

NESTLÉ S.A.

2008 HALF YEAR RESULTS LONDON ROADSHOW TRANSCRIPT

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Roddy Child-Villiers, Nestlé SA, Head Investor Relations

Opening Slide – Nestlé Half Year Roadshow

Good morning everybody and welcome to our Half Year Roadshow.

Slide 1 – Disclaimer and Introduction

As usual we will take the disclaimer as read.

The intention today is to have Jim talk briefly about one of the areas that has exercised a lot of you over the last two or three halves which is the marketing aspect. We've made the financial case to you several times now and I think it is broadly understood. What we'd like to do now is talk to you about what that means for us in terms of how we perform in the markets.

Then we have also Luis Cantarell who is the Head of Zone Europe and this is the first time since he became Zone Europe Head that he has had an opportunity to talk to investors. Certainly following our seminar a lot of the feedback we got was you wanting to understand more about private label and hard discounters and the European environment. So Luis is here today to talk about that. He is also accompanied by Philippe Blondiaux who is somewhere out at the very back, hidden at the back who is the CFO of Zone Europe.

Without further ado I'll pass it to Jim, thanks.

I should just say by the way that there is an advert and the advert will not be broadcast for those you who are listening over the internet. It will not be broadcast over the internet because it is in Lebanese. However, the people in the room will see it with subtitles, thanks.

James Singh, Nestlé SA, Chief Financial Officer

Slide 2 – Opening slide

Good morning everyone and welcome to our 2008 First Half Year Roadshow here at the London Stock Exchange. As Roddy has said as usual we take the Safe Harbour Slides as read.

I would like to spend the next 25/30 minutes touching on some aspects of our first half year performance, beginning with the headlines. And by now I'm sure you're aware of the solid progress that we have reported, building on the momentum that you have seen in recent times. We will try to avoid some of the matters or items that we have discussed during the conference call and deal with some of the new issues that I'm sure would be of interest to you.

Slide 3 – Creating shareholder value through profitable growth

Strategically coherent, strategically focussed and with a high degree of discipline Nestlé continues to create an enhance shareholder value through profitable growth. Successfully

and sustainably delivering the Nestlé Model. As you have seen in the first half year again organic growth above last year and above the company's long term target. EBIT margin not only reflecting an improvement over last year, both on a constant currency basis and as reported, but also above consensus.

Food and Beverage, driving performance and our Billionaire Brands driving growth, remaining very coherent or consistent, building our Nutrition, Health and Wellness strategy and among others our premium and PPP growth platforms.

In addition our corporate and business initiatives continue to accelerate, especially in the area of driving for further efficiencies in the business. And in addition we had announced during the first half year also the partial sale of Alcon, which in time would be transformational when we do, and if we do, sell the balance of our stake.

We continue with smaller disposals and as we have noted in the conference call that this year we are on target again to dispose of businesses - several smaller businesses that would add - or would have contributed a billion Swiss francs or more in revenues. And of course we have begun to accelerate the Share Buyback Programme.

We have also indicated to you at that time an improved outlook in terms of our organic growth performance expected this year. And also continuing the improvement in EBIT margin both on a constant currency basis as well as reported. We also talked a little about the Share Buyback Programme, which we believe by the end of this year we will be approaching 12 to 13 billion Swiss francs cumulative to the end of December.

Slide 4 – A strong first half Delivering the Nestlé Model

In terms of some of the key figures, sales growth of 3.8% as you know exchange took a big bite of our progress. However we progressed to 53 billion CHF in sales for the first six months. EBIT margin at 6.1%, created in sales growth and EPS at 8.6%, the growth created in sales growth and also EBIT growth which are really key performance indicators of real and solid progress.

Organic growth of 8.9%, EBIT margin plus 60 basis points on constant currency and net profit plus 20 basis points reported, also very impressive performances.

In absolute terms during the first six months of the year, in spite of the difficult currency environment we added two billion CHF in sales, 400 million CHF in EBIT and 300 million CHF in net profit.

Slide 5 – Total Food & Beverages – All geographies contribute well

We have reported an improved performance in all of our zones. With Europe achieving 5.2% and Luis will tell you a little more about what's he's doing in Europe. Americas 9.9%, AOA 14.2% and when you look at the emerging markets across the globe our participation has increased 18%.

Slide 6 – Secondary Reporting: Progressing in all categories bar water

Similarly on a product category basis, first of all we want to clearly demonstrate that our business is experiencing organic growth performance on a broad based basis, bar Nestlé Waters. And most of the businesses are experiencing very high single digit or double digit

growth. Secondly, as you know Nestlé Water was one of the key pillars of our growth. This year the business has not experienced the growth levels that it had in the past. But in spite of that the overall Nestlé Company has achieved organic growth at a level that we have not seen before.

This performance clearly demonstrates that the company is not only resilient today and in the future, but we have the competence and the capability to continue to grow.

Slide 7 – Half Year Results – Key factors of margin improvement

More or less a reminder of what were the key elements contributing to our improvement in EBIT margin. As we have said in the conference call the analysis of our progress is complex for many reasons. Primarily in the areas of pricing, product mix, market mix which deals with channel and geographies and of course our drive to efficiencies.

Marketing as we have noted was down 120 basis points and it is one of the key areas that I would like to focus on this morning.

Slide 8 – High quality results

So generally what we have once again demonstrated is the group's ability to delivery very high quality results with strong operational performance that is very broad based. High quality achieved, whilst at the same time we continue to invest in all key aspects of our business. Our portfolio of strong brands, enabled by a very active innovation programme continues to compete successfully on a global scale.

Strategically focussed, executing with the discipline and doing so successfully, enabling us to manage the negative impacts of several external factors.

Slide 9 – The Four Pillar Strategy

You would recall that within our Four Pillar strategy an important aspect of that was consumer communication. There has been some discussion around marketing spend at Nestlé. And during the conference call and prior we did provide some financial rationale for the evolution of that cost pool. This morning I would like to take some time to provide some business content to the discussion.

Slide 10 – Efficiencies in Marketing Spend

Now I'd like to start by explaining very briefly how Nestlé accounts for marketing spend and what is in this bundle of costs. For Nestlé total marketing expenses include trade spending, which as you know most of our competitors, in different parts of the world reduce their sales by this type of expense, either completely or partially in a significant way. So trade spending, media and consumer promotions, sales force, marketing personnel and sales and marketing administration.

One element of this is media and consumer communication or direct to consumer expenditure which is an important part of our methodologies or approaches of building relationships directly with our consumers. We believe that careful and astute deployment of funds in support of fewer brands, fewer stronger brands building a value added relationship with our consumers will continue to provide significant opportunities for gaining efficiencies and effectiveness in this spend category.

We will provide this morning some examples of coordinated activities, contributing both to efficiencies and effectiveness in marketing spend.

Slide 11 – Marketing at Nestlé

Marketing at Nestlé is executed in several fronts, first of all we will spend a couple of minutes explaining how do we leverage central resources, but bearing in mind that the execution of these programmes are done all at a local market level using local resources. Our focus is on driving efficiency through leverage and creative execution by investing in brands, Billionaire Brands reflecting focus, creativity in terms of the development of communication platforms, efficient and effective use of all communication channels and taking advantage of the rapid rise in digital media, whereby we can engage with our consumers in a more interactive way, allowing the consumers to generate content and effectively become a media channel in itself.

In addition to that we spend a fair amount of time measuring our progress in order to retain or extract benefits, key benefits from the learning's, so that we could continue to achieve higher levels of efficiency and effectiveness.

Slide 12 – Leveraging central resources

We have in our head office two very strategic groups. The first one is called the Global Strategic Business Units and I'm sure you've had the opportunity to interact with our SBU heads. The Executive Vice President responsible for that group of professionals is Lars Olofsson who made a presentation at our conference in June.

The Strategic Business Units are in fact the brand owners, they are organised based on broad product categories. They are the brand owners with a long term view. They set global strategies; provide strategic content and executional framework for communication programmes around our key brands in the global market place.

