

2007 half year results conference call



2007 half year results conference call - 15 August 2007

Disclaimer

This presentation 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.

- Ø **Transforming to Nutrition, Health, Wellness Company**
Double digit growth at Nestlé Nutrition
Acquisitions of Novartis Medical & Gerber
- Ø **Delivering the Nestlé Model**
Organic growth of 7.4%, EBIT margin +60 bps
- Ø **Tackling underperformers**
Improvements in Ice Cream, UK Confectionery, Europe
- Ø **Enhancing the capital structure**
Working capital improvement
CHF 25 billion 3-year share buyback programme

Clear evidence of Nestlé's strategic transformation
and focus on creating shareholder value

2007 First Half Highlights

Strong performance across key metrics

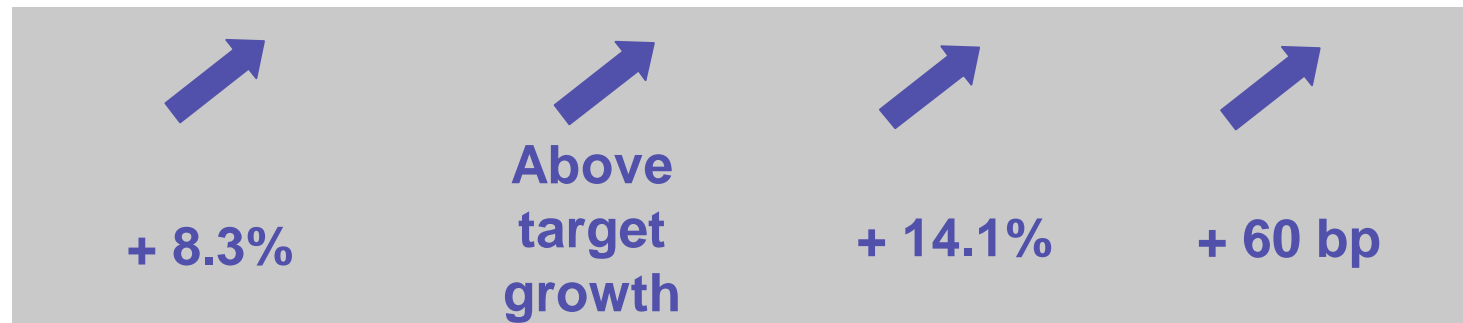
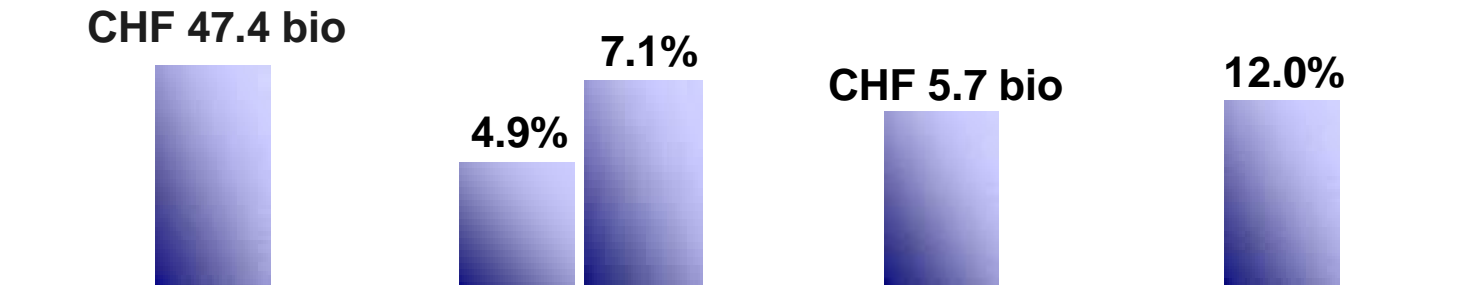


	Improvement H1 07 v H1 06		H1 07 total
Sales – total	+ 8.4%	+ CHF 4.0 bio	CHF 51.1 bio
Organic growth	+ 7.4%		
EBIT	+ 14.2%	+ CHF 0.9 bio	CHF 6.9 bio
EBIT margin	+ 60 bps		13.5%
Net profit	+ 18.4%	+ CHF 0.8 bio	CHF 4.9 bio
Net profit margin	+ 80 bps		9.6%
Working capital*	+ 20 bps	+ CHF 0.1 bio	8.8%
Operating cash flow	+ 29.4%	+ CHF 1.0 bio	CHF 4.3 bio
	+ 140 bps		
* Estimate based on annualised sales			

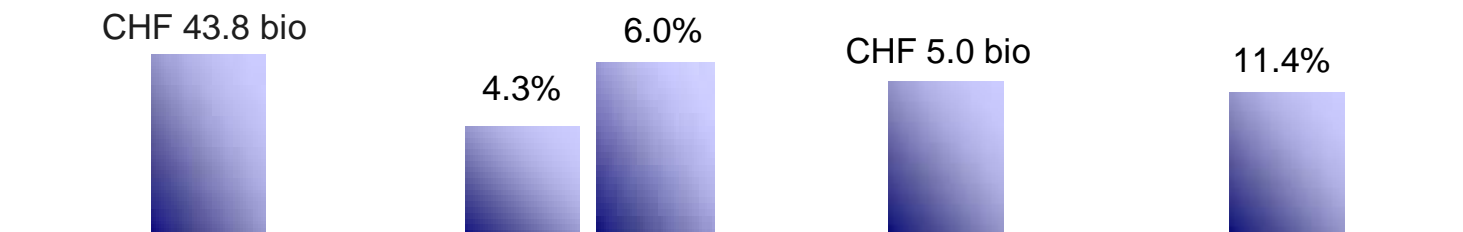
Food and Beverages Delivering the Nestlé Model



