-line growth and profitability above its peer group.

Base (CHF80): This is the base case for our published earnings forecasts and price target. We forecast gradually improving organic sales (+3.0% in 18E, +3.7% in 19E and +4.1% in 20E), as strategic investments start bearing fruit. However, we see some near-term headwinds that might hold back Nestlé's top-line progress in 2018. We expect planned cost savings to come through, with +50bps pa uplift in underlying EBIT margin in 2018-20E. Our PT of CHF80 is primarily based on DCF assuming a 7.8% WACC and 2.5% terminal growth. This implies FY20E PE of 18x. We assume buybacks (CHF20bn over 2017-20E) as part of Nestlé's announced CHF20bn buyback plan; but make no M&A assumptions in our model.

Downside (CHF68): It is possible the Staples sector could continue to de-rate with bond yields continuing to rise; and/or that Nestlé's organic sales and EBIT margin progression underperforms our expectations (for example, ongoing price weakness could offset any potential upside from strong growth in Nespresso in the US; or unforeseen changes in commodities could hamper margin progress). A stagnating top-line growth (+3%) coupled with flattish EBIT margin at 17% could present -7% downside to our base case 2020E EPS. In this scenario, our valuation would imply CHF70, or a 17x FY20E PE multiple – in-line with EU Staples.

We would like to thank Rishika Garg, our support service professional, in assisting with the preparation of this research report.

COMPANY DESCRIPTION

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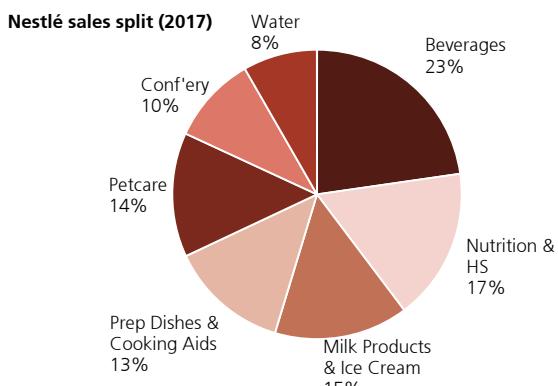
Nestlé is one of the largest global fast-moving consumer goods companies. Its operations encompass Powdered and Liquid Beverages (22% of total revenue), Nutrition and Health Science (17%), Milk Products & Ice Cream (16%), Prepared Dishes/Cooking Aids (14%), Petcare (13%), Confectionery (10%) and Waters (8%). In 2016, 42% of sales were generated in emerging markets. Major brands include Nescafé, Nespresso, Nido, Vittel, KitKat, Maggi and Purina.

Industry outlook

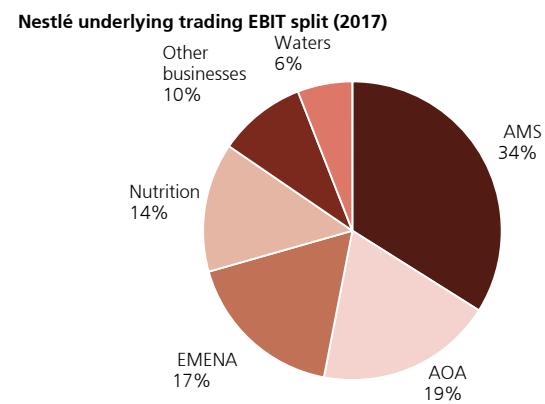
Fragmentation and decelerating organic sales growth (to 2-3% from 5-6%) in the Food/HPC sector has sparked debate over whether the sector is entering a 'new normal'. We continue to see mid-single-digit medium-term growth in the global food & beverage categories overall; however we believe companies need to shift their portfolios into faster-growth segments (which we think they can, given their healthy balance sheets and cash flow generation). A mid-single-digit organic sales growth with modest margin progression and positive cash flow suggests the sector is well-placed to generate steady, sustainable high-single-digit EPS growth in constant currencies.

Source for the exhibits: Company reports

Revenues by product segment (2017)



EBIT by divisions (2017)



Nestlé (NESN.S)

Income statement (CHFm)	12/15	12/16	12/17	12/18E	% ch	12/19E	% ch	12/20E	12/21E	12/22E
Revenues	88,785	89,469	89,791	90,082	0.3	92,502	2.7	95,674	98,956	102,353
Gross profit	44,055	45,270	44,868	46,042	2.6	47,544	3.3	49,375	51,256	53,209
EBITDA (UBS)	17,210	17,439	17,956	18,637	3.8	19,769	6.1	20,839	21,741	22,579
Depreciation & amortisation	(3,178)	(3,132)	(3,227)	(3,333)	3.3	(3,515)	5.5	(3,636)	(3,760)	(3,787)
EBIT (UBS)	14,032	14,307	14,729	15,304	3.9	16,254	6.2	17,203	17,981	18,792
Associates & investment income	988	770	824	1,010	22.6	1,081	7.0	1,146	1,214	1,287
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(624)	(637)	(619)	(696)	-12.4	(799)	-14.8	(927)	(993)	(987)
Exceptionals (incl goodwill)	(1,624)	(1,144)	(4,617)	(1,391)	69.9	(833)	40.1	(765)	(693)	(716)
Profit before tax	12,772	13,296	10,317	14,227	37.9	15,703	10.4	16,657	17,510	18,375
Tax	(3,305)	(4,413)	(2,779)	(3,304)	-18.9	(3,656)	-10.6	(3,878)	(4,074)	(4,272)
Profit after tax	9,467	8,883	7,538	10,923	44.9	12,048	10.3	12,779	13,436	14,103
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(401)	(352)	(355)	(488)	-37.5	(538)	-10.3	(571)	(600)	(630)
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	9,066	8,531	7,183	10,435	45.3	11,509	10.3	12,208	12,835	13,473
Net earnings (UBS)	10,353	10,526	11,000	11,518	4.7	12,177	5.7	12,827	13,403	14,061
Tax rate (%)	25.9	33.2	26.9	23.2	-13.8	23.3	0.2	23.3	23.3	23.2
Per share (CHF)	12/15	12/16	12/17	12/18E	% ch	12/19E	% ch	12/20E	12/21E	12/22E
EPS (UBS, diluted)	3.30	3.40	3.55	3.81	7.2	4.11	8.1	4.41	4.66	4.91
EPS (local GAAP, diluted)	2.89	2.75	2.32	3.45	48.7	3.89	12.7	4.20	4.46	4.70
EPS (UBS, basic)	3.31	3.41	3.56	3.81	7.2	4.12	8.1	4.43	4.68	4.92
Net DPS (CHF)	2.25	2.30	2.35	2.47	5.1	2.63	6.5	2.82	3.00	3.16
Cash EPS (UBS, diluted) ¹	4.31	4.41	4.59	4.91	6.9	5.30	8.0	5.67	5.97	6.23
Book value per share	19.54	20.85	20.12	19.36	-3.8	19.36	0.0	19.39	20.73	21.44
Average shares (diluted)	3,136.00	3,097.00	3,098.00	3,026.10	-2.3	2,960.66	-2.2	2,905.94	2,875.04	2,866.08
Balance sheet (CHFm)	12/15	12/16	12/17	12/18E	% ch	12/19E	% ch	12/20E	12/21E	12/22E
Tangible fixed assets	26,576	27,554	27,775	28,442	2.4	29,497	3.7	30,492	31,324	32,223
Intangible fixed assets	52,008	53,404	50,363	50,267	-0.2	50,315	0.1	50,368	50,425	50,501
Investments	8,675	10,709	11,628	11,728	0.9	11,828	0.9	11,928	12,028	12,128
Other assets	7,299	8,192	8,424	8,424	0.0	8,424	0.0	8,424	8,424	8,424
Total fixed assets	94,558	99,859	98,190	98,861	0.7	100,064	1.2	101,212	102,201	103,276
Net working capital	(63)	(2,653)	(1,921)	(1,811)	5.7	(1,924)	-6.2	(2,050)	(2,084)	(2,120)
Cash	4,884	7,990	7,938	7,116	-10.4	9,748	37.0	12,732	14,986	17,361
Short term debt	(8,708)	(10,812)	(9,881)	(9,881)	0.0	(9,881)	0.0	(9,881)	(9,881)	(9,881)
Long term debt	(11,601)	(11,091)	(15,932)	(18,932)	-18.8	(23,932)	-26.4	(28,932)	(28,932)	(28,932)
Preferred shares	0	0	0	0	-	0	-	0	0	0
Net (debt) / cash	(15,425)	(13,913)	(17,875)	(21,697)	-21.4	(24,065)	-10.9	(26,081)	(23,827)	(21,452)
Other debt-deemed liabilities	(7,691)	(8,420)	(7,111)	(7,111)	0.0	(7,111)	0.0	(7,111)	(7,111)	(7,111)
Provisions & non-debt deemed liabs	(7,393)	(8,892)	(8,506)	(8,506)	0.0	(8,506)	0.0	(8,506)	(8,506)	(8,506)
Total equity	63,986	65,981	62,777	59,736	-4.8	58,458	-2.1	57,464	60,673	64,087
Minority interests	(1,648)	(1,391)	(1,273)	(1,273)	0.0	(1,273)	0.0	(1,273)	(1,273)	(1,273)
Common s/h equity	62,338	64,590	61,504	58,463	-4.9	57,185	-2.2	56,191	59,400	62,814
Operating invested capital	78,427	77,605	76,135	76,816	0.9	77,806	1.3	78,728	79,583	80,522
Total capital employed	87,102	88,314	87,763	88,544	0.9	89,634	1.2	90,656	91,611	92,650
Cash flow (CHFm)	12/15	12/16	12/17	12/18E	% ch	12/19E	% ch	12/20E	12/21E	12/22E
EBIT (UBS)	14,032	14,307	14,729	15,304	3.9	16,254	6.2	17,203	17,981	18,792
Depreciation & amortisation	3,178	3,132	3,227	3,333	3.3	3,515	5.5	3,636	3,760	3,787
Net change in working capital	493	1,855	150	(110)	-	113	-	126	34	36
Net interest	(624)	(637)	(619)	(696)	-12.4	(799)	-14.8	(927)	(993)	(987)
Tax paid	(3,310)	(3,435)	(3,666)	(3,304)	9.9	(3,656)	-10.6	(3,878)	(4,074)	(4,272)
Other operating	(993)	(878)	(1,513)	(769)	49.2	(190)	75.3	(91)	21	40
Operating cash flow	12,776	14,344	12,308	13,758	1.4	15,238	11.1	16,069	16,730	17,396
Tangible capital expenditure	(3,872)	(4,010)	(3,934)	(3,964)	-0.8	(4,163)	-5.0	(4,210)	(4,156)	(4,248)
Intangible capital expenditure	(422)	(682)	(769)	(540)	29.7	(555)	-2.7	(574)	(594)	(614)
Equity free cash flow	8,482	9,652	7,605	9,253	21.7	10,520	13.7	11,286	11,980	12,534
Net (acquisitions) & disposals	(317)	(314)	(556)	500	-	0	-	0	0	0
Equity dividends paid	(6,950)	(6,937)	(7,126)	(7,476)	-4.9	(7,787)	-4.2	(8,202)	(8,627)	(9,058)
Share issues / (buybacks)	(6,377)	760	(3,295)	(6,000)	-82.1	(5,000)	16.7	(5,000)	(1,000)	(1,000)
Net other cash flows	1,082	(2,325)	(207)	(100)	51.7	(100)	0.0	(100)	(100)	(100)
Cash flow (inc)/dec in net debt	(4,080)	836	(3,579)	(3,822)	-6.8	(2,367)	38.1	(2,016)	2,254	2,375
FX / non cash items	980	676	(383)	0	-	0	-	0	0	0
Balance sheet (inc)/dec in net debt	(3,100)	1,512	(3,962)	(3,822)	3.5	(2,367)	38.1	(2,016)	2,254	2,375

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.¹ Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Nestlé (NESN.S)