Support the SBU is another group which we call the Strategic Generating Demand Unit. The Strategic Business Unit deals with the what; the SGDU deals with the how. This is a unit that possesses functional expertise in guiding execution. Specifically they manage our media partners, they control, they develop and they deploy proprietary process from media communication and they are responsible for conducting consumer research with respect to brand performance and brand health, etc.

It is very important to note as I said before that the execution is done in the local markets where all expenses are recorded in local currencies. And they are also responsible to ensure that over time there is a reasonable return on investment on the related expenditures.

Slide 13 – Efficiency through leverage

We're going to use some examples this morning that clearly demonstrate that you can gain better execution on the Billionaire Brands because the Billionaire Brands have a stronger consumer equity across multiple product categories and formats.

Astute choice of communication platforms enable more efficient and effective use of resources and here are three examples that we would like to talk about this morning, each within a different context or approach. The first one is Nescafé, Saborea Cada Instante, savour the moment. Why? Because we wanted to ensure that we are capable of elevating the roles of the sub brands under Nescafé.

The other example is Maggi, whereby, we will show clearly using Maggi products, we can enable the acknowledgment of the participation, the personal effort of the caregivers role in the family. And Croquons la Vie, getting the most out of life where Nestlé brands could surely help.

Slide 14 – Nescafé “Savour Every Moment”

So let us start with Nescafé. This example is about an execution in Mexico which can be extended on a global basis. In Mexico, Nescafé Clasico defines the Nescafé brand prior to this execution. In that market Nescafé is significantly the market leader and Nescafé Clasico has a very, very high level of awareness and support by the consumers. Savour the Moment 2007/2008 was really to elevate the reason to be and the importance of the various Nescafé sub brands.

As you know Nescafé's mission is to offer consumers pleasure for quality moments with all of coffee goodness. That is the ambition or the mission of Nescafé. Under the Nescafé umbrella or parentage there are now several sub brands each with its own reason to be; related to a specific benefit, either an emotional one or a rational one. For example Nescafé Clasico the message here is that enjoyment of life is for those who are awake and are in control. So Nescafé Clasico is a coffee that you have to savour the moment when you wake up in the morning.

And there are specific reasons to be for each of these sub brands. Nescafé Decaf take some time for yourself. Nescafé Cool reveal yourself, have some fun, be a bit frivolous. Nescafé Cappuccino is pamper yourself and love thyself. Nescafé Dolca is to share with family, have a moment where you can enjoy a cup of coffee with your family and friends. And Nescafé Protect is about caring for yourself. All these sub brands with their individual reason to be under a very focussed campaign, Savour the Moment.

Slide 15 – Leveraging Billionaire Brands: Nescafé

Just an example of one execution, execution in bus shelters which as you know buses and bus shelters are an important medium of communication. Here it is all standardised, it's simple, it's coherent, very clearly identified, not only the sub brand and the role they play but also the target consumer group.

Slide 16 – Leveraging Billionaire Brands: Nescafé

Similarly in a very simple way very coherent in store execution and also on the internet. In the end what we've found is that we had 7% RIG for the entire range of products, 11% organic growth across the range, media efficiencies of 6%. Overall Nescafé, the entire range of Nescafé, if you had asked the Mexican consumers in general about Nescafé Clasico they will tell you, aided or unaided recall, it was a tremendously high rating. But if you asked them about the other sub brands of Nescafé it was pretty low. After this campaign when you asked the consumer, about not only Nescafé Clasico but all the sub

brands, their favourite choice of Nescafé, it moved from a very low percentage of 2% to 32%. And the Top of Mind recall for all the sub brands moved from generally 20% to 44%.

So here is an execution that is very focused, very cohesive, with one message that not only builds on the importance of the sub brands but also strengthens the Nescafé Billionaire Brand.

Slide 17 – Build communication Platforms: Maggi

Maggi, here is another example, this is in the Middle East. And the theme here is Go Create. And the objective here was to remind or to attract new consumers who prepare meals during the month of Ramadan. And to employ communication platforms in a way that allows not only for recognition of the provider but also interaction with others.

Slide 18 – Build communication Platforms: Maggi

Media Clip (for live presentation only)

Slide 19 – Build communication Platforms: Maggi

Now in the Middle East and in a lot of emerging markets including Latin America the caregiver, the person who prepares the meal is taken for granted, not recognised for the effort they do. What we have seen here is that the programme was focussed to enable the female member of the family or the household to shine, to be recognised and not be invisible. So how did we do this? We used all the traditional communication mediums, whether it's print, outdoor, but in addition to that we used, on a very wide spread basis, the internet or digital media, along with media investments that we have already made in terms of the compass, the nutritional compass on our packets and on the Maggi vehicles.

So by leveraging several media channels, including those we have already paid for, enabled us to achieve excellent results, not only in terms of sales, but in terms of building a relationship with our consumers.

Slide 20 – Digital Media: increased share in adspend

Now the other area I want to talk about is the choice of medium. Today we have seen the digital media is one of the fastest growing media channels around. And some of the traditional ones, although they remain important - they are in decline, they are expensive and advertisers can extract significant economies of scale or efficiencies through media advertising.

It is also effective from the point of view of enabling a two way conversation with consumers and as we said before allowing the consumers to become the media by talking about the brands in their peer groups.

Slide 21 – Digital Media: Multi-brand initiatives

So let's look at how one market can use digital media in a very important campaign. And here is France, the French market. The difference here is where we have incorporated a multi brand corporate campaign, building on the access to the consumers in order for them to, not only gain more awareness of Nestlé products, but to develop a relationship with the company's brands. Nestlé has products for every moment in life. They are complimentary

and can be marketed together. That is what we believe and therefore 'Croquons la Vie' uses a mix of traditional media and importantly digital media, phone lines and sampling which enable us to share information and receive feedback from our consumers

Slide 22 – Leveraging digital & Off-line: Croquons la Vie

And here again we have not abandoned the traditional media, but this time we use the magazines through targeted distribution. We reinforced our consumer services and established call centres. We used digital media in terms of website and e-newsletters, electronic newsletter in addition to our nutritional compass and interactive sessions with groups, tasting sessions, cooking session, etc.

Using digital in this instance to establish connections, creating an opportunity for building interactive relationships with our consumers.

Slide 23 – Digital Media: Croquons la Vie

And as an example in the first bar chart here we talk about offline - households using offline media. For example this is the magazine distribution where in a control group versus the membership, the membership spent 20% more than the control group. In the digital group which was twice the size of the control group there again we saw a 9% increase in purchase of the products. Additionally over the two years we have seen a 25% increase on the brands that have been promoted on this media site.

Slide 24 – Measuring progress

We also look at different ways of measuring progress in our brands using several very reputable organisations. All are used on an industry wide basis for various reasons, from establishing or measuring market shares, looking at marketing and advertising effectiveness and brand health.

Slide 25 – Measuring the Message

And here are some examples, this is one methodology that is used by Millward Brown Inc which we use to pre test our ads to insure that we minimise waste. In other words avoid spending money on communication that really doesn't make a difference to the consumer preference, or more importantly create risk to the reputation of the brand the company brand and the company itself.

Now ideally you would like to be in the green areas, but this is advertising and sometimes it can be very challenging or tempting to enter the yellow box. But our target is that most of our communication, both TV and print should fit very safely within the green boxes.

Slide 26 – Measuring the Media

Now in terms of spending, here is an example, and this is Nestlé Russia, where we look at how we were spending our media and consumer communication dollars. And about two years ago we moved to one media buying agency and this is an inflation where media inflation is about 30%. And in an industry that is evolving in terms of stability and structure. And over the last two years we have been able to achieve 100% benefit in terms of media effectiveness by spending an equivalent of 80%. So in other words you spend 80 cents on the dollar for one dollar of benefits.