H1 2007



H1 2006



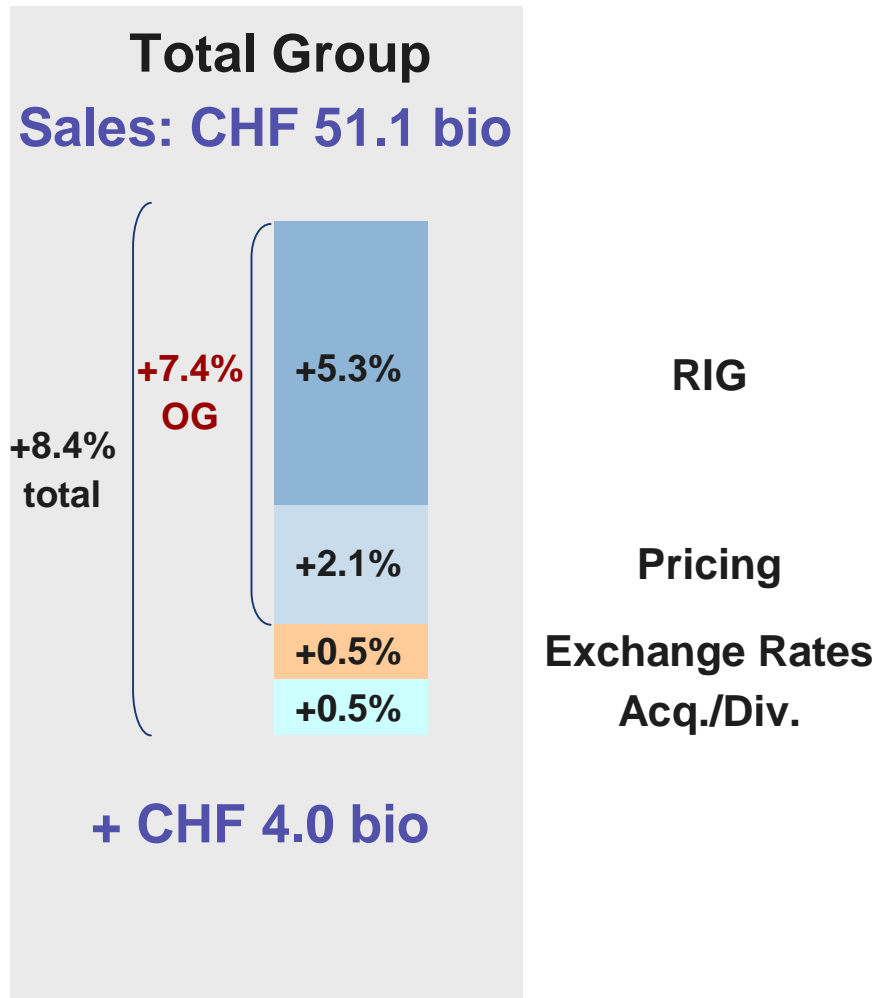
Sales

RIG

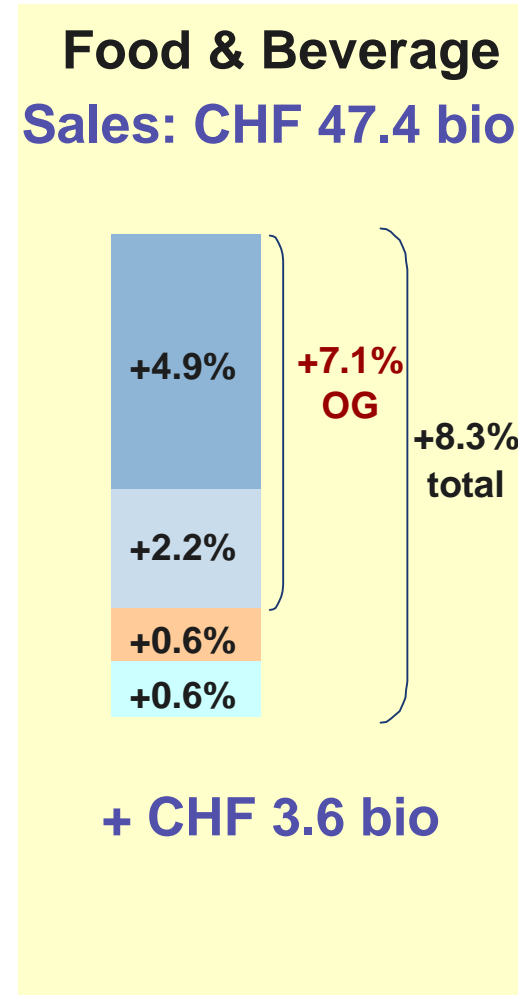
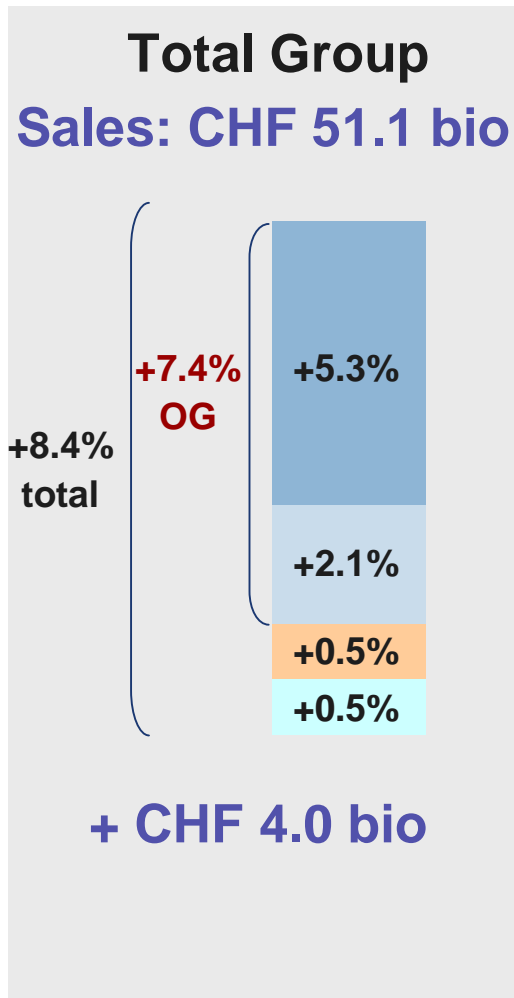
OG

EBIT

**EBIT
margin**



Continued above-target growth Group and Food & Beverage



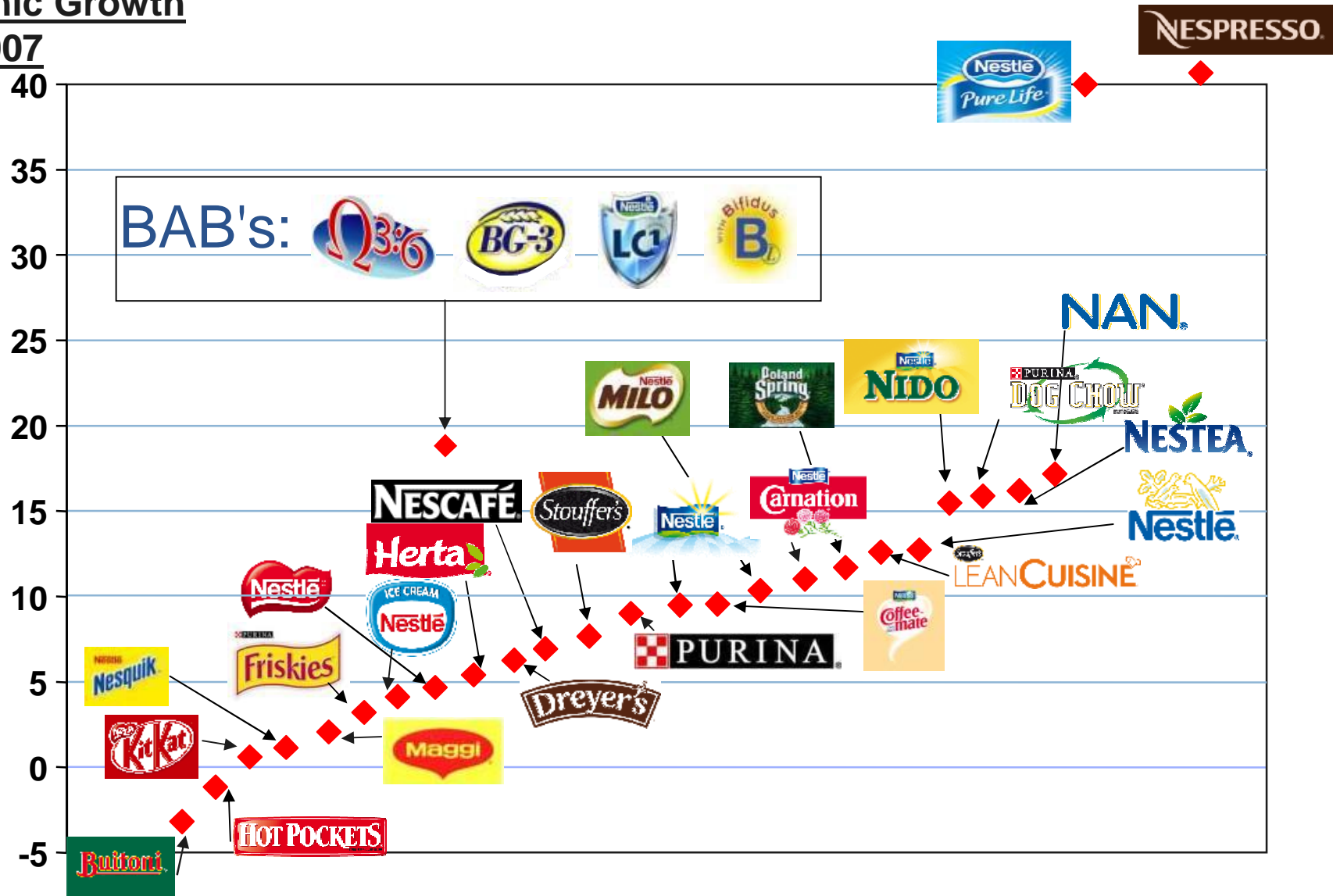
RIG
Pricing
Exchange Rates
Acq./Div.