	12/15	12/16	12/17	12/18E	12/19E	12/20E	12/21E	12/22E
Valuation (x)								
P/E (local GAAP, diluted)	25.2	26.7	34.6	22.0	19.5	18.0	17.0	16.1
P/E (UBS, diluted)	22.1	21.6	22.6	19.9	18.4	17.2	16.2	15.4
P/CEPS	16.8	16.6	17.4	15.4	14.3	13.3	12.6	12.1
Equity FCF (UBS) yield %	3.7	4.1	3.1	4.0	4.5	4.9	5.2	5.4
Net dividend yield (%)	3.1	3.1	2.9	3.3	3.5	3.7	4.0	4.2
P/BV x	3.7	3.5	4.0	3.9	3.9	3.9	3.7	3.5
EV/revenues (core)	2.9	2.9	3.1	2.9	2.9	2.8	2.7	2.6
EV/EBITDA (core)	14.9	14.8	15.3	14.0	13.4	12.8	12.1	11.6
EV/EBIT (core)	18.3	18.0	18.6	17.1	16.2	15.5	14.7	13.9
EV/OpFCF (core)	19.3	19.2	19.6	17.8	16.9	16.0	15.0	14.3
EV/op. invested capital	3.2	3.3	3.6	3.4	3.4	3.4	3.3	3.3
Enterprise value (CHFm)	12/15	12/16	12/17	12/18E	12/19E	12/20E	12/21E	12/22E
Market cap.	232,309	234,177	248,252	231,583	231,583	231,583	231,583	231,583
Net debt (cash)	15,425	13,913	17,875	21,697	24,065	26,081	23,827	21,452
Buy out of minorities	1,648	1,391	1,273	1,273	1,273	1,273	1,273	1,273
Pension provisions/other	7,691	8,420	7,111	7,111	7,111	7,111	7,111	7,111
Total enterprise value	257,073	257,901	274,511	261,664	264,031	266,047	263,794	261,419
Non core assets	0	0	0	0	0	0	0	0
Core enterprise value	257,073	257,901	274,511	261,664	264,031	266,047	263,794	261,419
Growth (%)	12/15	12/16	12/17	12/18E	12/19E	12/20E	12/21E	12/22E
Revenue	-3.1	0.8	0.4	0.3	2.7	3.4	3.4	3.4
EBITDA (UBS)	-3.7	1.3	3.0	3.8	6.1	5.4	4.3	3.9
EBIT (UBS)	-5.3	2.0	2.9	3.9	6.2	5.8	4.5	4.5
EPS (UBS, diluted)	-3.8	3.0	4.5	7.2	8.1	7.3	5.6	5.2
Net DPS	2.3	2.2	2.2	5.1	6.5	7.3	6.3	5.3
Margins & Profitability (%)	12/15	12/16	12/17	12/18E	12/19E	12/20E	12/21E	12/22E
Gross profit margin	49.6	50.6	50.0	51.1	51.4	51.6	51.8	52.0
EBITDA margin	19.4	19.5	20.0	20.7	21.4	21.8	22.0	22.1
EBIT margin	15.8	16.0	16.4	17.0	17.6	18.0	18.2	18.4
Net earnings (UBS) margin	11.7	11.8	12.3	12.8	13.2	13.4	13.5	13.7
ROIC (EBIT)	17.3	18.3	19.2	20.0	21.0	22.0	22.7	23.5
ROIC post tax	12.6	13.6	14.3	15.1	15.8	16.5	17.1	17.7
ROE (UBS)	15.6	16.6	17.4	19.2	21.1	22.6	23.2	23.0
Capital structure & Coverage (x)	12/15	12/16	12/17	12/18E	12/19E	12/20E	12/21E	12/22E
Net debt / EBITDA	0.9	0.8	1.0	1.2	1.2	1.3	1.1	1.0
Net debt / total equity %	24.1	21.1	28.5	36.3	41.2	45.4	39.3	33.5
Net debt / (net debt + total equity) %	19.4	17.4	22.2	26.6	29.2	31.2	28.2	25.1
Net debt/EV %	6.0	5.4	6.5	8.3	9.1	9.8	9.0	8.2
Capex / depreciation %	135.3	143.5	137.9	134.5	133.9	131.0	125.0	126.9
Capex / revenue %	4.4	4.5	4.4	4.4	4.5	4.4	4.2	4.2
EBIT / net interest	22.5	22.5	23.8	22.0	20.3	18.6	18.1	19.0
Dividend cover (UBS)	1.5	1.5	1.5	1.5	1.6	1.6	1.6	1.6
Div. payout ratio (UBS) %	68.0	67.5	66.1	64.8	63.8	63.8	64.2	64.2
Revenues by division (CHFm)	12/15	12/16	12/17	12/18E	12/19E	12/20E	12/21E	12/22E
Others	88,785	89,469	89,791	90,082	92,502	95,674	98,956	102,353
Total	88,785	89,469	89,791	90,082	92,502	95,674	98,956	102,353
EBIT (UBS) by division (CHFm)	12/15	12/16	12/17	12/18E	12/19E	12/20E	12/21E	12/22E
Others	14,032	14,307	14,729	15,304	16,254	17,203	17,981	18,792
Total	14,032	14,307	14,729	15,304	16,254	17,203	17,981	18,792

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+5.6%
Forecast dividend yield	3.3%
Forecast stock return	+8.9%
Market return assumption	4.1%
Forecast excess return	+4.8%

Valuation Method and Risk Statement

Nestlé's profitability is derived from sales to consumers and therefore is subject to variances in consumer income and confidence. As an international company, its results, as reported in Swiss francs, are subject to exchange rate movements. Nestlé has been actively acquiring and disposing operations and further such activity in the future could impact financial performance, both on the upside and the downside. Declining popularity of the confectionary category and competitive pressures are other potential risks.

We set our price target using a combination of (1) DCF, to drive our absolute valuations, and (2) our views on where the stocks should trade relative to each other and to the European Staples sector. We consider execution, organic sales growth, profitability, EPS growth, ROIC and portfolio transformation optionality in forming our views on the relative premium/discount each stock deserves. Our Nestlé PT of CHF80 based primarily on a DCF, assuming a WACC of 7.8% and a terminal FCF growth assumption of 2.5%. This implies 19E PE of 19.5x.

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12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	46%	27%
Neutral	FSR is between -6% and 6% of the MRA.	39%	24%
Sell	FSR is > 6% below the MRA.	16%	13%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 December 2017.

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Danone	DANO.PA	Buy	N/A	€64.12	15 Feb 2018
Nestlé ^{4, 5, 6a, 6b, 7, 22}	NESN.S	Neutral	N/A	CHF75.70	15 Feb 2018

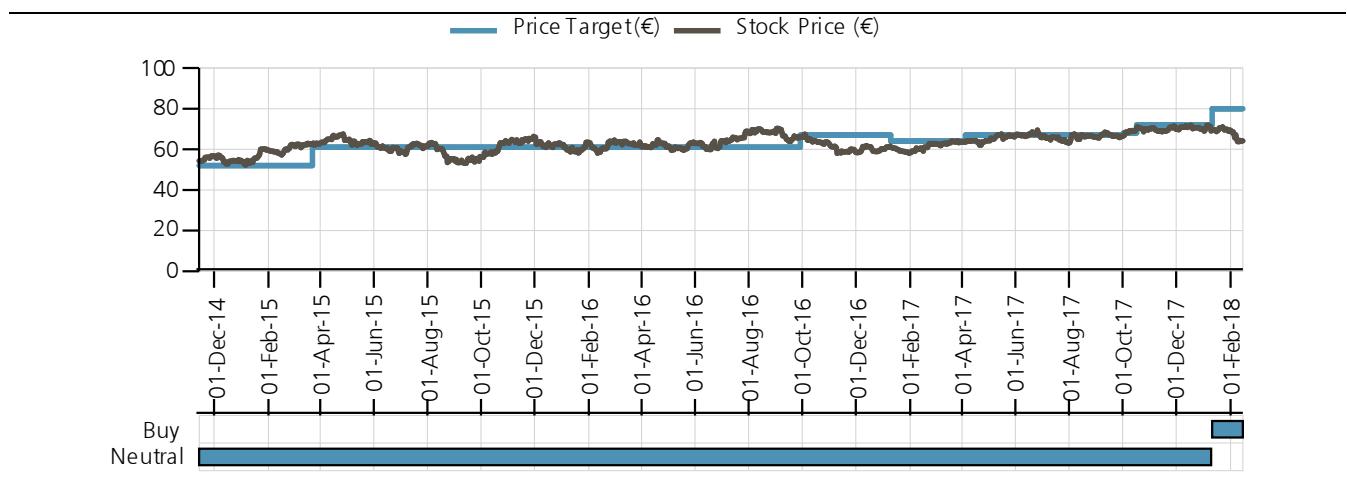
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Danone (€)

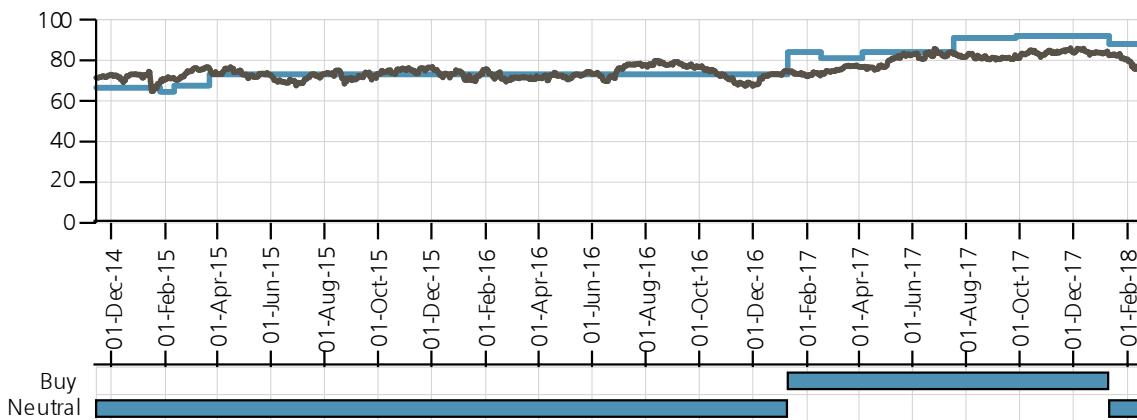


Date	Stock Price (€)	Price Target (€)	Rating
2014-11-14	54.33	52.0	Neutral
2015-03-23	62.66	61.0	Neutral
2016-09-29	65.84	67.0	Neutral
2017-01-10	61.2	64.0	Neutral
2017-04-05	63.6	67.0	Neutral
2017-10-02	66.73	68.0	Neutral
2017-10-17	70.7	72.0	Neutral
2018-01-11	69.44	80.0	Buy

Source: UBS; as of 15 Feb 2018

Nestlé (CHF)

— Price Target(CHF) — Stock Price (CHF)



Date	Stock Price (CHF)	Price Target (CHF)	Rating
2014-11-14	71.45	66.5	Neutral
2015-01-26	69.2	64.5	Neutral
2015-02-11	70.9	67.5	Neutral
2015-03-23	75.95	73.0	Neutral
2017-01-10	74.3	84.0	Buy
2017-02-17	73.85	81.0	Buy
2017-04-05	76.5	84.0	Buy
2017-07-18	83.0	91.0	Buy
2017-09-27	81.55	92.0	Buy
2018-01-11	82.4	88.0	Neutral

Source: UBS; as of 15 Feb 2018

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| Food Producers | 12m target downgrade | Switzerland | [@ Go to SG website](#)

Nestlé SA

2020 topline target now a real stretch (+ 15 questions for management)

Hold

Price 14/02/18	CHF77.3
12m target	CHF82.0
Upside to TP	6.1%
12m f'cast div	CHF2.20
12m TSR	8.9%

Main changes since last report

Target (CHF)	↓ 82.0	(89.0)
EPS 18e (CHF)	↓ 3.84 (3.92)	-2.2%
EPS 19e (CHF)	↓ 4.24 (4.32)	-2.0%
EPS 20e (CHF)	4.67	nc
new vs (old)		nc: no change

Preferred stock

BN FP, UNA NA, CHR DC

Least preferred stock

PFD LN, ARYN VX

SG strategy team sector weighting
Neutral

Share price performance



Perf. (%)	1m	3m	12m	ytd
Share	-6.3	-7.9	5.9	-7.7
Rel. index*	-0.3	-7.1	-3.6	-5.2
Rel. sector**	-1.6	-3.2	6.5	-1.7

* MSCI World (\$)
** MSCI World Food Product (\$)

RIC NESN.S, Bloom NESN VX

52-week range	86.0-72.5
EV 18 (CHFm)	232,977
Mkt cap. (CHFm)	242,012
Free float (%)	100.0
No. shares o/s (m)	3130
Avg vol. 3m (No. shares)	6,133,707

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1.9% organic growth in 4Q was Nestlé's slowest growth since 2009 and makes its target of MSD growth by 2020 more of a stretch. Its overweight position in the US has been a drag and whilst the comment that the US is improving is encouraging, we will wait to see if it materialises. Pricing was weak despite CHF900m of input cost inflation. We continue to prefer Unilever as a better way to position for EM recovery. Hold. TP CHF82

Weak topline performance in 4Q Nestlé said at the 9M17 stage that FY17 OG would be similar to 9M (i.e. 2.6%) but it was materially lower, 2.4% in the year and <2% in 4Q. The four culprits were the US, Brazil, Nestlé Waters and Nutrition. We were particularly disappointed by only 1% growth from Nutrition, one of its "high growth" categories. Nutrition has moved from being globally to regionally managed, which will help but it should have been done sooner, in our view. Growth in its key coffee and petfood divisions is also trending below historic levels. These issues are being addressed, but the CEO reiterated will take time. New acquisitions will boost growth 12m after deal closure when they move into OG. Nestlé is making progress de-layering the organisation and improving speed to market, crucial for its innovation and renovation efforts. However market shares have still not improved from the 1H17 stage. EMENA was one of the few bright spots, posting 3% OG for the second consecutive quarter. Nestlé guided to 2-4% OG in 2018, but will narrow the range during the year. Q118 should benefit from the later Chinese new year and early Easter, but on the flip side will be impacted by one less trading day.