Slide 27 – Measuring the Media

We look at what we have achieved right here in the UK a market that is mature and the industry is very sophisticated. Here we achieve a lower level of savings, 4.3% relative to the top advertisers. But by better planning and programming we were able to increase the overall effectiveness by 17%.

Slide 28 – KPI Measurement: Return on Investment

In addition to all these measure and trying to leverage our scale and skill, we also measure our performance. Market share over time is perhaps the best measure of return on investment on your media and consumer communication. But we also know that market shares can be bought over the short term, either by lower pricing or deep discounting. So we also look at other measures, Brand Health, you know what determines Brand Health, the Brand Health metrics that allows us to measure what drives consumer preference, taking that understanding in order to develop programmes and products to build on the equity and increase our market share.

We also look at how the brands perform in retailers and develop programmes with our retail partners to drive our brands. And also how our brands behave with the consumers, in their homes and what is the degree of loyalty, trust and value that we engender with our consumers.

Slide 29 – KPI Measurement: Brand Performance

And you've seen this chart before these are our 26 Billionaire Brands continuing to grow at significant rates. In total they represent more than 70% of our total Food and Beverage business. And although we do have some challenges, to the bottom left, we work very hard to make sure that we deal with the issues.

During the August '07 conference call we shared with you some of the financial rationale for marketing spend. I fervently hope that today we were able to share with you some of the commercial and business oriented actions that we continue to take to extract cost efficiencies which at the same time allow us to achieve performance effectiveness.

Slide 30 – Beyond 2008: Nestlé is opportunity-rich

So very generally I would like to say that Nestlé remains opportunity rich. We pursue very aggressively our four competitive advantages of four growth categories and our Four Pillar strategies and we just talked about consumer communication which is one of the Four Pillar strategies.

Slide 31 – Beyond 2008: Four competitive advantages

The evidence of managing our competitive advantages through our product and brand portfolio, investment in R&D capability, including now with several investment R&D platforms in the markets where we can get closer to the consumer and tap local talent. We have unmatched geographic presence and we have very loyal and committed people in a culture with values and attitude that help us deliver the Nestlé Model.

So what we have seen by driving and building on our competitive advantages we can continue to provide momentum and agility within our business.

Slide 32 – Beyond 2008: Four growth accelerators

One our four growth accelerators, this represents a very balanced distribution of our business with very strategic coherence in terms of Nutrition, Health and Wellness. Building capabilities in Out of Home and the range of values in terms of premiumisation to PPP in emerging markets, allowing us to capture the benefits that exist in the market place in spite of varied economic conditions.

Slide 33 – Beyond 2008: Four Pillar Strategy

And more importantly we remain true to our strategies, operational efficiency, innovation and renovation, consumer communication and distribution in terms of ubiquity. We believe these strategic pillars that were defined over the last number of years continue to apply to our business model today. But we continue to update and refresh them to make sure that they remain relevant to the challenges we face.

Slide 34 – The Nestlé Investment Proposition The Nestlé Model for the next 10 years

So it is our commitment, our firm commitment and belief that if we continue to do what I just explained to you in a very simple way, we will continue to deliver on the Nestlé Model in terms of organic growth, EBIT margin or margin improvement in general and a more efficient and disciplined disbursement of our cash flows.

All zones, all businesses are contributing to the Nestlé Model and Zone Europe is an important part of that effort, and increasingly so over the last three years. I would like to now have over to Luis to explain what he has achieved over the last couple of years with his team and what are his perspectives on the next steps, thank you.

Luis Cantarell, Nestlé SA, Head Zone Europe

Slide 35 – Zone Europe title slide

Thank you Jim, good morning everybody. I will try to summarise to you quickly, not only what we have achieved, but how do I see the prospective of the European business, one of the most challenged in that last years and still one of the most complex that we have in front of us.

Slide 36 – Agenda – Europe at a glance

I would like to cover with you basically four points, to give you an idea when talking about Europe. It is interesting that a lot of companies define Europe in different ways so we will see how we define Europe. Then I will talk about the Nestlé in Europe, you know that in Nestlé we always talk about Zone Europe which is my area of responsibility and then Nestlé in Europe is also covers the presence of the global managed business like Nutrition, Waters or Nespresso in Europe. And the figures you are always seeing is both of them, so you will see also that today.

We'll talk briefly about the performance over the first six months and I will give you a glance of how I see at least the next three years and even beyond that.

Slide 37 – Nestlé Europe: sustainable and profitable growth

In a summary the message I would like to convey to you is that Europe is a growth opportunity, we firmly believe there is opportunity to grow in Europe, despite all the hiccups and all the discussions that you may have today. That our performance is on track, that there is potential not only to have growth but to continue having growth is promising regarding our innovation and renovation pipeline. That we have an aligned organisation, an aligned portfolio with a clear vision and a plan to work in the next years and that I have, with my team, a strong management which has the combination of international but basically local experience to manage the complexity of Europe.

Slide 38 – 770 mio Consumers

When we define Europe we talk about you know our fast moving consumer goods, we always talk about millions of people. So here we're talking about basically 800 million people, which is 12% of the world population. And in this chart what you're seeing is basically that division between Central and Eastern Europe and Western Europe, roughly half and half of the population. One message that I bring now about Nestlé and you will see this in my coming charts, is our business is 85% in Western Europe and 15% today in Central and Eastern Europe while the population is close to similar. So you don't need to make any kinds of dramatic calculations to see where the growth opportunity is and this imbalance comes, not because Nestlé has not been there, Nestlé in some of these countries has more than a hundred years history, it is probably more about the 70 or 80 years where the idealism didn't permit companies like us to develop their full potential.

But I'd also like to bring to you that we don't talk in Nestlé about two Europe's. I talk basically about four Europe's. And my four Europe's I would summarise that is what I will call the Europe of the 16th which is basically the 15 countries that have been for a long time in the European Union plus Switzerland. These countries have a moderate GP growth. They are in terms of Nestlé an important part; it represents around 24 billion CHF. And they had a growth last year of about 1%.

Then we have what I call the Europe of the 11th, which is basically that 10 plus, depending on how you talk about some of these countries today, but these are the ones that joined the European Union around 2004. These are countries that have a better growth prospective, some of which have already been developed in the past like Czech or Slovakia you may say these are countries what have already experienced quite good development over the past years. But here for us is a clear growth opportunity; it represents basically today one billion CHF and about 8% real internal growth.

I separate these from what I call the Europe of the two which is basically Bulgaria and Romania, countries that have just joined the European Union. Their economical situation is far less developed than the ones that I have mentioned before. The growth prospective here is even higher. And just to give you an example we are talking here of around 300 million business for Nestlé with a growth so far last year of more than 16% real internal growth.

And then there is a big chunk of that which is basically what you will cover in this part of the world, what we call Eurasia so Russia, Ukraine and Central Asia. This is what I would call -

this is more a kind of another continent, 250 million consumers, great GDP growth and a turnover for Nestlé of around 2.5 billion to date last year with growth about 7.5% real internal growth.

All in all we are talking about Nestlé in Europe with sales of more than 39 billion Swiss francs, in 42 markets, which represents these 800 million people. People that speak more than 50 languages, with different cultures, we have more than 176 factories in Europe compiling everything Water, Nutrition are all included. 7 research and development centres and I will come back in a minute - what I call more than 200 business cells in Europe that we are managing today.

Slide 39 – Consumer needs driven by socio-demographic changes

One important thing for a company like us is to screen and follow systematically the consumer needs. In order to develop plans and strategies that will be relevant to the consumer needs of today and tomorrow. We do it every year, with a collaboration like Jim has presented to you, to the SBU and the SDGU. But basically this information and this is just an example that I'm showing to you, a simplified version of what we are doing today. Basically what we do is we analyse what are the basic socio demographic trends. We do it with input from the markets and from the centre.

Here you can see we talk about older population, organisation, popularisation between PPP products and premium products. We talk about sustainability which is an important trend in consumer needs and basically in the opinion of consumers here in the UK. We transform this - basically what is in the centre of that chart, in to what we call consumer needs areas. And we have identified this five here that you can see. And then we transfer these in category specific trends by our brands.