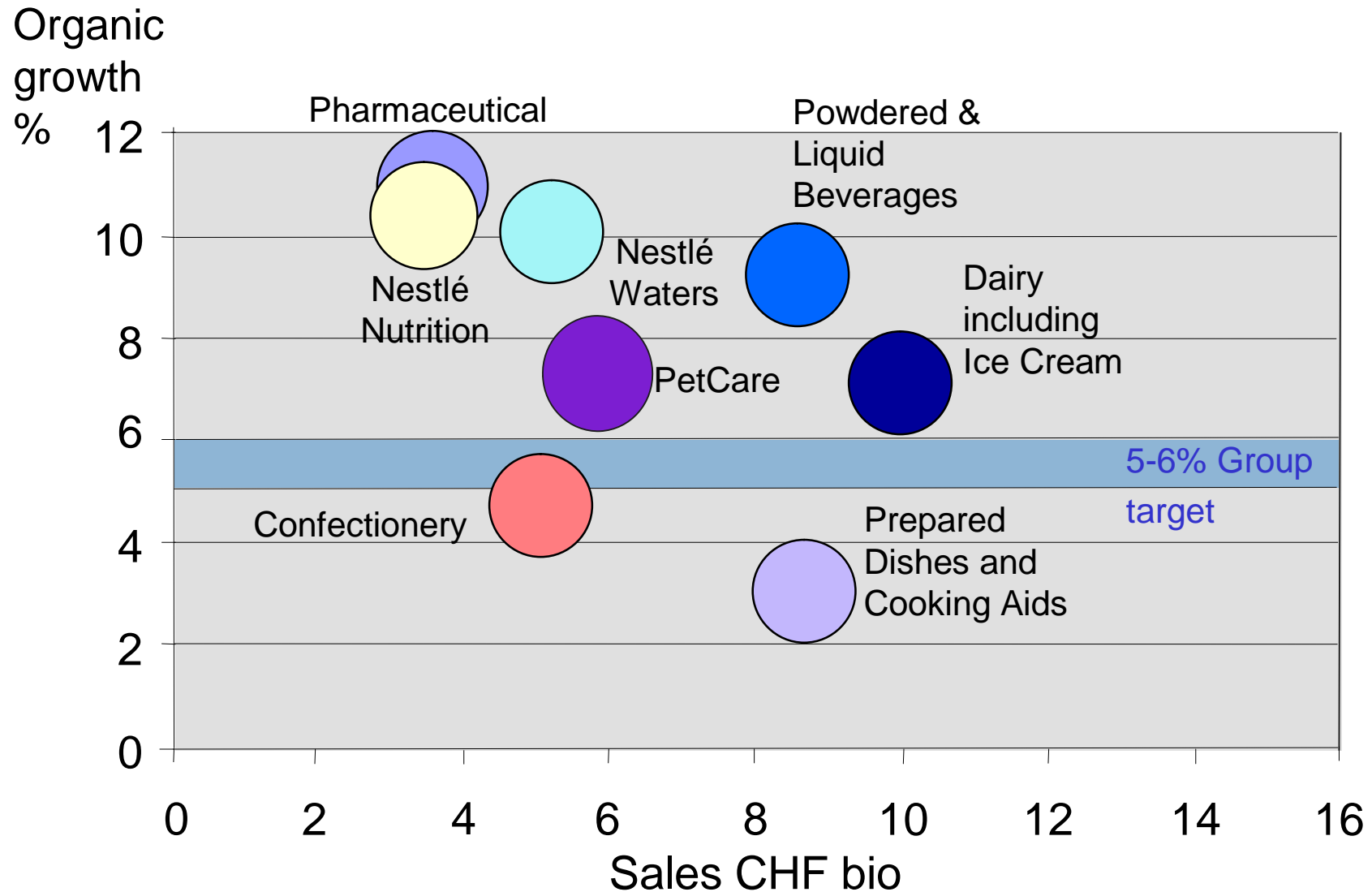
Performance of major brands



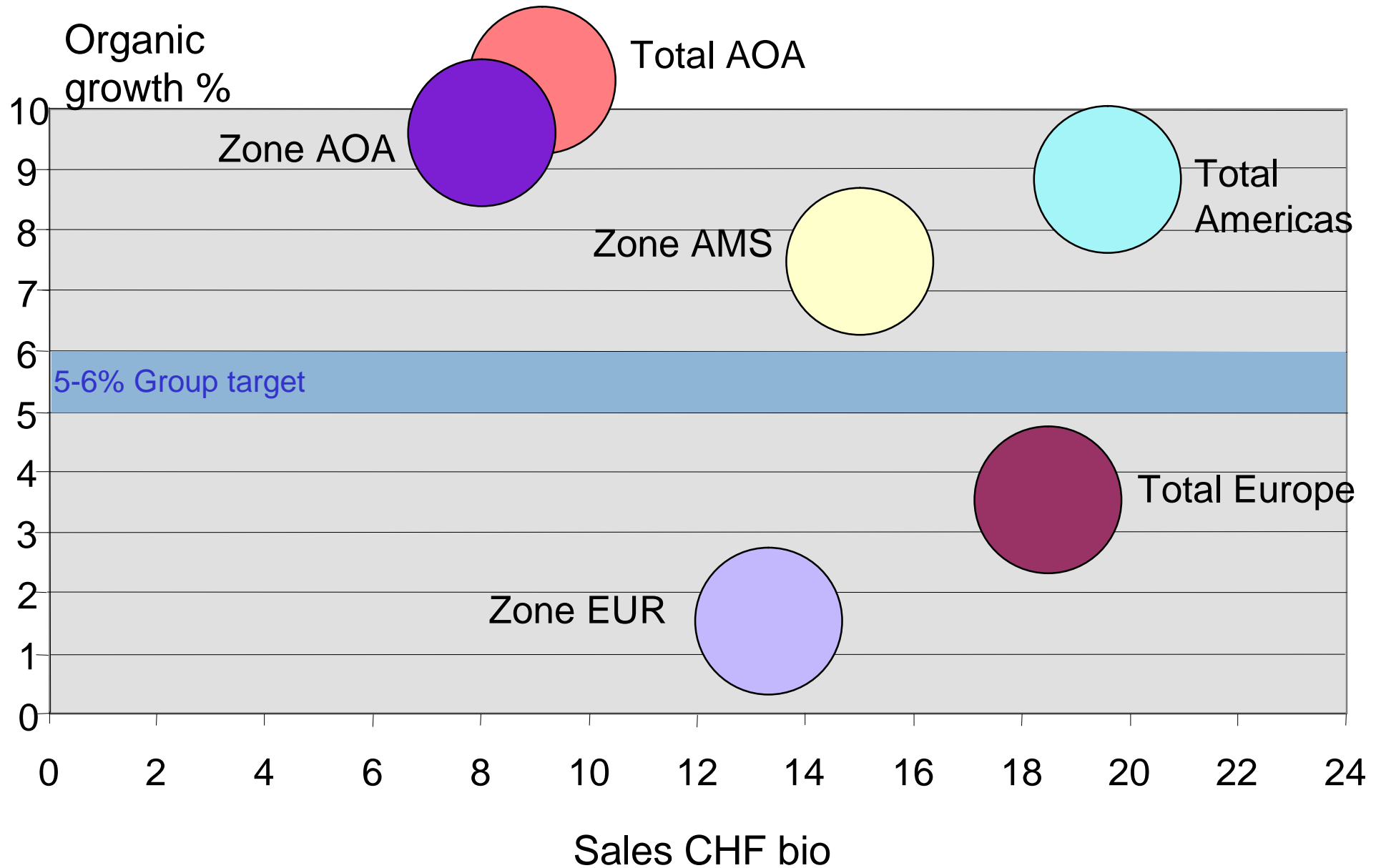
Organic Growth

H1 2007



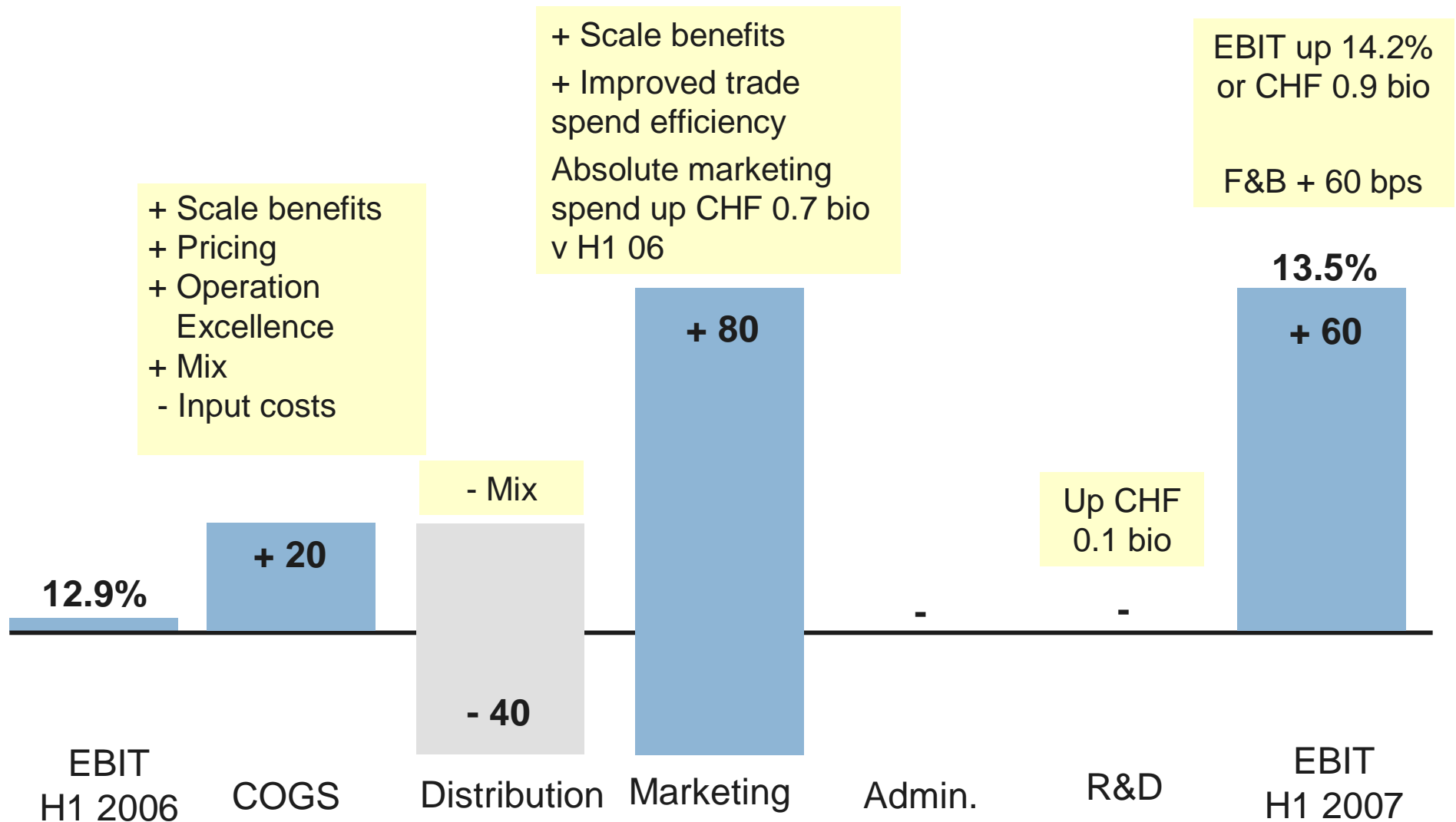


Organic growth by region



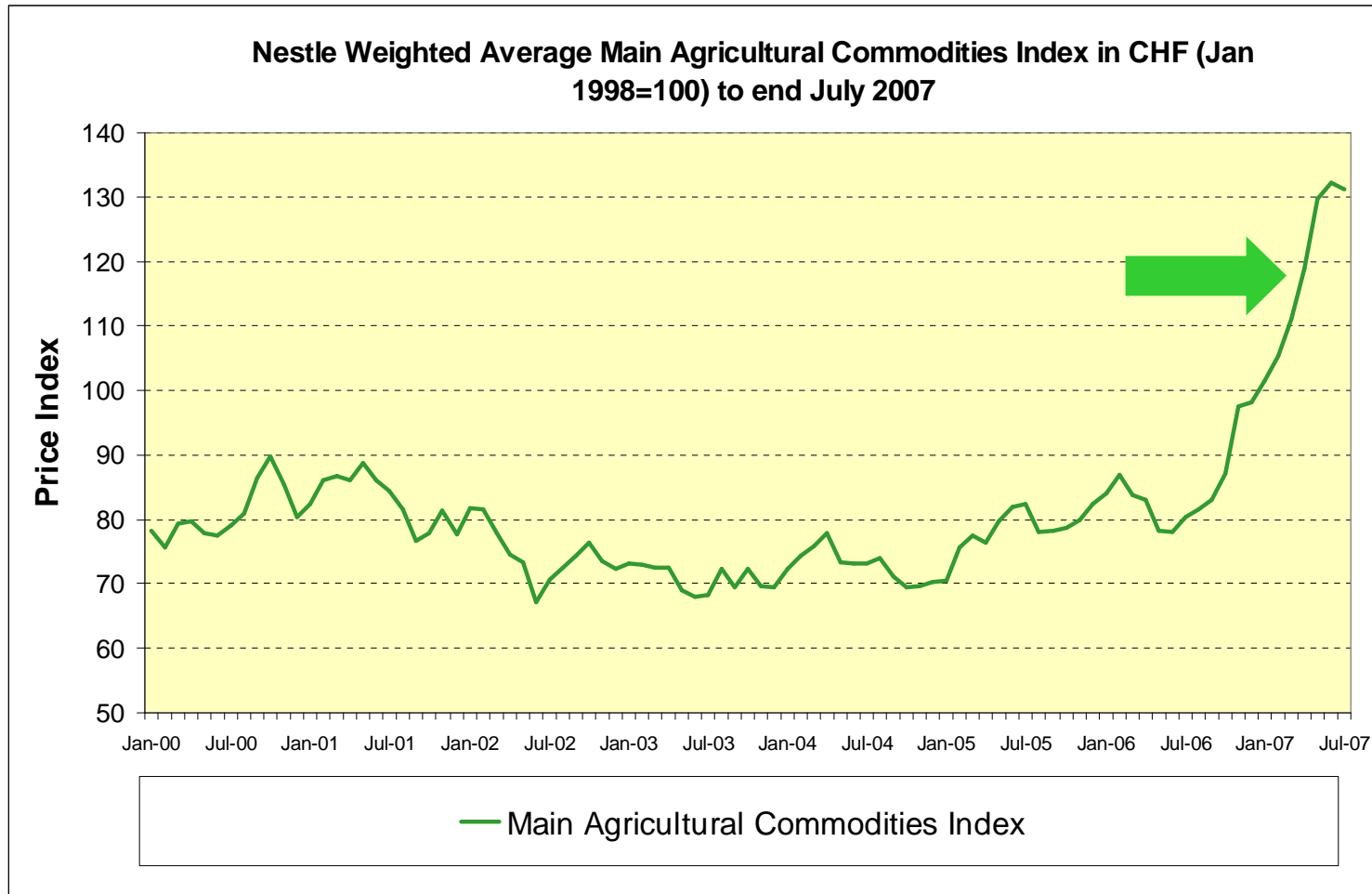
2007 Half Year Results

60 bps margin improvement



- Ø Nutrition, health & wellness enhances growth and brings structurally higher margins
- Ø Strong brands are the catalyst for profitable growth