Margin beat Nestlé's underlying trading operating margin in 2017 rose 40bp (consensus 20bp) to 16.4%, which positions it well to achieve its 2020 target of 17.5%-18.5%. Structural cost savings are finally coming through (-40bp to 19.2% of sales). Management expects slight input cost deflation in 2018 (vs CHF900m inflation in 2017) which should mean that its stepped up cost savings flow faster into margins. We forecast 60bp margin improvement in 2018 to 17.0% (before CHF700m of restructuring charges).

Portfolio Nestlé reiterated that c.10% of turnover would be bought/sold. The sale of US confectionery and acquisition of Atrium is 2% and the announcement of the sale of Gerber Life is another 1%, so still another 7% to go (equivalent to >CHF6bn of turnover). There was a hint that it wouldn't participate in Merck KG or Pfizer OTC auctions. Nestlé will not renew the shareholder pact with the Bettencourts when it comes due next month.

SG estimates We cut our FY18/19 EPS estimates by 2%, mainly on lower OG estimates. The company has flagged tax benefits in the US, but these are offset by higher interest.

Valuation We reduce our valuation premium from 10% to 5% (vs. Staples) due to top line weakness. This implies a multiple of 19.4x on 2019 P/E and yields our new TP of CHF82.

Financial data	12/17				Ratios				12/17					
	12/18e	12/19e	12/20e	12/18e	12/19e	12/20e	12/18e	12/19e	12/20e	12/18e	12/19e	12/20e		
Revenues (CHFbn)	89.8	92.5	95.7	99.4	P/E (x)	22.6	20.2	18.3	NA	FCF yield (/EV) (%)	4.7	5.8	6.2	NA
Rev. yoy growth (%)	0.4	3.0	3.5	3.9	Dividend yield (%)	2.9	3.2	3.4	NA	Price/book value (x)	4.03	3.61	3.33	NA
EBIT margin (%)	16.4	17.0	17.6	18.3	EV/revenues (x)	2.71	2.52	2.40	NA	EV/EBIT (x)	16.5	14.8	13.6	NA
Rep. net inc. (CHFbn)	8.68	11.4	12.4	13.5	EV/IC (x)	3.2	3.1	3.0	NA	ROIC/WACC (x)	2.0	2.2	2.4	2.6
EPS (adj.) (CHF)	3.55	3.84	4.24	4.67	Net Debt/EBITDA (x)	1.01	0.98	0.92	0.85					
EPS yoy growth (%)	4.5	8.0	10.4	10.2										
Dividend/share (CHF)	2.35	2.49	2.64	2.80										
Dividend yoy growth (%)	2.3	6.0	6.0	6.0										
Payout (%)	66	65	62	60										

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SG forecasts

We cut our FY18 OSG estimate from 3.6% to 3.2% as growth continues to be weak in the Americas region, North America in particular where the company has flagged weakness in infant nutrition, frozen food and ice cream. We expect some recovery driven by the relaunch of the Gerber brand and improvement in underlying markets, in general, but this is likely to be a 2H story. Also, we did not see a significant acceleration from emerging markets in 2H-17, which we have seen from other staples companies such as Unilever or Pernod Ricard. This is a key investment theme for us this year.

Our margin estimates remain largely unchanged and we estimate underlying EBIT margin of 17.0% which implies 60bp expansion in FY18 (was 50bp) and the 10bp increase is largely driven by pro-rating the FY17 margin beat.

On tax, Nestlé said that the reduction in US corporate tax rate would result in a 200bp reduction in group tax rate and we adjust our tax estimates accordingly. However, this is offset by an increase in interest expense resulting from higher net debt which was c.CHF18bn at the end of FY17 and was ahead of our expectations.

Overall, this results in a 2% downgrade to our FY18 EPS to CHF 3.84 vs. CHF 3.92 previously and a similar impact on FY19 EPS.

Change in FY18 estimates

FY18 estimate	Previous	Current
RIG	2.5%	2.3%
Pricing	1.1%	0.9%
Organic growth	3.6%	3.2%
Underlying Trading Operating Margin	16.9%	17.0%
Net financial expense (CHF, mn)	500	700
Underlying tax rate	27.5%	25.5%
Adj. EPS (CHF)	3.92	3.84

Source: SG Cross Asset Research/Equity

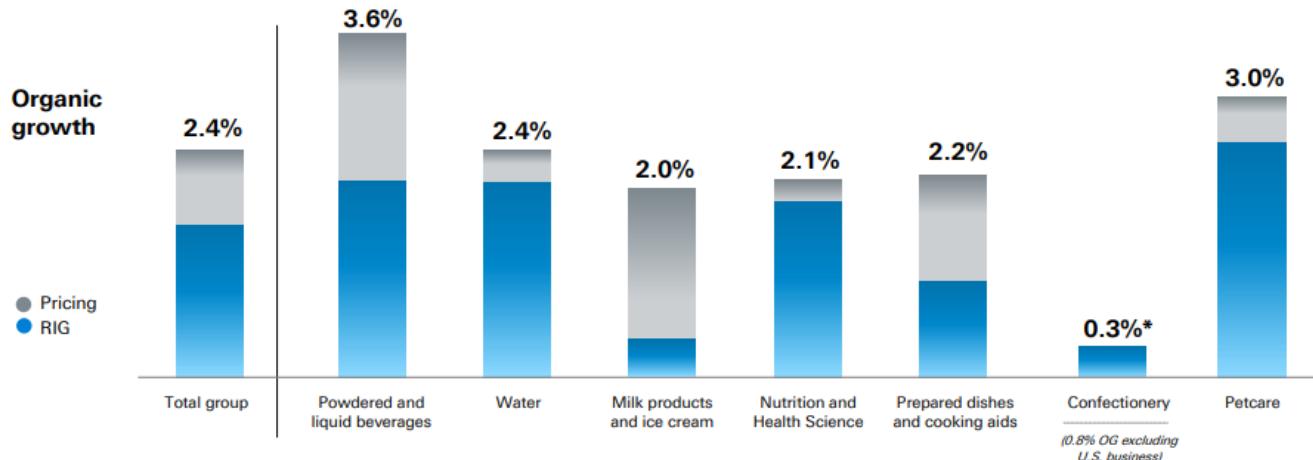
Valuation

We previously valued Nestlé on a 10% premium to global staples but reduce it to a 5% premium as the company's top line remains challenged and is unable to capitalise in the rebound in Ems that peers are seeing. This puts something of a lid on its relative growth potential compared to some of our preferred names such as Unilever, Danone, Heineken, Pernod and Mondelez.

Additionally, the global staples sector has de-rated as bond yields have been rising, taking the sector multiple to 18.5x (was 19x). This implies a 2019 P/E multiple of 19.4x which when applied to our 2019 EPS estimate of CHF4.24 yields a TP of CHF82 (was CHF89). Hold reiterated.

Key charts from Nestlé's FY17 presentation

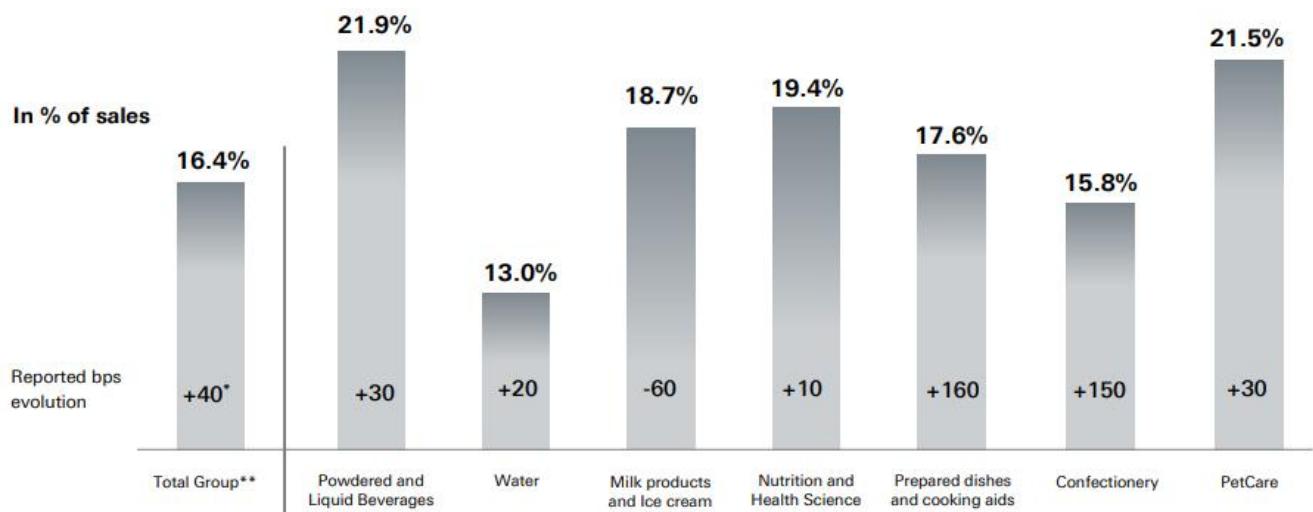
FY17 OSG by category



* Comprised of +1.4% RIG and -1.1% pricing

Source: Company presentations

FY17 underlying EBIT margin by category

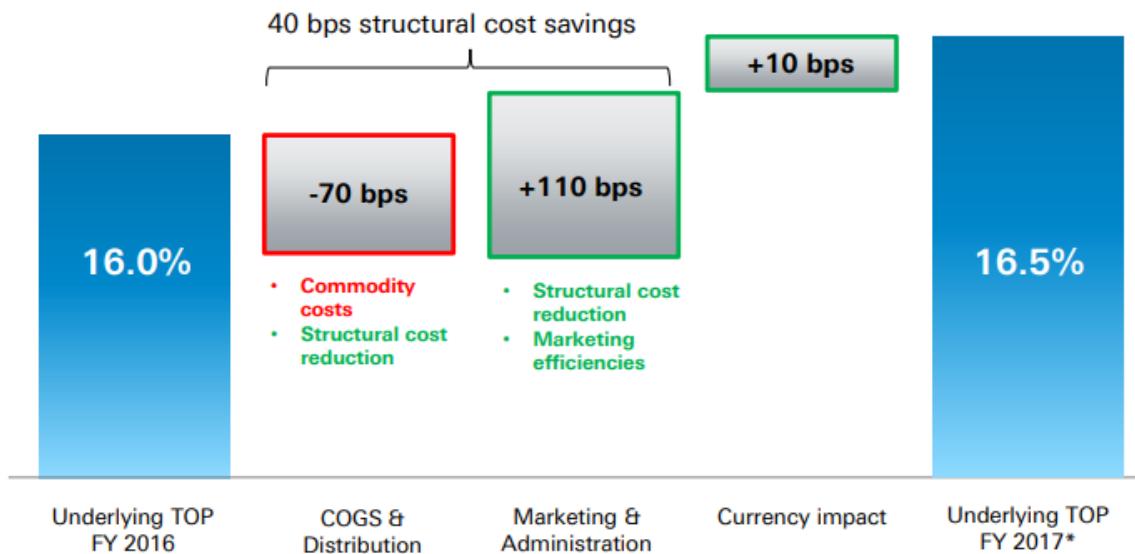


*Underlying TOP +40 bps as reported, +50 bps in constant currency

**Includes Central (unallocated) costs

Source: Company presentations

FY17 group underlying EBIT margin bridge – cost savings offset commodity headwinds



*In constant currency

Source: Company presentations

Nestlé's M&A activity in since 2017 – shifting mix towards higher-growth categories



Source: Company presentations

FY18 outlook – on track to 2020 targets

2018 priorities

- Maintain volume growth
- Margin improvement, in line with our 2020 target
- Continued focus on structural savings program
- Capital efficiency