So it is a process basically that from consumer insight we're trying to transfer this in initiatives that will see the light in our markets in the present years and in the coming years. From Nescafé you can see origin, fair trade, coffee on demand, and 'my cup'. In Maggi, in Ice cream and then also in Chocolate and Confectionery. So it's a way to demonstrate how do we link what's coming out from our markets and how this is combined with what Jim as presented and an overall perspective from the SBUs.

All these consumer trends are screened and are taken and developed and analysed and I make priorities on activities that will be launching in our European markets.

Slide 40 – Trade concentration to continue

Another trend that is today something that everyone talks about is that trade will continue to concentrate. It's something that will not stop and this is basically information that comes not from us but from a trade research called Planet Retail, which basically shows to you that this is the perspective on how they see the growth of different channels in the coming years, at least in the next five years. And what you will see, and I can confirm to you now that Nestlé has been achieving above the average growth with key customers, with our top ten key customers and even beyond that with discounters. And I will show you some figures in just a minute.

Slide 41 – Agenda – Nestlé in Europe

Nestlé in Europe, so how are we managing the different businesses and the different complexity that I have shown to you before in order to leverage the best out of our Billionaire Brands? Well in a quite simple way.

Slide 42 – Nestlé in Europe: Operating Model

This is what we call the Nestlé Operating Model. You see Nestlé in Europe, you have my responsibility Zone Europe, I have within Zone Europe what we call the Locally Managed Business and you have the list here. And then I have one business that today is managed at the European level called PetCare and I will come back to in a minute. We have another one which is Mövenpick of Switzerland, that super premium ice cream that I will present to you in a minute.

And then we have the Globally Managed Business, which is Nestlé Waters, Professional, Nutrition and Nespresso. But beyond what we take and this is also part of my responsibility is to make sure that we leverage what we call the back office or GLOBE Nestlé Business Service and all initiatives that go beyond one market and one business in Europe, like procurement. I think you have been exposed to Malcolm Harrison's presentation (NIS08). We have European lead buyers in Europe. We are some decisions at the European level in terms of service and indirect materials. Of course the way we buy coffee is also leveraging and cocoa, milk, etc. There are big opportunities.

So we take this operating model that basically leverages the size of Nestlé by making sure that we have the right approach in the way we managed different businesses in a simple way.

Slide 43 – Nestlé Food & Beverages in Europe

The difference between Nestlé Europe and Nestlé in Europe is basically this chart. What you see here is we are talking about 39 billion CHF in 2007. The area that I am responsible for is primarily is - Zone Europe is the 74%, which is roughly 28.5 billion. And here you see Nestlé Waters, Nestlé Nutrition, the importance of Nespresso; basically it's a European business with 4%. And then our joint ventures basically is Cereal Partners Worldwide with 3%.

Slide 44 – Zone Europe Sales by Categories 2007

If you just enter then in what you call Zone Europe is a perspective of that chart. It is quite an equilibrated portfolio when it talks about sales. Here you see that the biggest business that we have in terms of turnover in Europe is Confectionery with 20%, which basically is the UK, then Italy, Spain, France and Russia and Ukraine, we have an important business of Confectionery in Central and Eastern Europe. I will talk in a minute about an acquisition we did there.

Then you have Soluble Coffee, Culinary - knowing that Germany is one of the most important countries here. PetCare is widely spanned in Europe. And basically the big two countries here is the UK and France. Then Ice Cream, Frozen food and then Culinary chilled, which is basically France, Germany, also Italy and Spain.

Powdered Beverage is small but an important business. This is our Nesquik business, more than 700 million CHF business. And Shelf-stable Dairy, which if you compare with the

other zones of my colleagues these are businesses more or less comparable with what you will see in Americas or in Asia basically, they are Nido, etc.

Slide 45 – All regions driving growth and profitability

All these regions and businesses have been driving growth and profitability. These are the figures of last year. Here you see how the turnover of Nestlé looked last year, 25 billion in Western Europe with a RIG then of 1.2. And you can see that in the four biggest units and markets that we have we had good growth, positive growth last year. And with an EBIT of 11.7. Central and Eastern Europe growing faster than the average so 7.5%, with good growth in Russia and Eurasia and the second one Poland with a quite impressive 11% RIG, this is RIG this is not organic growth. And then the organic growth of the region 12.4 and an EBIT that is above the average of the Zone and also higher than Western Europe which basically also contributes and improving the mix.

An interesting thing is that not all the businesses that are the biggest turnover contributors are the leaders in terms of EBIT and that is what I will call in a minute the concept of Locomotives and Wagons, how are we following the different businesses, not only on dimension but on performance.

Slide 46 – Agenda – H1 2008 Performance

If we talk about the first six months you have seen the results but I can show these.

Slide 47 – Continuous growth

Here what you see is the growth over the last year, the last part of the chart is basically the first half of 2008. You have seen that we have been improving not only the organic growth but also the RIG, the Real Internal Growth in Europe. We have achieved 2.3 this is different to the one Jim has presented it was 2 and 5.2. This is 2.3 and 5.8 because you know that Water has had a lower performance so that's why the difference basically comes. But this is broadly in line with what we have achieved in last years. So it's not only a growth of one semester, it has already been shown a good growth, which is driven by the brands, the clear priorities that we have put behind clear innovations.

Above the average growth with key customers and discounters and of course a lot of plans, plans that we have developed in different countries to boost also the local brands.

In this part which is the first part of 2008 we have also been driving price increases in the market place. We have been managing both cost efficiency and price increases. The price range in Europe has gone from 3% to some categories to 10%. And of course our price increases have been higher in Central and Eastern Europe than in the Western European business.

Slide 48 – Strong performance with our key customers and discounters

As I mentioned to you when we talk about top customers and discounters, you know that Nestlé was one of the start companies that identified the importance of having a proactive strategy in order to managing not only discounters but all the important trade partners.

We have been doing that over the last years and here are the results. So our organic growth is 5.8%, but with the top customers which also includes discounters, 6.4%. And if

you specifically look to discounters it is 13.7. In the discounters we not only take this what you will call the Lidl - we also talk about discounters that are part of the big groups like Carrefour and the others also have their discounters, that is why we are looking for that here.

Slide 49 – Improving profitability

Profitability, this is also the result of the present year and the last two years. This is the way we have been improving profitability over the last as I mentioned three years. Basically it's thanks to two areas, priorities and growth, growth behind key priorities and efficiencies have been the drivers of the key performance. And just to give you a snapshot, in the area of continuous excellence that has been presented by my colleague Jose Lopez we have been able in the first six months of the year already to save more than 200 million CHF internally in order to manage the complexity and the difficulty of managing also the raw material costs.

Slide 50 – H1 2008 Key factors of margin improvement

What are in a nutshell the key factors of margin improvement in Europe? This 30 basis points, which is constant basis points on constant currency is basically driven by growth and a reduction of the structural costs. What you can see here is that cost has had a negative impact of 40 basis points which, if you take into consideration the increase of raw material costs over the last year and a half, is already a figure that is quite manageable. This has been managed through price increases, through the evolution of mix and also through the improvement in our efficiency programmes that has had a key impact in the way we manage business. And of course, thanks to the restructuring programmes that we have put in place over the last years that have had an impact in our business, last year, this year and we I hope going forward also.

Distribution has had a negative impact of ten basis points, which if you look to the oil price increase and distribution costs normally this is higher than this figure. This has been offset by the fact that the key growth categories in the first half there have been more categories that are less intensive in distribution costs, Ice Cream in this sense has not had a key impact in the first six months, it will have in the coming six.