- Ø High growth in the higher-margin emerging markets brings mix benefit to EBIT margin
- Ø Strong RIG delivers scale benefits in COGS and marketing spend
- Ø On-going improvement in underperformers such as UK Confectionery, Ice Cream, Europe
- Ø Improved discipline: reducing underperforming SKUs; improving efficiency of trade spend and working capital

Agricultural commodities Nestlé's weighted market price index



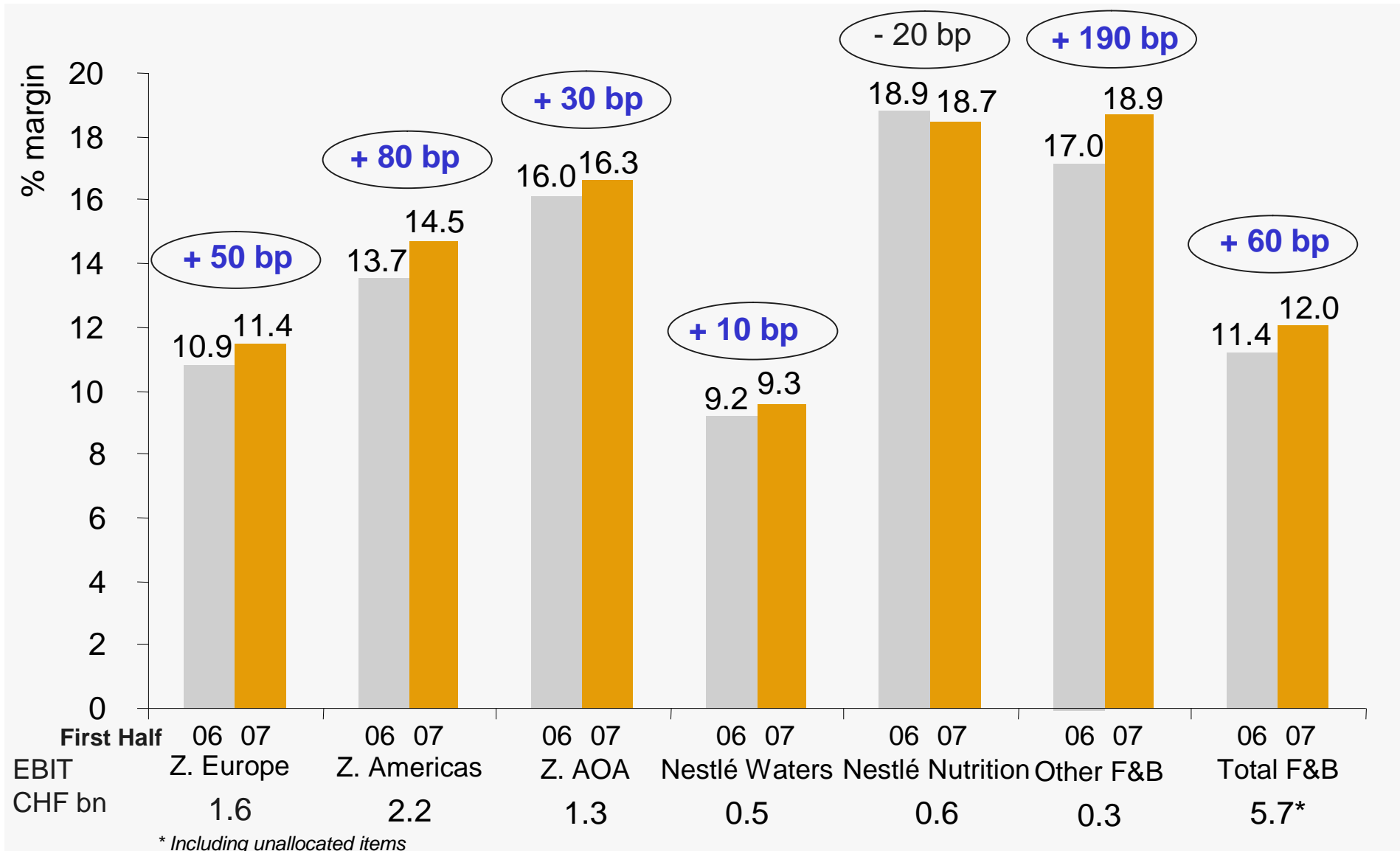
- Ø Nestlé was early to recognise the issue
- Ø Strong brands enabled rapid pricing action
- Ø Supplier contracts extended as much as possible
- Ø Longer term solutions initiated, e.g. recipe changes, packaging innovation
- Ø H1 2007 – the "sweet spot", benefiting from our price rises before full impact of cost pressures
- Ø H2 2007 & H1 2008 to be more impacted by cost pressure than H1 2007
- Ø Pricing actions, efficiencies and cost avoidance initiatives are on-going