2018 outlook

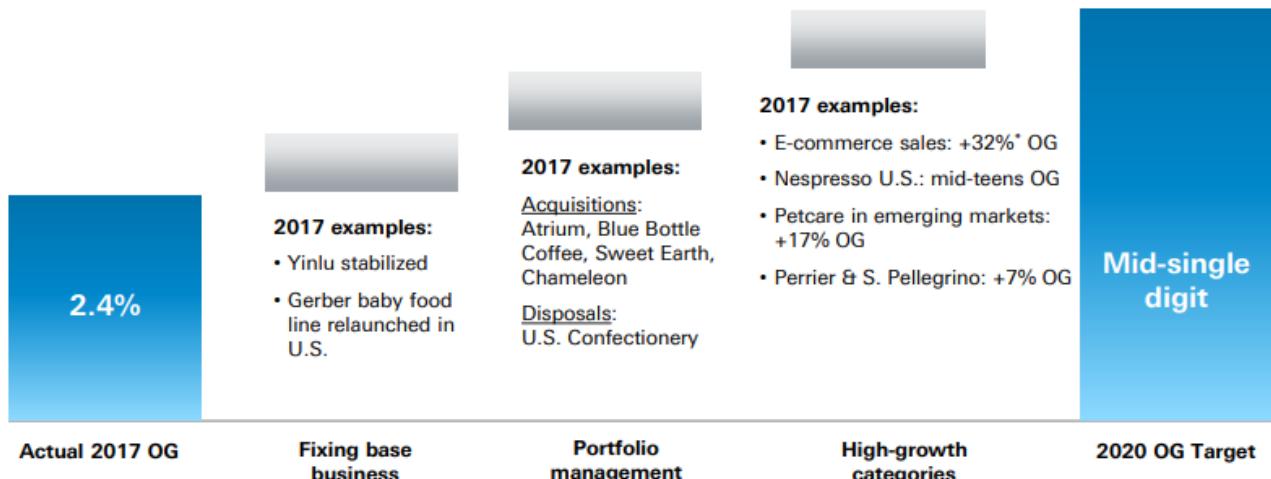
- Organic sales growth of 2% to 4%
- Underlying trading operating margin improvement
- Restructuring costs* of around CHF 700m
- Increase in underlying EPS** and capital efficiency

* Not including impairment of fixed assets, litigation and onerous contracts

** In constant currency

Source: Company presentations

Path to FY20 target of mid-single-digit OSG



* Excluding Nespresso

Source: Company presentations

Nestlé Quarters

Quarterly OSG by geography

		1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Zone Europe EMEA	RIG	3.1%	2.9%	2.2%	2.5%	1.7%	-0.6%	3.0%	2.6%
Zone Europe EMEA	Europe Pricing	0.1%	-0.9%	-0.8%	-1.1%	0.0%	0.8%	0.6%	0.9%
Zone Europe EMEA	Organic Growth	3.2% ▲	2.0%	1.4%	1.4%	1.7%	0.3%	3.6% ▲	3.5%
Zone Europe EMEA	Sales	3,990	4,101	4,064	4,094	3,988	3,812	4,021	4,714
Zone Americas	AMS RIG	2.7%	2.3%	0.0%	0.6%	-1.4%	1.1%	1.2%	-0.1%
Zone Americas	AMS Pricing	2.3%	2.9%	3.5%	2.9%	1.8%	1.0%	0.1%	-0.2%
Zone Americas	Organic Growth	5.0% ▲	5.2%	3.5% ▲	3.5%	0.4%	2.1%	1.3% ▲	-0.3%
Zone Americas	Sales	5,835	6,271	6,699	7,551	6,398	6,916	7,176	7,989
Zone AOA	AOA RIG	1.7%	3.1%	3.4%	3.4%	3.0%	3.0%	4.9%	0.8%
Zone AOA	AOA Pricing	0.4%	-0.6%	0.3%	0.8%	1.5%	2.1%	1.6%	2.1%
Zone AOA	AOA Organic Growth	2.1% ▲	2.5%	3.7%	4.2%	4.5%	5.1%	6.5% ▲	2.9%
Zone AOA	Sales	3,554	3,545	3,472	3,922	3,955	3,947	3,951	4,371
Nestle Waters	RIG	5.8%	3.6%	3.9%	4.8%	2.6%	4.2%	-0.4%	0.8%
Nestle Waters	Water Pricing	-0.5%	-0.5%	0.2%	1.1%	0.5%	0.5%	-0.5%	0.9%
Nestle Waters	Organic Growth	5.3% ▲	3.1%	4.1%	5.9%	3.1%	4.7%	-0.9% ▲	1.7%
Nestle Waters	Sales	1,779	2,158	2,197	1,792	1,802	2,223	2,125	1,805
Nutrition	RIG	2.2%	0.0%	0.1%	1.1%	-0.4%	0.0%	1.6%	2.4%
Nutrition	Nutrition Pricing	0.4%	0.0%	1.3%	0.7%	1.5%	0.7%	-0.2%	-1.0%
Nutrition	Organic Growth	2.6% ▲	0.0%	1.4% ▲	1.8%	1.1%	0.7%	1.4% ▲	1.4%
Nutrition	Sales	2,588	2,583	2,536	2,619	2,591	2,593	2,527	2,650
Other F&B	RIG	4.5%	3.9%	3.7%	1.9%	6.4%	2.8%	6.1%	3.0%
Other	Other Pricing	0.7%	-0.7%	1.7%	-0.4%	-0.6%	-1.0%	1.8%	0.9%
Other	Organic Growth	5.2% ▲	3.2%	5.4%	1.5%	5.8%	1.8%	7.9% ▲	3.9%
Other	Sales	3,188	3,563	3,391	3,977	2,288	2,510	2,449	2,990
Group	RIG	3.0%	2.6%	1.9%	2.0%	1.3%	1.5%	2.6%	1.3%
Group	Nestle Pricing	0.9%	0.4%	1.4%	0.9%	1.0%	0.8%	0.5%	0.5%
Group	Organic Growth	3.9% ▲	3.0%	3.2% ▲	2.9%	2.3% ▲	2.3%	3.1% ▲	1.8%
Group	Sales	20,934	22,221	22,359	23,955	21,022	22,001	22,249	24,519

Source: SG Cross Asset Research/Equity

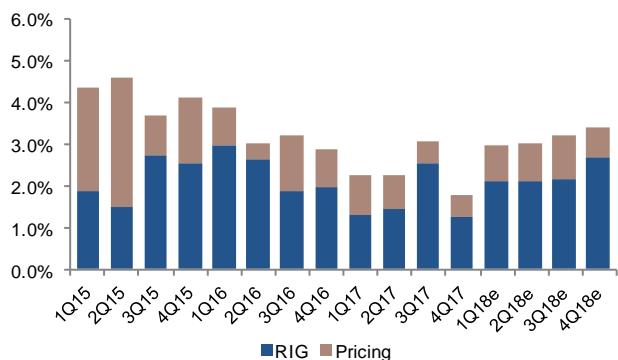
Quarterly OSG by category

		1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Powder & Liquid Bevs	Bevs RIG	5.2%	3.4%	3.7%	2.5%	2.2%	1.2%	2.6%	2.4%
Powder & Liquid Bevs	Bevs Pricing	1.1%	0.7%	0.6%	1.2%	1.4%	1.6%	1.5%	1.5%
Powder & Liquid Bevs	Organic Growth	6.3%	4.1%	4.3%	3.7%	3.6%	2.8%	4.1%	3.9%
Powder & Liquid Bevs	Sales	4,722	4,931	4,764	5,375	4,809	5,005	4,931	5,663
Nestle Waters	RIG	6.2%	4.4%	4.1%	5.3%	3.0%	2.9%	0.7%	1.5%
Nestle Waters	Pricing	-0.5%	-0.7%	0.6%	0.6%	0.4%	0.4%	0.0%	0.9%
Nestle Waters	Organic Growth	5.7%	3.7%	4.7%	5.9%	3.4%	3.3%	0.7%	2.4%
Nestle Waters	Sales	1,670	2,010	2,055	1,679	1,697	2,075	1,986	1,697
Milk & Ice Cream	RIG	2.2%	0.6%	-1.0%	0.2%	-0.5%	0.6%	2.1%	-0.8%
Milk & Ice Cream	Pricing	-0.7%	-0.7%	2.3%	3.5%	1.8%	2.4%	0.9%	1.3%
Milk & Ice Cream NEW	Organic Growth	1.5%	-0.1%	1.3%	3.7%	1.3%	3.0%	3.1%	0.5%
Milk & Ice Cream	Sales	3,217	3,774	3,788	3,552	3,086	3,413	3,392	3,556
Nutrition and Health Science	Nutrition RIG	2.8%	1.8%	1.7%	0.1%	2.3%	0.2%	3.3%	1.9%
Nutrition and Health Science	Pricing	1.0%	-0.6%	1.7%	-0.5%	0.8%	-0.4%	0.8%	-0.4%
Nutrition and Healthcare NF	Organic Growth	3.8%	1.2%	3.4%	-0.4%	3.1%	-0.2%	4.1%	1.5%
Nutrition & Health Science	Sales	3,518	3,846	3,658	4,016	3,650	3,826	3,721	4,060
Prepared Dishes	RIG	0.7%	3.1%	3.4%	0.8%	2.4%	0.0%	1.8%	-0.2%
Prepared Dishes	Pricing	0.8%	0.7%	0.3%	1.0%	1.8%	1.2%	2.1%	-0.3%
Prepared Dishes NEW	Organic Growth	1.5%	3.8%	3.7%	1.8%	4.2%	1.2%	3.9%	-0.5%
Prepared Dishes	Sales	2,915	2,988	2,909	3,336	2,859	2,873	2,882	3,343
Confectionery	RIG	0.3%	-1.3%	-3.2%	2.2%	-2.6%	1.6%	4.7%	1.4%
Confectionery	Pricing	2.5%	4.6%	1.9%	0.2%	-0.3%	-1.8%	-2.1%	-0.2%
Confectionery	Organic Growth	2.8%	3.3%	-1.3%	2.4%	-2.9%	-0.2%	2.6%	1.2%
Confectionery	Sales	1,967	1,768	2,194	2,750	1,950	1,753	2,275	2,827
Petcare	RIG	3.6%	5.8%	3.5%	4.7%	0.9%	4.3%	2.9%	1.9%
Petcare	Pricing	1.5%	0.2%	1.9%	0.0%	0.4%	0.8%	-0.3%	1.1%
Petcare	Pet Organic Gro	5.1%	6.0%	5.4%	4.7%	1.3%	5.0%	2.6%	3.0%
Petcare	Sales	2,925	2,904	2,991	3,247	2,971	3,056	3,062	3,373
Nestle Group	RIG	3.0%	2.6%	1.9%	2.0%	1.3%	1.5%	2.6%	1.3%
Nestle Group	Pricing	0.9%	0.4%	1.4%	0.9%	1.0%	0.8%	0.5%	0.5%
Nestle Group	Organic Growth	3.9%	3.0%	3.2%	2.9%	2.3%	2.3%	3.1%	1.8%
Nestle Group	Sales	20,934	22,221	22,359	23,955	21,022	22,001	22,249	24,519

Source: SG Cross Asset Research/Equity

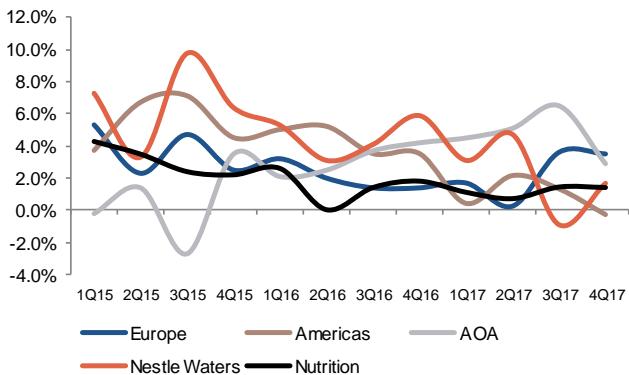
Nestlé charts

Group OSG forecast

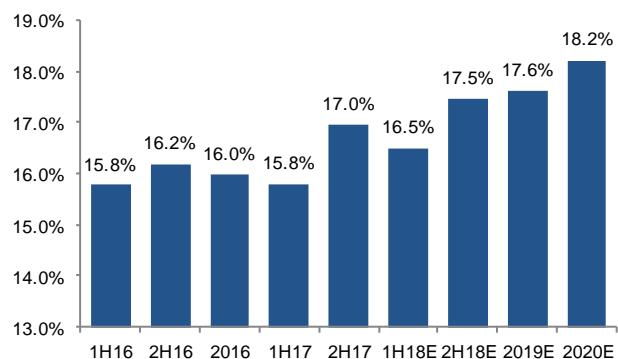


Source: SG Cross Asset Research/Equity

OSG forecasts by division

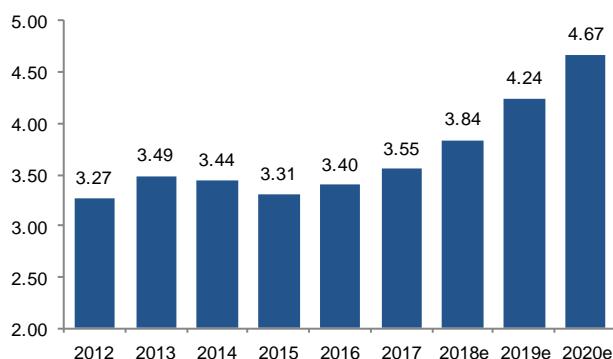


Underlying TOP margin forecast

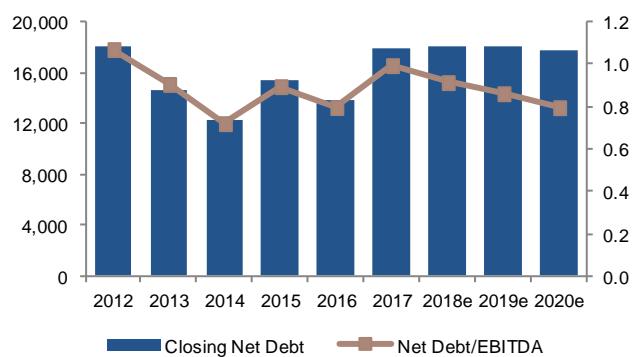


Source: SG Cross Asset Research/Equity

Underlying EPS forecast (CHF)