And then the other point is that you have been talking a lot, this is a list to show you that we have invested more in marketing in the first half. To the point that the media spend in Zone Europe has gone up 30 basis points. And this is behind the key innovations that we have launched in some countries, in confectionary with Kit Kat Senses in the UK, Nescafé Dolce Gusto in more than nine markets today, big campaigns behind Maggi in Germany, etc. All this has been basically offset with the work that has been done in our teams, in our factories and in containing the administration and structural costs and of course the consequence of the good work that has been done in the last years in terms of managing the restructuring and the new set up of our industrial structure. In terms of cost of goods sold we have had an impact of around 400 million this year in these figures.

Slide 51 – Adapting our structures to business environment

All this is not a consequence of one shot; it is a consequence of the work that has been done over the years. I would say that we took a step back in order to jump and to have a stronger jump. And that is what you see here in between 2003 and 2007 we have sold or closed 42 factories, 3 were done in 2007. And we have spent more than 1.2 billion in

restructuring in order to manage this complexity, which, if you look at what it means in terms of Europe, is a low figure compared with other restructuring plans that are happening today or happened in the past in Europe. And the most important part is that over the last 18 months this money was only 180 million, which already shows that the majority of the work has already been done. This is not to say that in a complex environment like Europe we are not taking these measures, we are continuously analysing the portfolio products and the portfolio of business. And we are always taking measures on that. But I would say the majority of the big things are already beyond us.

In 2008 the main focus as I mentioned is a focus on growing the business and delivering the return on investment on the whole money we have been taking over the last years. So it is clearly that our commitment as a company, a commitment, my personal commitment is to focus on profitable and sustainable growth.

Slide 52 – Discipline in Working Capital management

Another measure that we have been taking is working capital. There is a clear discipline in Europe in working capital and these are the figures for the last four years that you can see here. And this is driven by a better managed account receivable, accounts payable and stocks, even in the last six months the stocks will level off because we have taken some measures in order to improve the quality of our service with key customers. And this in some cases has obliged us to increase. Despite that working capital is going down and we will have the commitment to manage these figures also in the coming years in a more efficient way.

Slide 53 – Portfolio performance

When I talk about the complexity, we talk also about the different businesses. I talk to you about this concept that we are using in Europe internally which is called Locomotives and Wagons so we don't only look at the size of our business but we look at the performance of that business. And we look at the profit pull of the different categories. So what you have here is what I would call above the average are the 'Locomotives' in terms of margin and what you see in the below average I will call the 'Wagons', the businesses there. And we are following them, monitoring every six months, even more we are following this every three months in order to make sure that we follow the plans, in order to make sure that the locomotives stay as locomotives or even stronger, so we have good growth on that.

One is Soluble Coffee and you have seen in the figures that Jim has shown that Coffee and Beverage is one of the growth categories clearly in our group. It is the same case in Europe thanks to our brand Nescafé and the launch of the Nescafé Dolce Gusto and it is also clearly an above the average contributor to the Zone margin.

We also have I mentioned to you about Powdered Beverage, Nesquik, I talk about Maggi, Roast and Ground coffee is a very specific business, this is not about Nespresso, this is about Roast and Ground coffee. We have businesses in Spain, Portugal, Greece and Sweden, which is rather small if you compare with our competitors, but doing a very good job and in the out of home in the Iberian Peninsula.

Below the average you have Chocolate, PetCare, Chilled Culinary, Frozen and Ice Cream. And what I can tell you is that in the majority of these categories, Chocolate, PetCare, Frozen and Ice Cream we have been improving the margins over the last year and also in the first half, with Chilled Culinary being the most difficult one. But we plan in order to

improve the quality, so making the 'Wagons' I would say lighter - and if we can also convert a Wagon into a Locomotive to will push the performance of our business in Europe.

Slide 54 – Portfolio quality is improving

This is what we do, we support and grow the value drivers and we tackle the under performers and value diluters in quite an aggressive way and it is not only about eliminating or changing our business but also buying and selling businesses. This is the way we have been managing the portfolio over the last years, the acquisition we did you can see here our Wagner Pizza in Germany, which is double digit growth and good margin improvement for our German business.

The Delta ice cream which we bought basically in Greece and in the Balkans. And Bystroff which is a small acquisition in the adult cereal in Russia, in order to make sure that we have a good portfolio of possible growth in an area that we dominate quite well which is the cereals, adult cereals. And then in this year what we have is this Physahha acquisition in Russia, it is a premium, super premium confectionery business. Then you have Mekan Greece, it is just a small business in the area of roast and ground to help in managing our out of home Nescafé business and Balaton which is a brand that we bought from Kraft as a consequence of the divestment when they bought the business from Danone. And this is an important business because it will help our confectionery business in Hungary.

And then divestures, you know that we divested, with the creation of a JV (joint venture), our chilled dairy in the beginning of 2006. We also sold a private label business that we had in Germany coming from our Schöller acquisition and this year we have been divesting Maître Paul a business in Holland and the Buitoni Dry Pasta. You know that we have said that we will keep Buitoni as a strategic brand from the group, but we don't like to be in commodity and we decided to divest the factory and to licence the brand in dry pasta, while keeping the frozen and Chilled Culinary business that is growing nicely in Europe. And then Family Frost which was also a home delivery service in Germany and some countries in Central and Eastern Europe and also in Portugal which came through the acquisition of Schöller.

Slide 55 – Agenda – 2008-2011: Sustainable Profitable Growth

Going beyond that, so this is a perspective of what we have done. As you see there is a lot of work in order to manage complexity, not to avoid but to manage complexity in an efficient way. To leverage our size, to be more strong in creating priorities, key messages to our key markets and also concentrate it on the key brands, on the key businesses. And this as you have seen with the measures we have been taking over the last years is paying off.

Slide 56 – Our Ambition

How do I see the future? This is just what we call the blueprint that I share with more than 70,000 collaborators that we have in Europe. And you see here this is the blueprint for this year, 2008. What you have seen as a title is from implementation to sustainable performance. So it is just a journey that we started three or even more years ago in order to make sure that we have a plan and the plan now is to deliver sustainable performance. That is what we are doing this year and that is what we will hopefully will be doing in the coming years.

Our ambition cannot be different from anyone else. We like to be the best food, Nutrition, Health and Wellness Company in the Europe. And by having the best people, by concentrating on key brands, and there you know that concept of 60/40 plus, building proactive collaboration with our key customers and retailers and channels. Anticipating any new business opportunity, we like to be at the forefront of innovation in the group. And of course all these driving also financial performance.

Slide 57 – Systematic yearly screening of consumer trends

Europe as I mentioned to you is very complex in the sense that we are talking - a lot of people ask me is how do you manage it? Do you manage by geography, or by category? And my comment is we manage both, we manage geography and category. What we have said is Europe is not only one country, it is more than 200 business cells. Business cells being the definition of a category within a given geography and in a given channel. And the way we manage this is quite simple, what we do every year is we systematically screen our different business towards two axes; what I call the market attractiveness, how attractive is the market that we are in? Using three measures, market size, market growth and market profitability. So this is the outside view.

And then the inside view would be our ability to win. Here we use five key measures, premiumness, how are we situated regarding the market? Relative market share, how we positioned versus our key competitors? The relative growth of our business versus the category, or versus competitors? The relative profitability and what are the key capabilities that we have in order to win? And this is discussed with the markets, with us at the centre. We take that input and using this which is the same methodology for all of Europe, for all businesses, we make every year the key decisions for the next year, where we will invest, where we will put money? Which are the categories that needs to be seen, whether there are growth opportunities? So one methodology, a simple one in order to manage complexity. That is what I call managing complexity and not avoiding complexity in an efficient way.

This has been the heart of the decisions we have taken this year and this will at the heart of the decisions we will be taking in the coming years. And what you see here is just this kind of mess of plotting all these businesses according to these two criteria.

Slide 58 – Nestlé's four strategic pillars

The commitment of Nestlé in Europe is also following clearly the four strategy pillars, which in this chart are dividing one or more on the EBIT side, operational efficiency, I have talked to you about that. The impact that this year has had Operational Excellence in our figures. Innovation, renovation, I will expand in just a minute on that, about the plans that we have in Europe. And then driving market share, product availability and consumer communication, consumer communication that has been already mentioned by Jim. Our performance is managing our business towards these four strategic pillars.