P&L: EBIT to Net profit + 80 bps

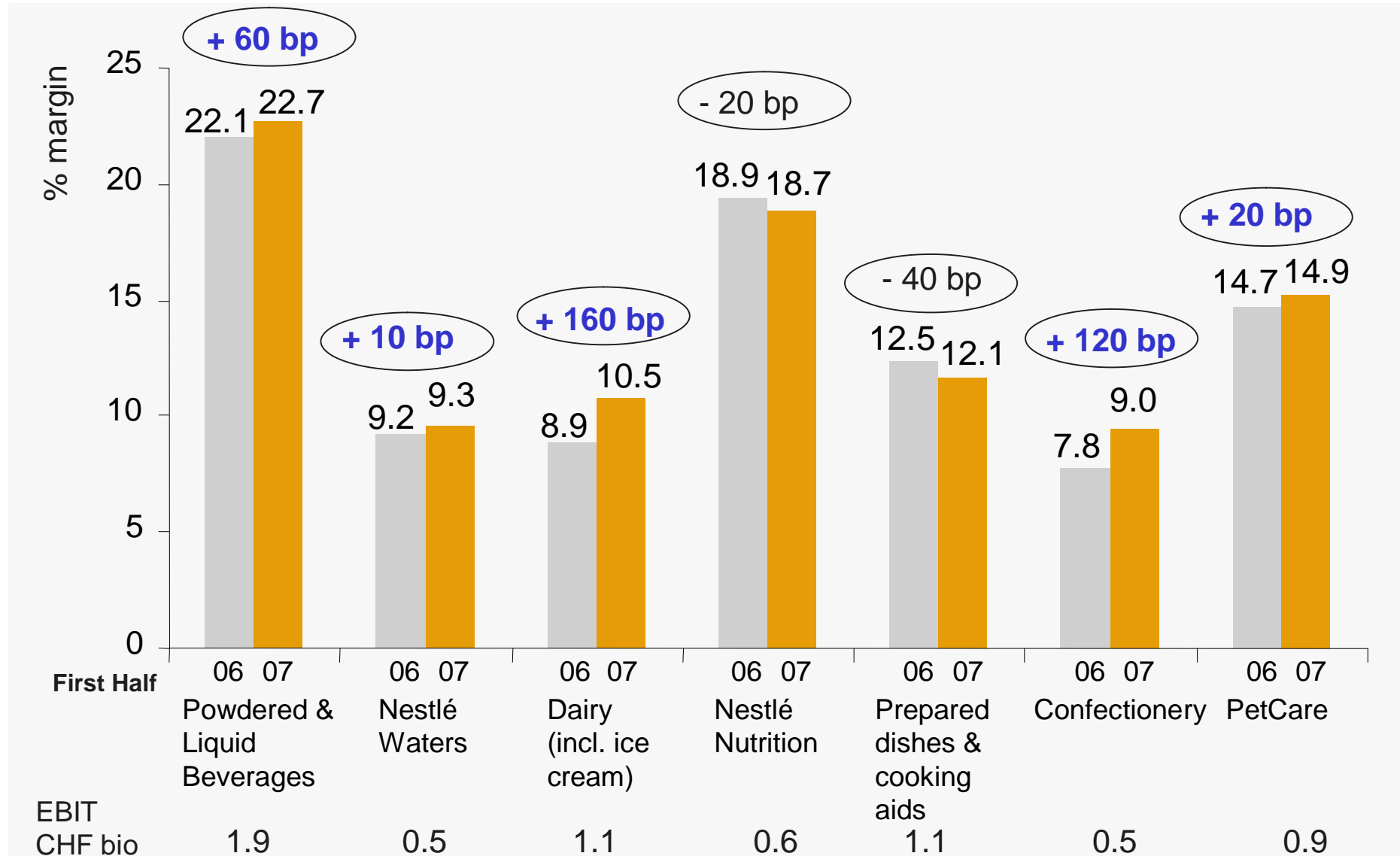


As % of sales	H1 2006	H1 2007	Diff. basis points (rounded)
EBIT	12.9%	13.5%	+60
Net other income/expenses	(0.2%)	(0.3%)	-10
Financial income	0.7%	0.8%	+10
Financial expense	(1.5%)	(1.3%)	+20
Profit before taxes	11.9%	12.7%	+80
Taxes	(3.5%)	(3.5%)	0
Share of results of Associates	1.0%	1.1%	+10
Profit for the period	9.4%	10.3%	+90
Attrib. to minority interests	0.6%	0.7%	+10
Attrib. to the Group (Net profit)	8.8%	9.6%	+80
Net profit (CHF million)	4,151	4,916	+80

Primary F&B: Strong performance across all areas



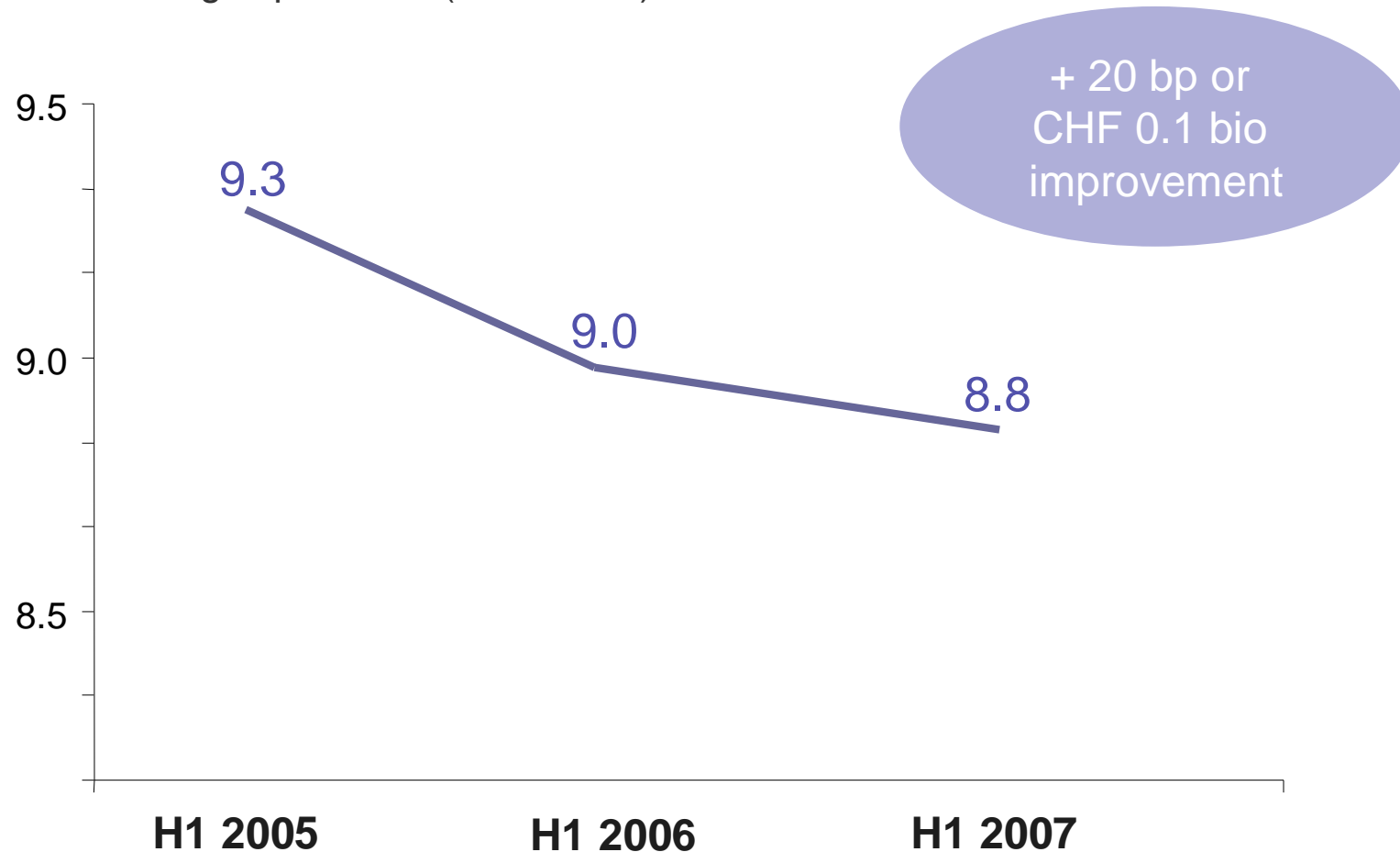
Food & Beverage Product groups: EBIT margins improve in most categories



Improved management of working capital



— Working capital total (in % Sales)