Net debt/EBITDA



Source: SG Cross Asset Research/Equity

Dividend per share (CHF)



15 questions for management

Strategic

1. Why does the new CEO still see the company's L'Oréal stake as a strategic asset? L'Oreal has said it is ready, willing and able to buy back the stake.
2. Why do frozen food and breakfast cereals remain in the portfolio? Why is Skin Health strategic when its performance has been persistently weak?
3. Nestlé has 30 brands with more than CHF1bn of sales. Can these big brands grow given brand fragmentation and the desire of millennials for smaller brands? Is Nestlé agile enough to adapt to this VUCA (volatile, uncertain, complex and ambiguous) world.
4. What did you make of JAB's merger of Keurig and Dr Pepper? What changes have you seen in coffee competition since JAB has been investing so heavily in the category? Can you explain your comment at the CMD that your interest in Roast & Ground coffee has increased?
5. How confident are you of getting back to mid single digit growth when almost 30% of your sales are in the challenged US market.

Operational

6. Pricing action decisions are decided locally. However, it seems that you have much less pricing power in the past, with pricing averaging 1% or less. Why is that? Do you think you can achieve mid single digit growth in 2020 if pricing remains so anaemic.
7. Your Nutrition business has been very weak this year, driven by problems in the US and China. There is some improvement in China, but not in the US. Why were you slow to move the management of Nutrition from a global to a locally managed business?
8. Many of your peers have gone down the ZBB route, but you have made a deliberate decision not to. Why is that? How does Nestlé become best in class in cost control?
9. Is your operating structure too complex in a fragmenting world? What benefits will you get from moving Nutrition from a globally managed business to a regionally managed business. Is there a business case that you should do the same in Waters.
10. Yinlu has been a very big drag on China and AOA growth. There are now clear signs that its improving. What actions have you taken and what growth is sustainable.

Financial

11. Your four key categories of coffee, water, infant and pet are trending below long-term historic levels. Why is that and what actions do you have in place to significantly accelerate growth to help you achieve your mid-term targets.
12. You have said that input costs overall could be deflationary in 2018. Does that mean pricing could trend even lower than current levels?
13. Working capital was very impressive in 2017 at 2.3% of sales. Could we see Nestlé moving into negative working capital? How low could structural costs go from 19.2% level in 2017.
14. What payback do you expect on your stepped-up restructuring spend?
15. What pre- and post-goodwill ROIC do you consider acceptable by 2020?

Nestlé financials

Divisional forecasts

Year to December, CHFm	2016R	2017	2018e	2019e	2020e
EMENA Sales	17,428	16,535	17,081	17,594	18,121
EMENA LFL	2.0%	2.3%	3.3%	3.0%	3.0%
EMENA EBIT bei	3020	2,990	3,198	3,347	3,502
EMENA Margin	17.3%	18.1%	18.7%	19.0%	19.3%
Americas Sales	28,130	28,479	28,576	28,947	29,613
Americas LFL	4.2%	0.9%	0.8%	1.5%	2.3%
Americas EBIT bei	5537	5,791	5,907	6,129	6,388
Americas Margin	19.7%	20.3%	20.7%	21.2%	21.6%
AOA Sales	15,904	16,224	17,079	18,104	19,190
AOA LFL	3.2%	4.7%	5.3%	6.0%	6.0%
AOA EBIT bei	3171	3,265	3,538	3,896	4,283
AOA Margin	19.9%	20.1%	20.7%	21.5%	22.3%
Waters Sales	7,926	7,955	8,258	8,588	8,932
Waters LFL	4.5%	2.1%	3.8%	4.0%	4.0%
Waters EBIT bei	990	1,012	1,071	1,114	1,159
Waters Margin	12.5%	12.7%	13.0%	13.0%	13.0%
Nutrition Sales	10,326	10,361	10,659	10,979	11,363
Nutrition LFL	1.5%	1.1%	2.9%	3.0%	3.5%
Nutrition EBIT bei	2389	2,384	2,478	2,629	2,801
Nutrition Margin	23.1%	23.0%	23.2%	23.9%	24.6%
Other Sales	9,755	10,237	10,864	11,516	12,207
Other LFL	3.7%	4.8%	6.1%	6.0%	6.0%
Other EBIT bei	1503	1,625	1,776	1,974	2,191
Other Margin	15.4%	15.9%	16.3%	17.1%	17.9%
Nestlé Sales	89,469	89,791	92,517	95,727	99,426
Nestlé LFL	3.2%	2.4%	3.2%	3.5%	3.9%
Nestlé EBIT bei	14307	14,729	15,731	16,856	18,114
Nestlé Margin	16.0%	16.4%	17.0%	17.6%	18.2%

Source: SG Cross Asset Research/Equity

P&L forecasts

Year to December, CHFm	2016	2017	2018E	2019E	2020E
Net sales	89,469	89,791	92,517	95,727	99,426
Growth, %	0.8%	0.4%	3.0%	3.5%	3.9%
COGS	(43,882)	(44,923)	(45,108)	(45,992)	(47,458)
Gross profit	45,587	44,868	47,409	49,735	51,968
Gross margin	51.0%	50.0%	51.2%	52.0%	52.3%
Operating profit, aei	13,777	11,608	15,378	16,465	17,698
Restructuring charge/exceptionals	530	3,121	370	383	398
Operating profit, bei	14,307	14,729	15,748	16,848	18,096
Growth, %	6.9%	2.9%	6.9%	7.0%	7.4%
Operating margin bei	16.0%	16.4%	17.0%	17.6%	18.2%
Net finance costs	(637)	(619)	(700)	(650)	(500)
Pre-tax profit, reported	13,140	10,989	14,678	15,815	17,198
Tax charge, reported	(4,413)	(2,779)	(3,743)	(3,954)	(4,274)
Tax rate, %	34%	25%	26%	25%	25%
Minority charge	(352)	(355)	(473)	(513)	(559)
Associates	770	824	906	997	1,097
Net attributable, reported	9,145	8,679	11,368	12,345	13,461
Net attributable, clean	10,499	10,979	11,654	12,637	13,659
Growth, %	1.4%	4.6%	6.2%	8.4%	8.1%
WA shares, basic, m	3,091	3,092	3,039	2,984	2,928
Basic EPS, CHF	2.96	2.81	3.74	4.14	4.60
Average shares, diluted, m	3,091	3,092	3,039	2,984	2,928
Adj. EPS, diluted, CHF	3.40	3.55	3.84	4.24	4.67
Growth, %	2.7%	4.5%	8.0%	10.4%	10.2%
DPS, CHF	2.30	2.35	2.49	2.64	2.80
Growth, %	2.5%	2.3%	6.0%	6.0%	6.0%
Payout	68%	66%	65%	62%	60%

Source: SG Cross Asset Research/Equity

Cash flow forecasts

Year to December, CHFm	2016	2017	2018E	2019E	2020E
EBITDA	17,439	17,956	19,802	20,994	22,363
Change in working capital	1,801	(243)	1,038	616	162
Other-Impairments etc	54	393	185	191	199
Gross cashflow	19,294	18,106	21,025	21,801	22,724
Interest	(637)	(619)	(700)	(650)	(500)
Tax	(3,435)	(3,666)	(3,743)	(3,954)	(4,274)
Operating Cash Flow	15,582	13,486	16,583	17,197	17,949
Net capital expenditure	(4,010)	(3,934)	(3,793)	(3,829)	(3,977)
Other	(1,464)	(1,043)	0	0	0
FCF	11,572	9,552	12,789	13,368	13,972
Acquisitions / Disposals	(314)	(556)	0	0	0
Cashflows from associates	(748)	(140)	(144)	(149)	(153)
Other	(1,051)	(310)	71	70	69
Cash Flow from Investing activities	(6,123)	(4,940)	(3,866)	(3,908)	(4,061)
Dividends paid	(7,369)	(7,468)	(7,569)	(7,878)	(8,194)
Shares (net)	760	(3,295)	(5,000)	(5,000)	(5,000)
Other	425	2,382	(400)	(400)	(400)
Cash Flow from financing activities	(6,184)	(8,381)	(12,969)	(13,278)	(13,594)
Translation Differences	(169)	(217)	0	0	0
(Inc.) / Decr. in debt	3,106	(52)	(253)	12	294
Opening Net Debt	(15,425)	(13,913)	(17,875)	(18,128)	(18,116)
(Inc.)/Decr. In debt	3,106	(52)	(253)	12	294
Other	(1,594)	(3,910)	0	0	0
Closing Net Debt	(13,913)	(17,875)	(18,128)	(18,116)	(17,822)
EBITDA	17,439	17,956	19,802	20,994	22,363
Net Debt/EBITDA	0.8	1.0	0.9	0.9	0.8

Source: SG Cross Asset Research/Equity

Nestlé SA

Sales/division 17



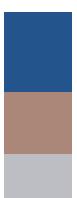
- Americas 30.8%
- AOA 20.5%
- Europe 16.9%
- Other 13.3%
- Nutrition 10.7%
- Waters 7.8%

EBIT/division 17



- Americas 31.8%
- AOA 20.3%
- Other 17.6%
- Europe 13.4%
- Nutrition 12.4%
- Waters 4.5%

Sales/region 17



- Others 42.0%
- Zone Euro 33.0%
- USA 25.0%

Major shareholders (%)