Slide 59 – Focus on Super Premium and brand premiumisation

So let me concentrate just to finalise my presentation on the area of innovation, renovation. One area that is quite high on the agenda of our business in Europe, and it is not only in Western Europe it is also affecting Central and Eastern Europe, is what we call the focus on Super Premium and making our brands more premium.

You know this chart of how do we look at luxury, super premium, premium, mainstream and value. Here you can see these are different brands that have a presence. So we have a quite good portfolio of different brands and different products that goes beyond all categories. And this is only Zone Europe; this is not talking about the Waters or Nespresso, that will be plotted also here even more.

Slide 60 – Strong innovation pipeline of premium and luxury products

Just to give you an example, we talk about Confectionery, you know that is an area that we have been talking about over the last about the performance in Europe, the improvement that we have had in the UK, plus the initiatives that we are taking over the last month and which will see hopefully a good impact in our business.

We are talking here about a pipeline of premium and luxury products. The partnership we have done with Pierre Marcollini which will have an impact in our existing brands and also in new business opportunities. The fact that we have been launching more than 200 dark chocolate products over the last two years and that we are one of the largest users of finest cocoa beans which also gives a clear competitive advantage when you combine research and development to master our ability to deal with cocoa beans, to transform these in the chocolate mass.

Slide 61 – Strong innovation pipeline of premium and luxury products

Also, in the area of confectionary this is just to show you the last acquisition we did in Russia. It is an acquisition of around 150 million CHF; it's clearly in the growing segment, in the premium segment, growing at around 20% in Russia. And we believe that this has opportunities in the future to expand beyond Russia. Positioned as a premium feminine gift.

This box that you have in this picture is sold today at around 17 euros, which is several times higher than the average price of that category. And the Komilfo brand which is the one that is represented here won the first place in the award of Advertising and Packaging in Moscow this year.

Slide 62 – Premiumisation at Nestlé

Talking about premium we talk also about Mövenpick of Switzerland. I have taken the decision to organise this business more at a European level. So we have created a small unit that reports directly to me. That will be in charge of achieving double digit growth over the next years on that Mövenpick of Switzerland. We believe that this brand has good market growth and future potential. The economics are very attractive, this is a brand that quite easily will grow and, after the logical investment in order to support the initial development, could be in the double digit growth - in the double digit EBIT margins. It has a clear right brand positioning and the product quality is outstanding, we are winning 60/40 again where we compare with our peers. It is also a brand that has over the years, thanks to the development of the PTC, a strong pipeline for the coming years and as I mentioned is being driven now at the European approach and that's another area of focus in the Ice Cream business that we are focussing on right now.

Slide 63 – R&D Driven innovation: Nescafé Dolce Gusto Europe

In coffee I think you have been exposed to that. This is the latest research and development driven innovation, Nescafé Dolce Gusto. So far we have sold more than 1.3 million machines. We have been selling more than 600 million capsules. We have number one of two position in seven out of the ten markets in which we have launched that. This is giving a lot of improvement in terms of growth, at least more than 300 basis points of RIG accretive to Soluble Coffee comes from Dolce Gusto. And I am quite convinced that this - you will see Nescafé Dolce Gusto as a Billionaire Brand probably in the five years.

Slide 64 – The emerging consumer opportunity in Central & Eastern Europe

That's about premium, but I talked to you before that another key trend in Europe is what we call popularisation so it's not only popularisation, so it is not only premium it is PPP. I always said that PPP is not the exclusive of my colleague Frits Van Dijk, it is the exclusive of the Asian and American markets. There are a lot of possibilities in Europe today. That's an example of how are we looking to this opportunity in Central and Eastern Europe. And this is the growth of this kind of PPP products already in Russia, in the last two years, 36 to 38% in 2007, 30% in 2008, reaching this year a 100 million euros opportunity. But this is just a very small chunk of what we believe is a billionaire opportunity or more than a 10 billion opportunity in this part of the world coming from these kinds of products. And we will be definitely attacking this at the Central European Level.

Slide 65 – A similar opportunity exists in developed countries

But it's not only true that you should develop PPP products or another way of looking to that, ethnical products in Central and Eastern Europe. You should know that in the European Union 40 million people that live in the European have not been born in Europe, they just come - is it the first generation of people that has joined the European Union. In my home country Spain more than 10% of the population has come from the outside in the last 15 years. This is a higher percentage then even immigration in countries like the UK or France or Germany where a lot of people came over the last years. Here you have an important possibility.

And this offers a fantastic opportunity to develop new businesses and this is just an example of a business of what we call this immigrant business, which is basically selling ethnical food. This is a business that in France we will reach about 15 million euros in this year/next year and we will see this coming through as a great opportunity for developing not only PPP or ethnical products in this part of the world and in Central and Eastern Europe but also in Western Europe.

Slide 66 – Coffee leadership

Coffee, if Coffee is important for the group Coffee is very important for Zone Europe. And this chart is only to show you the importance that we are giving to Coffee and what I call beyond, the Coffee leadership. In Europe we have presence in all categories, from Roast and ground in Iberia, Greece and Sweden, from machines, not only with Nespresso but also with Dolce Gusto so we are covering both segments at the same time. We are present in Soluble Coffee, in Soluble Coffee mixes, in out of home, in every category that there is a Coffee business opportunity, Nestlé in Europe is present. And we are growing faster than the market and we are improving the performance and the strength of our Nescafé brand.

So this is only a chart to show to you that this is a great business opportunity for the group and also specifically for Nestlé Europe. And it is not in this chart but it was in the previous

chart, we also have a specific plan of super premium under the Nescafé brand in Europe, which we will be launching between this year and next year in about 5 to 6 markets which is a complete re launch and renovation of the Alta Rica Cap Colombie product that was launched some years ago in Europe.

Slide 67 – Nutrition, Healthy & Wellness Innovation: PROPLAN

Also if we talk about Nutrition, Health and Wellness the best example, the best paradigm of that is PetCare. Our PetCare business in terms of premium and Nutrition, Health and Wellness, 25% of our business is in this area today in Europe. And this is an example of a product that was launched recently, launched last year; it is the innovation that we are doing behind our Pro Plan brand in Purina. This brand today has a business of around - the premium segment which is not only Purina One, Pro Plan and also Gourmet, is around 1 billion CHF of our roughly 4 billion business of Purina.

Slide 68 – Accelerate growth in CEE: untapped opportunities : CHF 1 Bio+ initiative

I also talked to you about Central and Eastern Europe, my first chart was about this unbalanced turnover of 15% today versus 50% of the population. Well this also offers a clear opportunity now that we have in Central and Eastern Europe the companies, the critical mass, the key people it is the time to accelerate. And I have launched an initiative that is called the One Billion Plus initiative in Central and Eastern Europe. Basically the idea is that I would like to add another billion by 2011 versus the normal growth that we would be achieving in this part of the world. We have identified around 150 new business opportunities of developing existing products in other countries or by reinforcing existing products by putting in new innovations, for example the deployment of Komilfo in the Ukraine and other parts of Central and Eastern Europe.

All these initiatives have been screened, have been identified, we have prioritised them and now we are putting the means behind that. And this hopefully will add one billion additional to our figures by 2011. And the ambition is that by that time the Central and Eastern European business should represent at least 20% of the European turnover which today as I mentioned is 15%.

Slide 69 – Nestlé Europe: sustainable and profitable growth

So in a nutshell, we are talking about Europe, is it possible to grow in Europe? Yes it is. Is our performance on track? Yes it is and we hope that we will continue maintaining our contribution to the Nestlé Model. Do I believe there is potential for continued growth in Europe with innovations, some of which I have shown you and others that as I have mentioned have been screened through a very discipline process? Yes I believe there is. There is a clear alignment between the people that are working in Europe the organisation and the different priorities, through our well disciplined analysis of our portfolio, with clear visions and plans for every business. And I insist there is, behind this, a very strong management team that manages this in the markets with the support of myself, my team in Switzerland and of course the support of the overall company, the SBUs and the rest of my colleagues on the Executive Board.