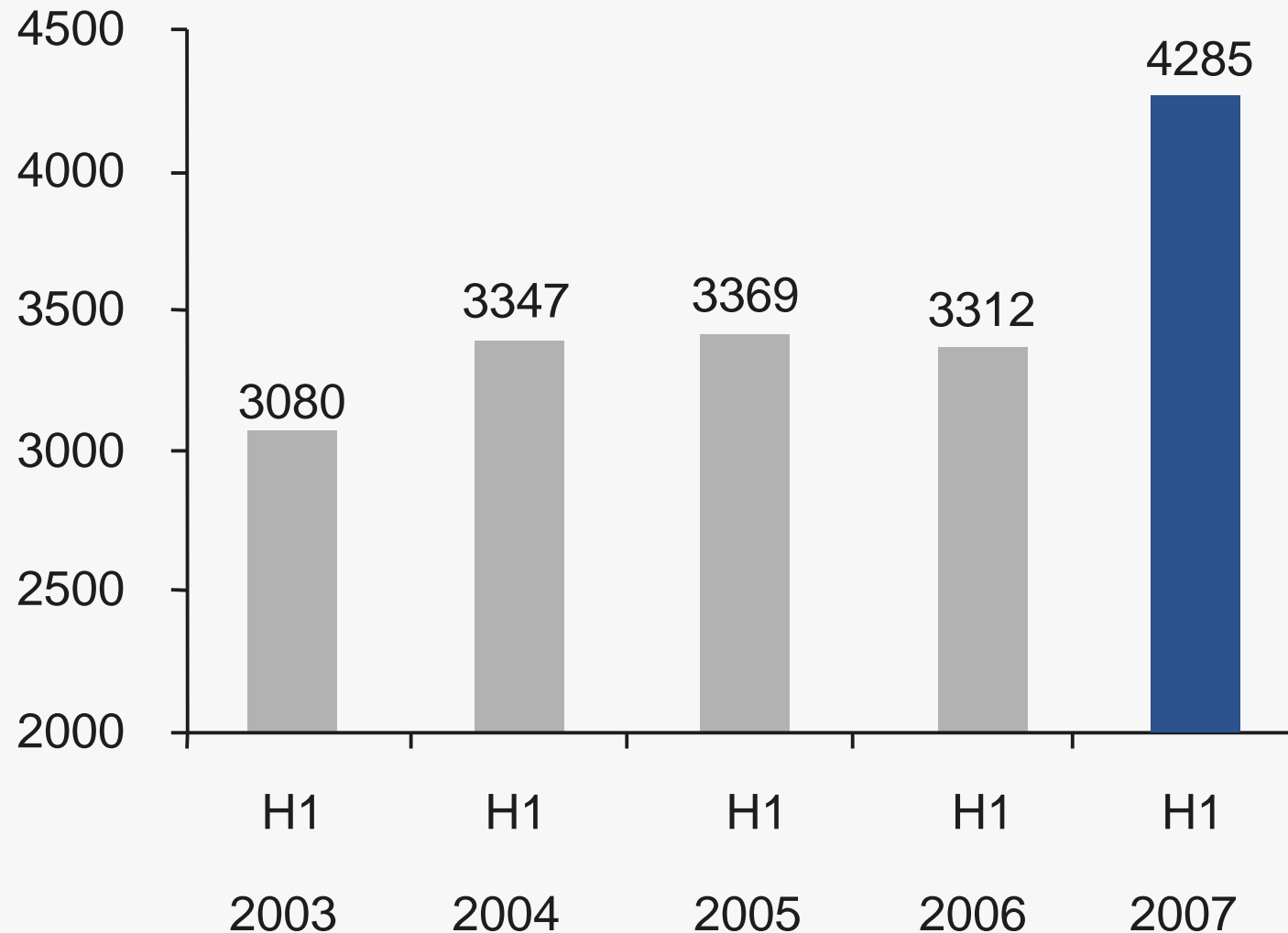


Working capital total includes Trade receivables, Inventories, Trade payables, Other receivables, Prepayments, Accruals, Current tax payables and Other short term payables. Calculation is based on annualised figures.

Operating cash flow improves



CHF mio



- Ø H1 Operating cash flow strong at CHF 4.3 billion
- Ø Net debt unchanged at CHF 13.4 billion
- Ø Full year working capital improvement expected
- Ø Capital expenditure 3.4% of sales – accelerating in H2
- Ø Novartis Medical & Gerber acquisitions cash-out in H2 2007 - \$ 8 billion

Improvement in Food & Beverage performance has momentum

- Ø Strategic transformation to Nutrition, Health and Wellness has been accelerated through acquisitions
- Ø GLOBE, GNBS are being leveraged to realise benefits of Organisational transformation
- Ø Leveraging scale, increasing simplicity, discipline in execution & a focus on tackling underperformers are reaping performance benefits
- Ø EBIT margin, working cap & cash flow, ROIC all trending better

Food and Beverage is the Key driver of the Nestlé Model

GNBS: Global Nestlé Business Services – a project to accelerate Nestlé's move to shared services and outsourcing

Efficient management of Capital

- Ø Reducing working capital; improving cash flow
- Ø Stringent capital allocation to finance profitable growth
- Ø Disposing underperforming businesses and unproductive assets
- Ø Retain ability to finance the Nestlé Model
- Ø Maintain competitive dividend pay-out
- Ø Return excess funds to shareholders

A 3-year CHF 25 billion share buyback programme

- Ø An efficient capital structure that should provide enhanced returns whilst retaining flexibility
- Ø Appropriate in view of acquisition strategy following Gerber
- Ø Demonstrates the Board's confidence in the business performance & its view of the company's valuation
- Ø Nestlé's credit rating will remain the "Gold Standard" for the industry

The Nestlé Model:

The right focus for a strong earnings-enhancing growth and the right capital structure to enhance shareholder returns