Valuation (CHFm)	12/13	12/14	12/15	12/16	12/17	12/18e	12/19e	12/20e
No. of shares basic year end/outstanding	3,192	3,188	3,129	3,091	3,092	3,039	2,984	2,928
Share price: avg (hist. yrs) or current	64.2	68.8	72.8	73.4	80.2	77.3	77.3	77.3
Average market cap. (SG adjusted) (1)	204,989	219,271	227,867	226,978	247,872	234,944	230,699	NA
Restated net debt (-)/cash (+) (2)	-14,841	-12,682	-16,109	-14,431	-18,151	-19,374	-19,362	-19,068
Value of minorities (3)	6,450	6,720	6,015	5,280	5,325	6,939	7,633	8,396
Value of financial investments (4)	34,410	35,391	35,391	35,391	35,391	35,391	35,391	35,391
Other adjustment (5)	6,279	8,081	7,691	8,420	7,111	7,111	7,111	7,111
EV = (1) - (2) + (3) - (4) + (5)	198,149	211,363	222,290	217,473	243,068	232,977	229,414	NA
P/E (x)	18.3	20.0	22.0	20.7	22.6	20.2	18.3	NA
Price/cash flow (x)	13.7	13.5	17.4	16.8	17.0	14.3	13.4	NA
Price/free cash flow (x)	20.4	17.8	24.7	23.9	23.3	18.6	17.3	NA
Price/book value (x)	3.28	3.13	3.66	3.51	4.03	3.61	3.33	NA
EV/revenues (x)	2.15	2.31	2.50	2.43	2.71	2.52	2.40	NA
EV/EBITDA (x)	11.5	13.0	13.4	12.5	13.5	11.8	10.9	NA
Dividend yield (%)	3.3	3.2	3.1	3.1	2.9	3.2	3.4	NA
Per share data (CHF)								
SG EPS (adj.)	3.50	3.44	3.31	3.40	3.55	3.84	4.24	4.67
Cash flow	4.69	5.08	4.18	4.37	4.71	5.41	5.76	6.12
Book value	19.6	22.0	19.9	20.9	19.9	21.4	23.2	25.4
Dividend	2.15	2.20	2.24	2.30	2.35	2.49	2.64	2.80
Income statement (CHFm)								
Revenues	92,373	91,612	88,785	89,469	89,791	92,517	95,727	99,426
Gross income	44,262	44,059	44,055	45,270	44,868	47,409	49,735	51,968
EBITDA	17,212	16,280	16,560	17,439	17,956	19,802	21,128	22,497
Depreciation and amortisation	-3,165	-3,058	-3,178	-3,132	-3,227	-4,055	-4,268	-4,349
EBIT	14,047	13,222	13,382	14,307	14,729	15,748	16,860	18,148
Impairment losses			NA	NA	NA	NA	NA	NA
Net interest income	-631	-637	-624	-637	-619	-700	-650	-500
Exceptional & non-operating items			NA	NA	NA	NA	NA	NA
Taxation	-3,256	-3,367	-3,305	-4,413	-2,779	-3,743	-3,954	-4,274
Minority interests	-430	-448	-401	-352	-355	-463	-509	-560
Reported net income	10,015	13,659	9,066	9,145	8,679	11,379	12,362	13,513
SG adjusted net income	11,187	10,968	10,353	10,499	10,979	11,654	12,637	13,659
Cash flow statement (CHFm)								
EBITDA	17,212	16,280	16,560	17,439	17,956	19,802	21,128	22,497
Change in working capital	1,360	-114	741	1,801	-243	1,038	616	162
Other operating cash movements	-3,608	39	-4,221	-5,744	-3,145	-4,402	-4,561	-4,729
Cash flow from operating activities	14,964	16,205	13,080	13,496	14,568	16,438	17,182	17,930
Net capital expenditure	-4,928	-3,914	-3,872	-4,010	-3,934	-3,793	-3,829	-3,977
Free cash flow	10,036	12,291	9,208	9,486	10,634	12,645	13,353	13,953
Cash flow from investing activities	3,350	-3,116	-237	-1,365	-866	71	70	69
Cash flow from financing activities	-12,158	-10,637	-12,235	-6,184	-8,381	-12,969	-13,278	-13,594
Net change in cash resulting from CF	702	-1,420	-3,742	1,768	1,170	-253	145	427
Balance sheet (CHFm)								
Total long-term assets	90,376	99,489	94,558	99,859	98,190	100,285	105,579	110,936
of which intangible	12,673	19,800	19,236	20,397	20,615	14,840	14,847	14,840
Working capital	2,150	1,352	621	-2,135	-1,645	-656	-1,272	-1,434
Employee benefit obligations	6,279	8,081	7,691	8,420	7,111	7,111	7,111	7,111
Shareholders' equity	62,575	70,130	62,338	64,590	61,504	65,131	69,307	74,237
Minority interests	1,564	1,754	1,648	1,391	1,273	1,746	2,259	2,818
Provisions	2,714	3,161	2,601	2,640	2,445	3,663	3,663	3,663
Net debt (-)/cash (+)	-14,841	-12,682	-16,109	-14,431	-18,151	-19,374	-19,362	-19,068
Accounting ratios								
ROIC (%)	13.8	10.9	11.8	12.0	14.2	15.4	16.7	18.1
ROE (%)	16.2	20.6	13.7	14.4	13.8	18.0	18.4	18.8
Gross income/revenues (%)	47.9	48.1	49.6	50.6	50.0	51.2	52.0	52.3
EBITDA margin (%)	18.6	17.8	18.7	19.5	20.0	21.4	22.1	22.6
EBIT margin (%)	15.2	14.4	15.1	16.0	16.4	17.0	17.6	18.3
Revenue yoy growth (%)	2.7	-0.8	-3.1	0.8	0.4	3.0	3.5	3.9
Rev. organic growth (%)	4.6	4.5	4.2	3.2	2.4	3.2	3.5	3.9
EBITDA yoy growth (%)	3.6	-5.4	1.7	5.3	3.0	10.3	6.7	6.5
EBIT yoy growth (%)	4.3	-5.9	1.2	6.9	2.9	6.9	7.1	7.6
EPS (adj.) yoy growth (%)	7.2	-1.8	-3.8	2.7	4.5	8.0	10.4	10.2
Dividend growth (%)	4.9	2.3	1.8	2.5	2.3	6.0	6.0	6.0
Cash conversion (%)	99.3	93.3	98.5	106.8	96.2	109.4	107.4	104.0
Net debt/equity (%)	23	18	25	22	29	29	27	25
FFO/net debt (%)	89.8	96.8	78.4	85.8	80.2	79.3	85.3	92.9
Dividend paid/FCF (%)	68.4	57.1	76.1	74.8	68.3	59.9	59.0	58.7

Source: SG Cross Asset Research/Equity

Report completed on 16 Feb. 2018 5:03 CET

APPENDIX

COMPANIES MENTIONED

Aryzta (ARYN VX, Sell)
 Chr Hansen (CHR DC, Buy)
 Danone (BN FP, Buy)
 Gerber (GRB.N, No Reco)
 JAB Holding BV (nocode545, No Reco)
 L'Oréal (OR FP, Hold)
 Mondelez International (MDLZ US, Buy)
 Nestle India Ltd. (NEST IN, No Reco)
 Nestlé SA (NESN VX, Hold)
 Pernod Ricard (RI FP, Buy)
 Premier Foods plc (PFD LN, Sell)
 Unilever NV (UNA NA, Buy)

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The following named research analyst(s) hereby certifies or certify that (i) the views expressed in the research report accurately reflect his or her or their personal views about any and all of the subject securities or issuers and (ii) no part of his or her or their compensation was, is, or will be related, directly or indirectly, to the specific recommendations or views expressed in this report: **Warren Ackerman**

The analyst(s) who author research are employed by SG and its affiliates in locations, including but not limited to, Paris, London, New York, Hong Kong, Tokyo, Bangalore, Frankfurt, Madrid, Milan, Seoul and Warsaw.

Historical Price: Nestlé SA (NESN.S)



Source: SG Cross Asset Research/Equity

VALUATION METHODOLOGY AND RISKS TO RATING, RECOMMENDATION AND PRICE TARGET

Valuation Methodology Nestlé SA

Nestle has a best-in-class brand portfolio, good M&A optionality (US confectionery sale + debt firepower) and an attractive dividend. However, we are concerned that growth will remain subdued in the near term and the group's inability to increase prices in an inflationary environment could hurt margins. Therefore, we value Nestle at a 5% P/E premium to the global staples sector (18.5x). This implies a 2018 P/E multiple of 19.4x which yields our TP.

Risks

Upside: accelerated progress on US Confectionery sale, L'oreal stake exit.

Downside: further strength of the CHF, which we would define as a 5% move up vs the dollar; competition from Jacobs Douwe Egberts in coffee that results in Nestle losing share; stiffer local competition that results in stepped-up marketing spend and the inability to raise prices, which affects growth and margins.

SG EQUITY RESEARCH RATINGS on a 12 month period

BUY: absolute total shareholder return forecast of 15% or more over a 12 month period.

HOLD: absolute total shareholder return forecast between 0% and +15% over a 12 month period.

SELL: absolute total shareholder return forecast below 0% over a 12 month period.

Total shareholder return means forecast share price appreciation plus all forecast cash dividend income, including income from special dividends, paid during the 12 month period. Ratings are determined by the ranges described above at the time of the initiation of coverage or a change in rating (subject to limited management discretion). At other times, ratings may fall outside of these ranges because of market price movements and/or other short term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by research management.

Sector Weighting Definition on a 12 month period:

The sector weightings are assigned by the SG Equity Research Strategist and are distinct and separate from SG equity research analyst ratings. They are based on the relevant MSCI.

OVERWEIGHT: sector expected to outperform the relevant broad market benchmark over the next 12 months.

NEUTRAL: sector expected to perform in-line with the relevant broad market benchmark over the next 12 months.

UNDERWEIGHT: sector expected to underperform the relevant broad market benchmark over the next 12 months.

The Preferred and Least preferred stocks are selected by the covering analyst based on the individual analyst's coverage universe and not by the SG Equity Research Strategist.

All pricing information included in this report is as of market close, unless otherwise stated.

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Danone SG acted as joint bookrunner in Danone's bond issue (5.5y, EUR Benchmark).

Nestlé SA SG acted as Active Joint Bookrunner in Nestlé SA's Bond issue (Senior;RegS;6y-12y-20;500MEUR)

Nestlé SA SG acted as active Joint Bookrunner in Nestlé Holding's Bond issue (EUR;RegS;8y).

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SG and its affiliates beneficially own 1% or more of any class of common equity of Danone.

SG and/or its affiliates act as market maker or liquidity provider in the debt securities of Aryzta, Danone, JAB Holding BV, Mondelez International, Nestle India Ltd., Nestlé SA, Pernod Ricard.

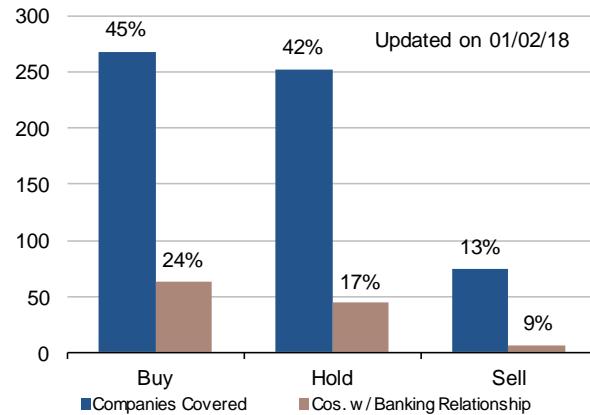
SG and/or its affiliates act as market maker or liquidity provider in the equities securities of Aryzta, Chr Hansen, Danone, L'Oréal, Mondelez International, Nestlé SA, Pernod Ricard, Unilever NV.

SG or its affiliates expect to receive or intend to seek compensation for investment banking services in the next 3 months from L'Oréal, Nestlé SA, Pernod Ricard, Unilever NV.

SG or its affiliates had an investment banking client relationship during the past 12 months with Danone, Nestlé SA.

SG or its affiliates have received compensation for investment banking services in the past 12 months from Danone, Nestlé SA.

SG or its affiliates managed or co-managed in the past 12 months a public offering of securities of Danone, Nestlé SA.