James Singh, Nestlé SA, Chief Financial Officer

Slide 70 – 2008 Half Year Roadshow – Jim Singh

Thanks Luis, thanks for clearly demonstrating our determination to drive for improvement now. But more important to clearly identify and discuss the opportunities that will enable us to accelerate our growth in the future.

Slide 71 – Management priorities driving financial performances

I would just like to end the discussion please before we get into Q&A by reminding you of what is our focus for the balance of the year. We will continue to drive economic growth, improvement in EBIT margin and improvement in return on invested capital, which is the Nestlé Model. We've said to you before and we have said again this morning what is our outlook for this year. We continue to drive to achieve lower working capital by the end of the year from where we ended up in the first half year and to continue to improve returns on our trade spend, reduce our overheads and continue to drive operational efficiency.

Slide 72 – Outlook & improved guidance

We hope we have been able to demonstrate to you this morning that we have momentum and we have the agility to manage the impacts of the external environment whilst continuing to drive towards sustainably delivering the Nestlé Model. And we do so by having a range of value propositions. We have a large portfolio of strong brands; we are significantly, from the point of view of resources and capabilities, globally dispersed. And we continue to harvest the capabilities of GLOBE and other business systems that we're setting up internally.

But more importantly we have talented people under very strong management and a significant commitment to delivering the Nestlé Model. So we'll now go into a Q&A thank you.

Q & A Session

Questions on: Growth targets for CEE Media spend for group

David Hayes, Lehman Brothers:

Two questions if I can, firstly just to clarify, just on the growth targets for Central and Eastern Europe, it looks like it's running at about 900 million CHF over the next three years, a 300 million a year rate. The billion is on top of that, so you're looking for about a 2 billion step up is that right? And I guess following on from that, Russia has been a huge part of that growth it looks like over the last few years with the consumer spend there. Danone mentioned at their last presentation that that's something they think is something to watch in terms of maybe a slowdown, is that a risk that you see to that model and is that something that you're seeing at all in the last few months?

Then the second question is on media spend at group level, you talked about 30 basis points uplift as a percentage of sales in Europe, what was the average for the Group, was that an uplift in the first half as well - the media spend or was that flat as a percentage of sales? Thanks very much.

Luis Cantarell:

Yes, regarding your question about Central and Eastern Europe, the idea is to add another billion on top. Your calculation - I have not done your calculation whether it is okay or not, but this is what we're looking at - I mean maybe there might be some slowdown in the coming months because of the political situation, it might have some impact. But I'm still very bullish and I believe that Russia has a lot of capabilities to continue growing. And this is as you have seen an important part of our Central and Eastern European - we're talking here about 200 million consumers already in this part of the world.

But to your question, the idea is that we have identified ideas and projects that should add another billion in terms of growth and the idea, the best way to measure that, is to say well if today we represent 15% I would expect that at least whether we can achieve this 20%, I think this would be a good measure. Anything in between 90 and 95 this will be fine but basically the idea is to add - we have a good business as you have seen in Central and Eastern Europe, we have been managing these over the last years in a difficult environment, quite well. We have a good set up, we have critical mass, it's not small it's quite important. We have a good industrial set up already there. We have been taking some selective acquisitions to improve our portfolio in the future. So we really believe that, yesh you can have hiccups and it is a more unstable part of the world maybe than Western Europe. But I'm convinced that this figure is achievable.

David Hayes, Lehman Brothers:

And in terms of the acquisitions - does the billion include plans for acquisitions or is that an organic ...?

Luis Cantarell:

Well when you look to that you always need to have some place for acquisitions. But in our analysis, it is minor part of that. So it's more as you have seen we have been doing more targeted and selected acquisitions. This is not something. But the big idea is organic.

James Singh:

Thank Luis, David I'll respond to your question on market spend. We said during our conference call on August the 7th that our media and consumer promotions have increased in constant currency. Relative to Europe where the currency impact was less severe you see that Zone Europe had very clearly a reported increase in the media and consumer spending.

We believe that we continue to spend at a level that supports our brand, that's clearly demonstrated by our brands performance. We also believe it's not how much money you spend, it's what you get for the amount of money you choose to spend as we tried to elaborate this morning, several programmes across the company in all markets whereby we can get better value for the money we spend.

Question on: Marketing spend split and Brand support

Polly Barclay, Cazenove:

Just a question on the marketing spend, could you split out for us what proportion is fixed cost, what proportion is the trade promotion and what proportion the brand support gets as a percentage of sales, just ballpark?

James Singh:

Polly you know we don't give out those numbers, so I'm sorry we can't. And not only that, even if we did give you numbers they are not comparable because you know when you look at percentage of the sales, our sales are not reported on the same basis as our major competitors.

Polly Barclay, Cazenove:

But anything to allow us to understand what's going on with brand support at the moment I think would be quite helpful?

James Singh:

Well I would say two things; first of all we said that our media and consumer promotions which we believe really directly support our brands. Directly when I say directly I mean directly with the consumers. We are convinced that we have the level of support that is required to ensure that our large brands, our Billionaire Brands, continue to perform very well in their own right and competitively of course. And as we said in terms of constant currencies we did increase that spending category within the total bundle of costs.

Roddy Child-Villiers:

It's at 7% constant currency.

<p>Questions on: Margin gap between CEE and West Europe Prospect of closing gap in the future</p>
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Alan Erskine, UBS:

Two question for Luis, on the split of the margins in your zone Central and Eastern are higher than Western Europe which may be a little bit counterintuitive given one would assume that you're investing heavily in Eastern Europe to drive the growth. So maybe if you could give us some granularity behind the margin gap. I'm presuming you've got more of what you call your bad businesses or your low return businesses in Western Europe?

And then following on from that, my second question is by 2011 would you expect that gap to have closed? In other words you see more upside in your margin in Western Europe as you address some of the under performing businesses? Thank you.

Luis Cantarell:

Yes, the basic different between the margins, as you were saying, is our product portfolio. You know that in businesses like Frozen and Ice Cream, which are more important in Western Europe than in Central and Eastern Europe, our margin there is slightly lower as I have already shown to you. So it is very much about product portfolio.

In terms of our ability to improve these figures and to close the gap we will be working on that. I don't expect this gap to be closed over the next three years. I expect this gap might be reduced but not only by screening our portfolio in Western Europe but also by pushing some initiatives as I mentioned to you on what I called the Locomotives.

I also believe that there is clear opportunity to improve our margin in Central and Eastern Europe beyond that. So I don't expect them to be waiting for the others to join. I will expect all to grow. And of course if we are better at managing some of our business in Western Europe in the area of the Wagons as I mentioned in my comments. But I don't expect this to be closed over the next three years.

But I expect the margins to improve globally.

Questions on: Marketing Spend in Water and potential for next year
Mid term water growth rate for Water
Size of Cailler and growth potential

Alain Oberhuber, MainFirst:

Good morning, I have three questions. The first question is about your Water business, it seems it's pretty difficult. But could you elaborate a little bit on the effectiveness of marketing on the Water, what could be the potential for next year on that? And given the difficulties we currently see in the category what could be the mid term growth rate of water? And on chocolate on Cailler could you also elaborate how big Cailler is today and what could be the growth potential for the next three years?

Luis Cantarell:

I will start with the Cailler; I will leave the Water to Jim. We Cailler as we already said, it has been a very emotional discussion in Switzerland it is a very minor business for Nestlé in Europe. I don't remember the figure but I think it's less than - well I don't even remember the figures. Yes it was maybe 2% maximum, but not more than that. But I can't give you the precise figure on that.

But I think the Cailler saga is now over, over business is growing quite well, quite nicely over the last month and we expect Cailler to regain the position we always have had in Switzerland and maybe we might we might see opportunities to do some business overseas in other countries.