Ø **The Nestlé Model reconfirmed for 2007:**

Above target organic growth driven by key brands

EBIT margin to improve despite increased cost pressures to increase in H2

Continued progress on working capital expected

Ø **Share buy-back programme announced**

Three year, CHF 25 billion

Questions & answers



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Background slides

H1 2007 tax rate & underlying earnings per share

Underlying full year tax rate

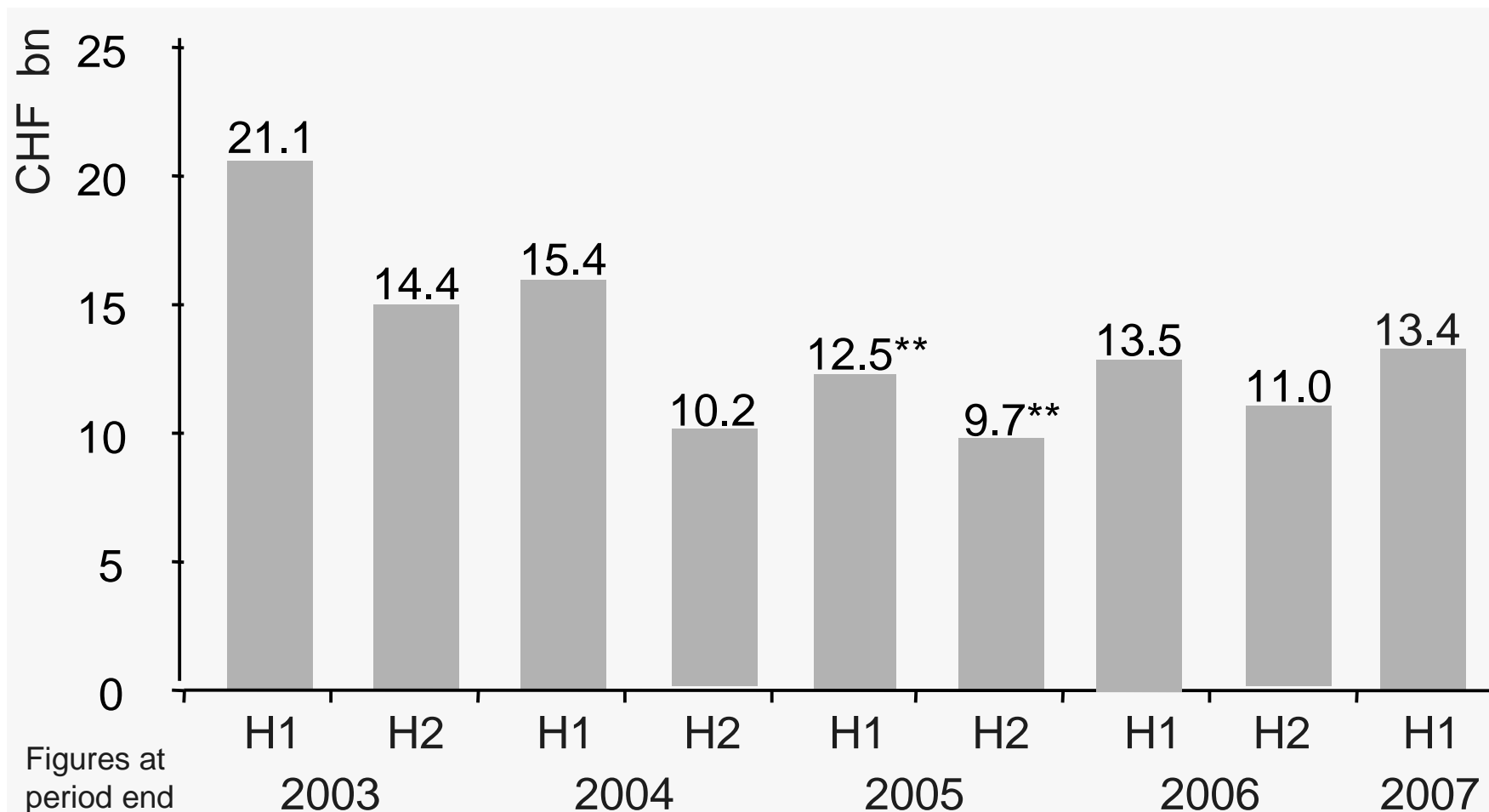
- to be under 29%

Underlying EPS

- CHF 13.07, up 18.8% from CHF 11.0

Net profit before, impairments, restructuring costs, results on disposals, significant one-off items.
The above items have been adjusted for tax.

Net indebtedness*

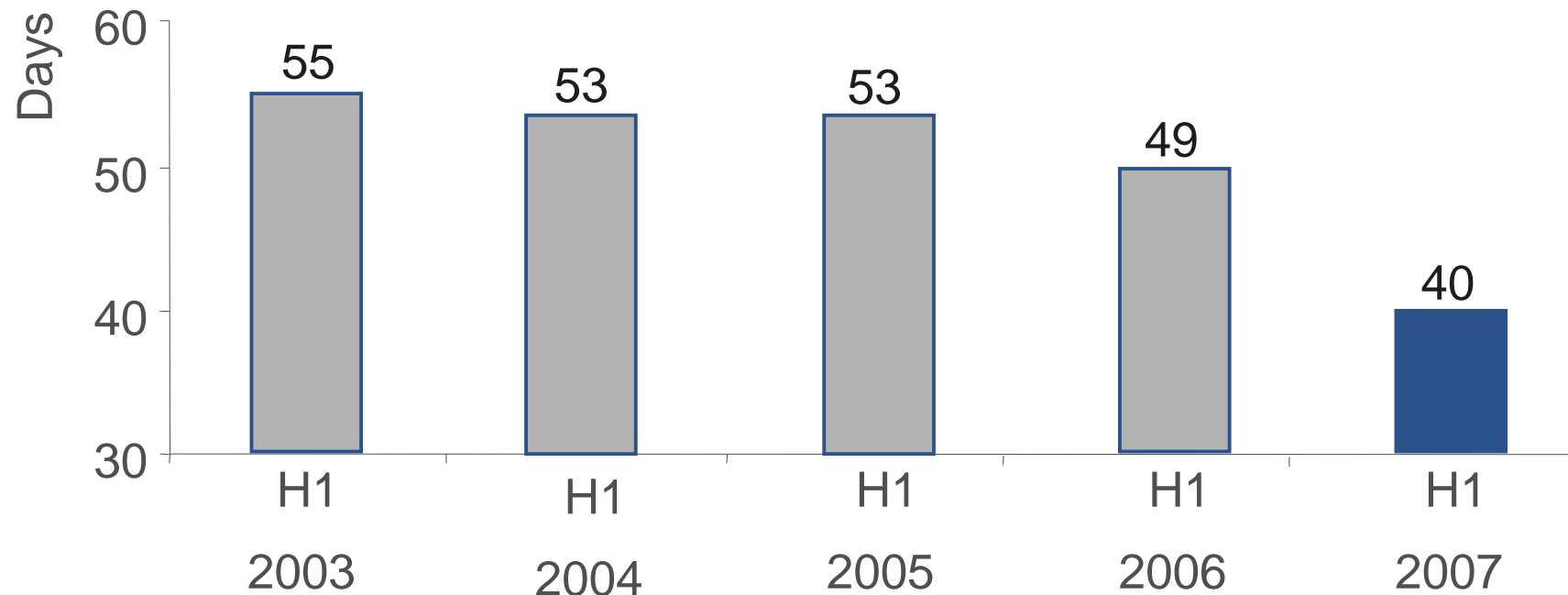


* Total financial liabilities minus liquid assets.

Liquid assets do not include the carrying value of treasury shares of CHF 3.4 billion.

** Restated

Driven mainly by inventories & trade payables



$$(AVG \text{ trade receivables} / \text{sales} \times 2) \times 365 + (AVG \text{ inventory} / \text{COGS} \times 2) \times 365 - (AVG \text{ trade payables} / \text{COGS} \times 2) \times 365$$

Currencies

Weighted average FX rates CHF per	H1 2006	H1 2007	% change
Euro (1)	1.56	1.63	4.4%
U.S. dollar (1)	1.27	1.23	(3.2%)
£ sterling (1)	2.27	2.42	6.3%
Real (100)	58.48	60.04	2.7%
Yen (100)	1.10	1.02	(7.0%)
Mex. Pesos (100)	11.66	11.24	(3.6%)

RIG & Organic growth by management responsibilities and geographic areas



%	RIG	Pricing	OG
Zone Europe	0.9	0.5	1.4
Zone Americas	4.2	3.2	7.4
Zone AOA	6.9	2.8	9.7
Nestlé Waters	9.0	1.3	10.3
Nestlé Nutrition	7.5	3.0	10.5
Other Food & Beverages	21.2	1.5	22.7
Total Food & Beverages	4.9	2.2	7.1
Pharmaceutical Products	9.8	1.2	11.0
Group Total	5.3	2.1	7.4

RIG & Organic growth by product groups



%	RIG	Pricing	OG
Beverages	7.9	1.7	9.6
Powdered & Liquid Bev	7.3	1.9	9.2
Nestlé Waters	9.0	1.3	10.3
Milk, Nutrition & Ice Cream	4.7	3.2	7.9
Milk Prod. & Ice Cream	3.9	3.2	7.1
Nestlé Nutrition	7.5	3.0	10.5
Prep. Dishes & Cooking aids	2.9	0.2	3.1
Confectionery	1.9	2.7	4.6
Petcare	4.5	2.7	7.2
Pharmaceutical Products	9.8	1.2	11.0
Group Total	5.3	2.1	7.4

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