Equity rating and dispersion relationship


Source: SG Cross Asset Research/Equity

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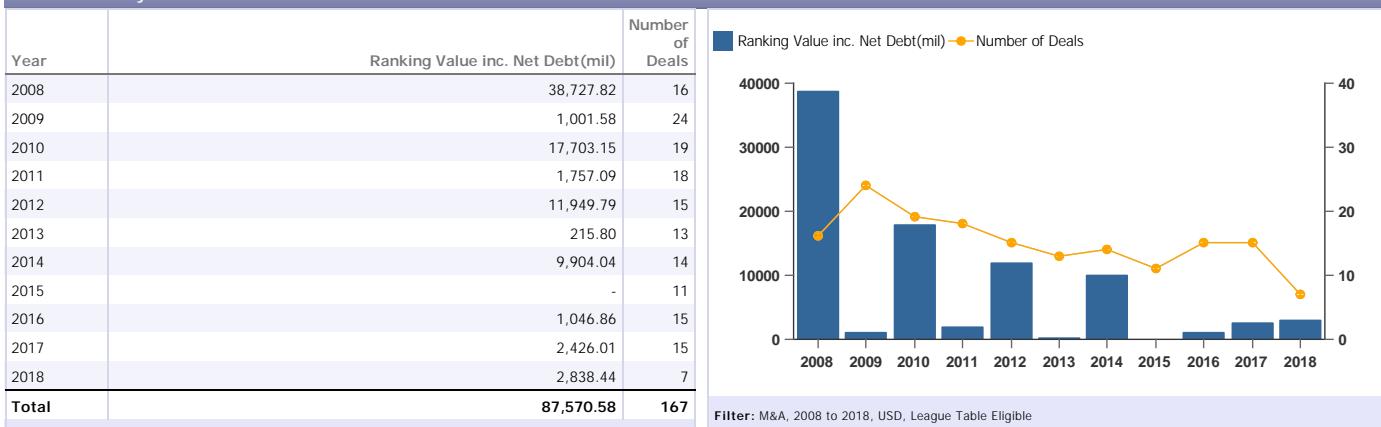
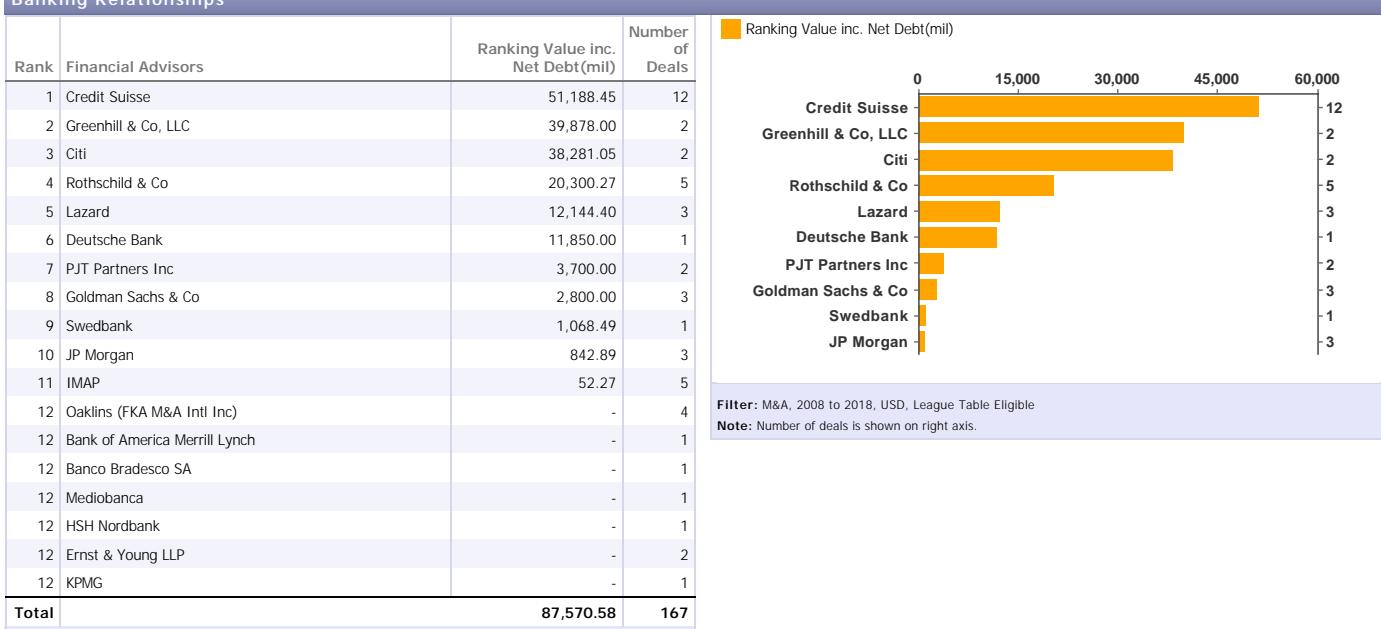
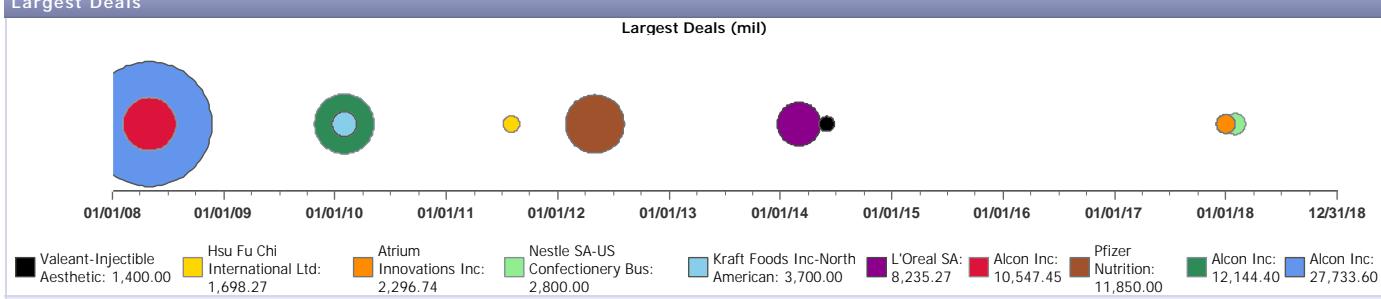
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M&A History

Nestle Ltd.
Thomson Reuters Deals
Note: Deal List is limited to 1000 deals.

Date: 04/20/18 17:35 GMT

Product	Time Period	Currency	Deals Included
M&A	From: 2008	USD	League Table Eligible

Deal Summary

Banking Relationships

Largest Deals

Deal Statistics

Source: Thomson Reuters

Note: Data is continuously updated and is therefore subject to change.

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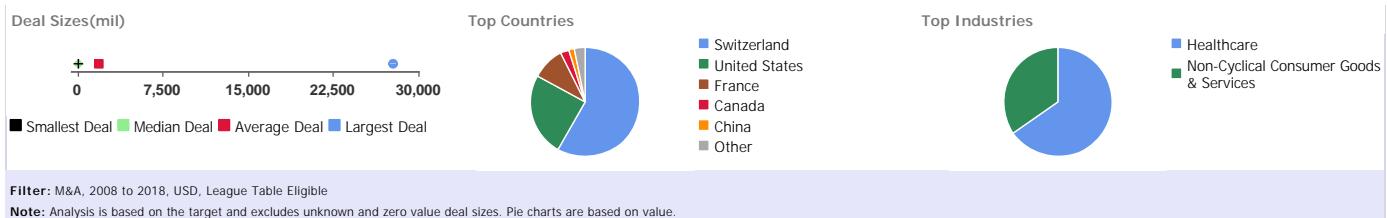
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Nestle Ltd.

Deal Sizes(mil)		Top Countries		By Value	By #	Top Industries		By Value	By #
Largest Deal	27,733.60	1	Switzerland	58%	5%	1	Healthcare	65%	21%
Smallest Deal	0.47	2	United States	25%	23%	2	Non-Cyclical Consumer Goods & Services	35%	69%
Average Deal	1,863.20	3	France	9%	7%	3	Cyclical Consumer Goods & Services	0%	4%
Median Deal	59.00								

Filter: M&A, 2008 to 2018, USD, League Table Eligible

Note: Analysis is based on the target and excludes unknown and zero value deal sizes.



Source: Thomson Reuters

Note: Data is continuously updated and is therefore subject to change.

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Nestle Ltd.

Deal List

Items - 167

Rank Date	Target Name	Acquiror Name	Ranking Value inc. Net Debt(mil)	Target Advisors	Acquiror Advisors
04/07/08	Alcon Inc	Novartis AG	27,733.60	Citi (Advisory); Credit Suisse Group (Advisory, Fairness Opinion); Greenhill & Co, LLC (Represented Board)	Goldman Sachs & Co (Advisory)
01/04/10	Alcon Inc	Novartis AG	12,144.40	Credit Suisse Group (Fairness Opinion); Goldman Sachs & Co (Advisory)	Greenhill & Co, LLC (Advisory); Lazard (Advisory)
04/23/12	Pfizer Nutrition	Nestle SA	11,850.00	Centerview Partners LLC (Advisory); Morgan Stanley (Advisory)	Deutsche Bank (Advisory); Rothschild & Co (Advisory)
04/07/08	Alcon Inc	Novartis AG	10,547.45	Goldman Sachs & Co (Advisory)	Citi (Advisory); Credit Suisse Group (Advisory)
02/11/14	L'Oreal SA	L'Oreal SA	8,235.27	Credit Suisse Group (Represented Seller); Rothschild & Co (Represented Seller)	BNP Paribas SA (Advisory); Lazard (Advisory); Zaoui & Co (Advisory)
01/05/10	Kraft Foods Inc-North American	Nestle SA	3,700.00	Blackstone Group LP (Advisory)	Centerview Partners LLC (Advisory); Citi (Advisory); Deutsche Bank (Advisory); Houlihan Lokey (Fairness Opinion); Lazard (Advisory)
01/16/18	Nestle SA-US Confectionery Bus	Ferrero SpA	2,800.00	Goldman Sachs & Co (Advisory)	Credit Suisse Securities (Advisory); Lazard (Advisory)
12/05/17	Atrium Innovations Inc	Nestle SA	2,296.74	-	Morgan Stanley (Advisory); RBC Capital Markets (Advisory); William Hood & Co (Advisory)
07/04/11	Hsu Fu Chi International Ltd	Nestle SA	1,698.27	BNP Paribas SA (Represented Seller); Morgan Stanley (Fairness Opinion)	Credit Suisse Group (Advisory)
05/28/14	Valeant-Injectible Aesthetic	Galderma Pharma SA	1,400.00	Credit Suisse Group (Advisory)	-
12/13/10	Q-Med AB	Galderma Holding AB	1,068.49	Nordea Corporate Finance (Advisory)	Credit Suisse Group (Advisory); Swedbank (Advisory)
02/04/16	Osem Investments Ltd	Nestle SA	842.89	JP Morgan & Co Inc (Advisory)	-
07/06/10	LenSx Lasers Inc	Alcon Inc	744.00	-	-
09/14/09	ESBATEch AG	Alcon Inc	589.00	-	Morgan Stanley (Advisory)
02/26/08	CollaGenex Pharmaceuticals Inc	Galderma Laboratories LP	355.37	Cowen & Co (Advisory, Fairness Opinion)	Credit Suisse Group (Advisory)
04/18/13	Nestle SA-Infant Nutritional	Aspen Pharmacare Holdings Ltd	215.00	-	Rothschild & Co (Advisory)
11/19/09	Vitality Foodservice Inc	Nestle Professional	208.00	Moelis & Co (Advisory)	-
02/03/14	PowerBar Inc	Post Holdings Inc	150.00	Lazard (Advisory)	Credit Suisse Group (Advisory)
11/04/16	Aimmune Therapeutics Inc	Nestle Health Science SA	145.00	-	-
02/01/12	Osem Investments Ltd	Nestle SA	99.79	-	-
06/20/17	Freshly Inc	Nestle USA Inc	77.00	-	-
10/01/09	Metvix	Galderma Pharma SA	74.09	-	-
12/19/14	Nestle Mexico-Ice Cream	Grupo Herdez SAB de CV	68.49	-	Cooperatieve Rabobank UA (Advisory)
05/26/09	Parmalat Brasil SA- Rio Grande	Nestle Brasil Ltda	59.00	-	-
08/03/08	Tribe Mediterranean Foods Co	Osem Investments Ltd	57.00	Lazard (Advisory)	-
04/10/17	Nestle SA-Italian food Bus	Frosta AG	52.27	-	Vitale & Co SpA (Advisory)
01/27/14	Nestle Korea Ltd	Lotte Food Co Ltd	50.27	-	PricewaterhouseCoopers (Advisory)
02/23/16	Pronutria Biosciences Inc	Nestle Health Science SA	42.50	-	-
01/04/18	Enterome SA	Investor Group	38.44	-	-
06/24/08	Nestle Au-Yogurt,Dairy Bus	Fonterra Co-operative Group	34.40	-	-
09/06/11	Nestle Purina PetCare Co-Steel	Silgan Holdings Inc	25.00	-	-
01/01/09	Foodtech International Inc	Tivall Ltd	20.00	-	-
03/16/10	Kramar-Accessories,Treats Bus	Nestle Purina PetCare	17.86	-	-
09/13/11	Alicorp SAA-Ice Cream Business	Nestle del Peru SA	16.70	-	-
04/20/16	Enterome SA	Investor Group	16.47	-	-
08/18/10	ClinTec Luxembourg SA	Investor Group	16.05	-	-
03/25/09	Sweet Leaf Tea Co	Nestle Waters North America	15.60	-	-
11/23/10	Chocolats de l'Iris SA	Nestle SA	12.36	-	-
07/23/09	Pulmuone Waters Co Ltd	Pulmuone Holdings Co Ltd	12.17	-	-
05/26/11	E-Dong Beverage Co Ltd	Pulmuone Waters Co Ltd	11.15	-	-
05/12/09	WaveLight AG	Alcon Inc	9.42	BDO (Advisory); Network Corporate Finance GmbH (Advisory)	-
02/27/09	Industria e Comercio de	Dairy Partners Americas	8.95	-	-
08/19/09	Nestle SA-Milk Plant	Laticinios Bom Gosto SA	4.88	-	-
05/24/11	CONTACKOREA Inc-Medical Device	Galderma Korea Co Ltd	4.37	-	-
02/07/11	Nestle Ice Cream Bulgaria SA	Undisclosed Acquiror	1.60	-	-
03/27/13	PurinaCare Ins Svcs-Assets	PTZ Insurance Agency Ltd	0.80	-	-
11/24/09	Photronics Imaging-Equip	JV-Source Perrier,Jefferson Gp	0.47	-	-
06/13/08	Buitoni SpA-Pasta Factory	TMT Finance SA	-	UniCredit Group (Advisory)	Mediobanca SpA (Advisory)

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Nestle Ltd.

Rank Date	Target Name	Acquiror Name	Ranking Value inc. Net Debt(mil)	Target Advisors	Acquiror Advisors
06/03/08	Waters Partners Bottling SA	Sofos Pte Ltd	- -	-	-
04/23/08	Kraft Foods Inc-Balaton	Nestle SA	- -	-	-
09/17/08	Geti Wilba GmbH & Co KG	Investor Group	- -	HSH Corporate Finance (Advisory)	-
09/18/08	Geti Wilba GmbH & Co KG	GBK Beteiligungen AG	- -	-	-
10/21/08	Nestle SA-Menu Mobile	Traitafina AG	- -	-	-
11/27/08	Acqua Claudia Srl	Flai Cgil	- -	-	-
12/01/08	Nestle USA-TREASURES,STIXX	DeMet's Candy Co	- -	-	-
10/02/08	Gerber Prods Co-Baby Care Div	Total SA	- -	-	-
12/11/08	Santa Barbara Mineral Springs	Nestle SA	- -	-	-
02/05/09	Cafes Castel SA	Productos del Cafe SA	- -	-	-
02/16/09	Nestle Espana SA-Factory	Lactalis Nestle Produits Frais	- -	-	-
04/15/09	OOO Akva Star	IDS Group	- -	-	-
04/14/09	serviPlus Getraenke- und	Alois Dallmayr KG	- -	-	-
04/29/09	Fonterra-Au Ice Cream Bus	Nestle SA	- -	-	-
04/01/09	Yarden GB Ltd	Osem UK Ltd	- -	-	-
05/22/09	Nestle(South Africa)(Pty)-Bus	Tiger Brands Ltd	- -	-	-
06/03/09	Nestle Italiana SpA-	Bauli SpA	- -	Lazard (Advisory)	-
08/29/08	Pulmuone Waters Co Ltd	Nestle Waters SA	- -	-	-
08/18/09	Wagner Tiefkuehlprodukte GmbH	Nestle Deutschland AG	- -	-	-
10/28/09	Comestibles La Rosa-Chocmelos	Colombina SA	- -	-	-
11/23/09	SanCor CUL/DPAA Union Transito	SanCor Coop Unidas Ltda	- -	-	-
11/30/09	Speciality Foods-Nutrition Bus	Nestle India Ltd	- -	-	-
12/14/09	Optonol Ltd	Alcon Inc	- -	-	-
01/18/10	Sirion Therapeutics Inc-Prod	Alcon Inc	- -	-	JP Morgan & Co Inc (Advisory)
02/25/10	Tekhnokom	Nestle SA	- -	-	-
02/15/10	Yunnan Dashan Drinks Co Ltd	Nestle Waters SA	- -	-	-
06/01/10	Nestle Purina-canning facility	C&D Foods Ltd Ireland	- -	-	-
07/19/10	Nestle Waters Direct France	Eden Springs Ltd	- -	-	-
08/02/10	Vitaflo International Ltd	Nestle SA	- -	Evercore Partners (Advisory)	-
08/09/10	Malher SA	Nestle SA	- -	-	-
09/10/10	Waggin' Train LLC	Nestle Purina PetCare Co	- -	BMO Capital Markets (Advisory); Moelis & Co (Advisory)	Blackstone Group LP (Advisory)
07/02/10	Ostgota Automater AB	Jede AB	- -	-	-
12/27/10	Dogan Gida Sanayi ve Tic AS	Nestle Turkiye Gida Sanayi AS	- -	-	-
12/27/10	Balaban Gida Sanayi ve Ticaret	Nestle Turkiye Gida Sanayi AS	- -	-	-
02/02/11	CM&D Pharma Ltd	Nestle Health Science SA	- -	-	-
01/21/11	Novartis-St Louis Park Factory	Nestle Healthcare Nutrition	- -	-	-
02/19/11	Herta GmbH-Logistics Division	Schober Logistik Ochsenfurt	- -	-	-
12/13/10	Jenny Craig Weight Loss Centre	Nestle Australia Ltd	- -	-	-
04/18/11	Yinlu Foods Group Co Ltd	Nestle SA	- -	-	-
05/05/11	Sweet Leaf Tea Co	Nestle Waters North America	- -	-	-
05/24/11	Prometheus Inc	Nestle Health Science SA	- -	Goldman Sachs & Co (Advisory)	Lazard (Advisory)
06/17/11	Centroproizvod ad	Nestle SA	- -	-	-
07/14/11	Vital Food Processors Ltd	Nestle Health Science SA	- -	-	-
07/20/11	Josef Maier GmbH & Co KG	Geti Wilba GmbH & Co KG	- -	-	-
09/15/11	Nestle Waters Espana SA-Water	Fontaga SA	- -	-	-
10/03/11	Uzdrowisko Naleczow SA	Naleczowskie TI SA	- -	-	KPMG (Advisory)
11/18/11	Oscar A/S	Nestle Professional	- -	-	-
01/12/12	Chocolats de l'Iris SA	Regout Invest SA	- -	-	-
02/25/12	SFER	Nova Capital Management Ltd	- -	-	-
03/14/12	Novartis Pharma-Antiallergic	Alcon Japan Ltd	- -	-	-
04/12/12	Jade(UK)Ltd	Broadlake Capital Ltd	- -	-	-
04/04/12	Herta GmbH-Production Plants	Sprehe Gefluegel	- -	-	-
06/26/12	Mondo Verlag SA	BEA + Poly-Verlags AG	- -	-	-
06/29/12	Nestle Australia Ltd-Peters	Pacific Eq Partners Pty Ltd	- -	Barclays PLC (Advisory)	JP Morgan & Co Inc (Advisory)
07/18/12	Accera Inc	Nestle SA	- -	-	-
10/09/12	Kyorin Pharm-Pekiron Cream Bus	Galderma Pharma SA	- -	-	-
10/17/12	Manantial SA	Aguas CCU-Nestle Chile SA	- -	-	-
10/31/12	Wagner Tiefkuehlprodukte GmbH	Nestle Deutschland AG	- -	-	-
12/12/12	Spirig Pharma AG	Galderma Pharma SA	- -	Kurmann Partners AG (Advisory)	Credit Suisse Group (Advisory)
12/01/12	ClinTec Luxembourg SA	Undisclosed Acquiror	- -	-	-
02/04/13	Indocon Agro&Allied Activities	Nestle India Ltd	- -	-	Ernst & Young LLP (Advisory)

Source: Thomson Reuters

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Nestle Ltd.

Rank Date	Target Name	Acquiror Name	Ranking Value inc. Net Debt(mil)	Target Advisors	Acquiror Advisors
02/26/13	Pamlab LLC	Nestle Health Science SA	- -	-	-
04/15/13	Pfizer Nutrition-Mexican Op	Aspen Pharmacare Holdings Ltd	- -	Rothschild & Co (Advisory)	-
04/15/13	Nestle SA-Infant Formula Bus	Aspen Pharmacare Holdings Ltd	- -	-	-
04/18/13	Nestle SA-Infant Nutritional	Aspen Pharmacare Holdings Ltd	- -	Rothschild & Co (Advisory)	-
05/01/13	Nestle USA Inc-Bit-O-Honey	Pearson's Candy Co	- -	-	-
06/05/13	Petfinder LLC	Nestle Purina PetCare Co	- -	RBC Capital Markets (Advisory)	-
07/05/13	Eaux Minerales de Ribeauville	Spadel SA	- -	BNP Paribas SA (Advisory)	-
11/07/13	Jenny Craig- Na & Oceania	North Castle Partners LLC	- -	Goldman Sachs & Co (Advisory)	-
12/24/13	Planoct SAS	SEMO SAS	- -	-	-
12/30/13	Hjem-IS A/S	Viking-Is A/S	- -	-	-
01/06/14	Josephs Pasta Co	JPC Acquisition Co	- -	-	-
01/01/14	CIBAVision	Alcon Japan Ltd	- -	-	-
01/15/14	Zuke LLC	Nestle Purina PetCare Co	- -	-	Cascadia Capital (Advisory)
05/08/14	Idropejo Srl	AVM Private Equity 1 SpA	- -	-	-
07/02/14	Nestle USA Inc-Juicy Juice Bus	Harvest Hill Beverage Co	- -	-	Bank of America Merrill Lynch (Advisory)
09/03/14	Nestle Waters SAS-HOD Bus	Eden Springs International SA	- -	-	-
09/29/14	Nestle-Alete & Milasan Busines	Investor Group	- -	-	-
11/03/15	Davigel SAS	Brake Bros Ltd	- -	Credit Suisse Group (Advisory)	Barclays (Advisory)
12/18/14	Moderm Labs Comercio de	Galderma Brasil Ltda	- -	-	BR Partners (Advisory)
11/07/14	Nestle-Loehnberg factory	Neuselters Mineralquellen GmbH	- -	-	-
01/08/15	Nestle Espana SA-La Cocinera	Findus Espana SL	- -	-	Ernst & Young LLP (Advisory)
03/12/15	Nestle Ice Cream (Pty) Ltd	R&R Ice Cream PLC	- -	-	Rothschild & Co (Advisory)
03/13/15	Kekkuti Asvanyviz Kitermelo	Karlovarské Mineralní Vody AS	- -	Patria Finance (Advisory)	-
04/27/15	Inneov-Certain Assets	Galderma Pharma SA	- -	Rothschild & Co (Represented Seller)	-
01/03/17	Nestle Waters Supply Centre	SEMO SAS	- -	-	-
03/17/15	San Bernardo Srl	Montecristo Srl	- -	Arietti & Partners (Advisory)	-
07/21/15	Merrick Pet Care Inc	Nestle Purina PetCare Co	- -	-	Credit Suisse Group (Advisory)
10/05/15	Nestle SA-Ice Cream Business	R&R Ice Cream PLC	- -	Credit Suisse Group (Advisory); Goldman Sachs & Co (Advisory)	Rothschild & Co (Advisory)
10/15/15	Nestle Espana SA-Headquarters	Meridia Capital Partners SL	- -	Deloitte (Advisory)	-
11/18/15	Nestle Jamaica Ltd-Mnfrd	Musson Intl Dairies Ltd	- -	-	-
01/29/16	Manantial SA	Aguas CCU-Nestle Chile SA	- -	-	-
09/14/15	Nestle Purina-Accessories Bus	Bob Martin Co	- -	-	-
02/29/16	Ajinomoto Co Inc-Concentrated	Nestle Japan Ltd	- -	-	-
03/24/16	Guthy-Renker LLC-Proactiv	Nestle Skin Health SA	- -	-	Credit Suisse Group (Advisory)
02/02/16	Nestle Waters Polska SA-HOD As	Eden Springs Sp zoo	- -	PricewaterhouseCoopers (Advisory)	-
06/08/16	Nestle SA-Italian Units	Fida SpA	- -	Vitale & Co SpA (Advisory)	Fineeurop SpA (Advisory)
05/06/16	Nestle SA-Biscuits business	Tedesco Srl	- -	-	Vitale & Co SpA (Advisory)
06/23/16	Nestle SA-Corporate Gifts Bus	Longo un Mondo di Specialita	- -	Vitale & Co SpA (Advisory)	-
09/01/16	Phagenesis Ltd	Nestle Health Science SA	- -	-	-
08/08/16	Sanpellegrino-Recoaro Terme	Refresco Group NV	- -	Oaklins (Formerly M&A International Inc) (Advisory)	-
05/03/16	Nestle(S Africa)(Pty)Ltd-Pet	Martin & Martin LLP	- -	-	-
01/13/17	Pamlab Inc	Alfasigma Group	- -	JP Morgan & Co Inc (Advisory)	-
01/19/17	Caravan Marketing Co	Nestle SA	- -	-	CI Capital Investment Banking Co (Advisory)
02/07/17	Fuerst Bismarck Quelle	Hansa Heeman AG	- -	-	-
03/23/17	Terra Canis GmbH	Nestle Deutschland AG	- -	-	-
11/23/16	San Pellegrino-Recoaro Branch	Refresco Group NV	- -	Oaklins (Formerly M&A International Inc) (Advisory)	-
02/28/17	Recoaro SpA	Refresco Group NV	- -	-	Oaklins (Formerly M&A International Inc) (Advisory)
09/14/17	Blue Bottle Coffee Inc	Nestle SA	- -	JP Morgan & Co Inc (Advisory)	-
09/07/17	Sweet Earth Foods	Nestle USA Inc	- -	-	-
08/31/17	Nestle Australia Ltd-Frozen	Priestleys Gourmet Delights	- -	-	-
11/03/17	Chameleon Cold Brew LLC	Nestle USA Inc	- -	-	Piper Jaffray Cos (Advisory)
10/25/17	Vitavis Labs Inc	Nestle USA Inc	- -	-	-
12/20/17	Nestle Italiana Spa-Moretta	Pastificio Rana SpA	- -	-	Vitale & Co SpA (Advisory)
01/11/18	Nestle Australia Ltd-Plant &	Robern Menz Group	- -	-	-
02/09/18	Terrafertil SA	Nestle SA	- -	-	-
03/01/18	Wamiz SAS	Nestle Purina PetCare Co	- -	-	-
03/28/18	Nestle Waters-Water Buss	Minalba Alimentos E Bebidas	- -	-	Banco Bradesco SA (Advisory)
04/10/18	Prolacto Lacticinios De Sao	Quantum Capital Partners GmbH	- -	-	-

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Rank Date	Target Name	Acquiror Name	Ranking Value inc. Net Debt(mil)	Target Advisors	Acquiror Advisors
Filter: M&A, 2008 to 2018, USD, League Table Eligible					
Note: Default sort is based on rank value.					

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