James Singh:

Okay, just on the Water business. What we presented this morning in terms of seeking out ways of achieving effectiveness and efficiency in our marketing spend applies to the Water business also. And they are as active as any other category in the business in that pursuit.

Now in terms of the performance of the Water business we said at the end of last year coming into this year and then again at the first half year that two things have happened in a very general way. Two things are impacting the business. In some respects there is a fair amount of discussion on the environmental issues on water. And we believe that sooner or later the logic of all these arguments will come to the open and would be clearly and openly discussed.

We believe we are very well positioned to demonstrate that we are doing the right thing as a company, for our business and for our consumers.

On the other side though, there is also an industry issue with respect to the category itself, because Water, which was one of the key drivers in the non-carb beverage segment, is no longer growing at the rates that we had grown accustomed to over the last five or six years. You would recall our own business in US grew into the high double digits in 2007 and this year you know we're reaching slightly over breakeven point in that very important market.

The market itself in most of the developed markets, the market is in decline. And even the mix within the market is changing to lower value added products. I mean we're fortunate in some respects to have Nestlé Pure Life which benefits from that trend. However, on the other hand, high quality super premium products like San Pellegrino continues to do well. So we do not expect that Water industry will return to the previous growth rates. However we believe, with our brands and our business models around the world, we can continue to achieve reasonably good growth in the Water business.

Luis Cantarell:

Just a comment - Cailler is less than 0.5%.

Questions on: Share of sales through discount channels
Share of premium products in Europe
Changes to reporting structure
Recent trade spending

Jon Cox, Landsbanki:

I have a couple of questions; you talked a little bit about the discount channels and how you're growing very quickly there in Europe. I wonder if you could just give us an idea of what share Zone Europe is going through the discount channels? As an add up to that I wonder if you could just give us a rough idea of what you would define as premium, what share you have - or premium luxury?

The second question, just back to this marketing spend issue. I think Nestlé was thinking about actually moving its reporting structure to report in line with its peers. And I think it is waiting for an IFRS review. I wonder if there has been any movement on that or do you have any plans to actually change your accounting structure to bring it into line with your other peers? And then just a last question, I wonder if you'd just give us an idea of recent trading conditions? I'm guessing commodity pressures have eased somewhat but maybe growth has slowed down in some markets. I wonder if you could just elaborate on that at all, thank you?

Luis Cantarell:

Yes, about the discounters, it's difficult for me to give you a precise figure because in some cases the discounters are also part of the big groups. But overall I would say that discounters represent today more than 10 to 15% of our business in Europe. But for that you need to look that discounters is not only the ones that are defined discounters, you have discounters in other groups, where they have specific banners we are working our discounters.

We don't have shares by premium and luxury, we have shares by different brands that are covering this segment. But I would define that what we call premium is roughly at a price point which is between 20 to 30% of what we call the mainstream categories. In that sense

if you take the Nescafé Gold versus the Nescafé standard classic you will find products between 20 to 30%, these will be premium. Super premium would be - between premium and super premium this is the kind of range you would probably be looking to 40 to 50%. And then you have the luxury which basically in some cases double the price, it's a completely different business model.

James Singh:

Jon, just with respect to your question on trading conditions, commodities. You know at this stage we can't give you any more than we have guided you with respect to the outlook. And we would like you know to remind you of what the outlook is and that's what we're guiding the market towards. And there isn't anything that we believe we need to adjust at this time.

Roddy Child-Villiers:

So the guidance is the same as it was at the first half. And on the changing accounting?

James Singh:

Well on the change in accounting I think you're assumption that everyone is waiting for the new report from the IFRS, I don't think that will be forthcoming until toward the end of next year, early 2010. And we are awaiting those directions. At the same time we are looking at our own - you know what it means for us if we have to change more or less in line with what the discussions are today, which his more or less trying to get some kind of uniformed approach with respect to US GAAP. But we really don't know where they will come out in their exposure draft.

Question on: Expected restructuring charges for Group mid-term

John Parker, Deutsche Bank:

I think in the presentation in Europe you talked about restructuring charges being less of a feature going forward than they have been in the past. Europe obviously as been the biggest area in the group for restructuring, I just wondered whether you were in a position to give any sort of indication on what you would expect group wide from Nestlé over the medium term in terms of restructuring charges as percentage of sales, or in absolute terms if you like? Because it seems to me the message is they are going to be lower in the future than they have been in the past, is that a reasonable assessment to make and can you give any guide to quantification?

James Singh:

I would say that with respect to the group John our guidance is about 0.5% of sales. I would expect that you know given our sales growth and you know what we have already accomplished in Zone Europe we should start to see some marginal decline. But I don't know whether it will be meaningful or not. You know we are very active in terms of cleaning up the product portfolio. We continue to get rid of factories and businesses around the world that do impact that line in our reporting. But I don't see any reason why it should increase.

Roddy Child-Villiers:

Luis's comment was about restructuring costs having come down in the last 18 months. And if you remember two years ago we had a 0.7% guidance around restructuring, so it has already come down, perhaps in part reflecting what's been happening in Europe.

**Questions on: Reported US performance in HY results
Management of price fluctuations
Potential to improve margins in Confectionery in Europe**

Pablo Zuanic, JP Morgan:

Three questions, first can you comment your US performance. In the press release for the first half it said that North American, South American performance was in line, but the Nielson data shows flat growth in the US for the last six months and you have an 11% growth in the Americas?

The second question is, just risk of pass-through on the way down, there are some categories perhaps like fluid milk, bread where prices at the retail level go up when costs go up, but the retail prices come down when costs come down? How does that affect you in some of your Dairy type categories?

And the last question, what about Confectionery it is your largest category there in Europe and I see you're making a push in premium. But I look at the profit margins of Lindt, Lindt has I think 10/11% profit margins, Hershey in the US, although down, 14/15% profit margins. Is there room for you to make a bigger push in single serves in confectionery in Europe to improve the profit margin structure of that business? Thanks.

Luis Cantarell:

Starting with confectionery, we are improving the performance of our figures in Europe. And to your very precise point my reply is yes, I think we have initiatives today that go in a lot of different directions, initiatives in streamlining, in managing our complex portfolio as we have done in the UK. You have heard about our Magnificent Seven, our investment behind key brands, that is something that we are not only doing in the UK but in other countries and this is already paying off. Good results in the UK which is our biggest business in Confectionery. It is basically delivering good growth and good margin perspectives.

In the single serve, what we would call our Count lines, yes, we have initiatives today in the area of KitKat, we have launched a new product called KitKat Senses in the UK, which is performing very well. We have plans to expand this in other countries in Europe. It is a product that is produced in Bulgaria in Sophia with outstanding good quality and with low costs. So it is already showing that we can leverage the strength of our geographical presence there. And also in other areas like premium or super premium we have already plans, I think the acquisition we have mentioned in Russia, plus the development of our businesses in different countries gives me the confidence that this is a category that will be increasing our margins.

James Singh:

Just coming back on the question of the performance in Zone Americas. As you will recall in the first six months we recorded the 5.2% organic growth across the zone for all

businesses, of which 2 percentage points were for real internal rate of growth. I don't think you could look at EC Nielson measurements as really in terms of a benchmark against our performance, because EC Nielson does not measure a lot of the markets in which we sell a significant part of our business.

So I think the other point was how do we manage price increases and price increases, you know especially with certain products. You mentioned Dairy based products. Well you know we have done this over many, many years and we are quite sensitive to the competitive price points in the market place and we try and be competitive. And we take action - when we say we, the markets, the markets are responsible for pricing their products. Whether they take price increases or price declines that is left to the market. And so far they have done a great job and we have no reason why they would not be able to manage any possible potential decline in prices.

Roddy Child-Villiers:

Can I just correct that, the organic growth of the Americas was 11 and the 5.2 Jim quoted was North America. Okay the 5.2 is North America just to clarify that, with the 2% organic growth. The second point of your question, I mean we also clearly have products, our product portfolio is positioned at the different price points, so if there is trading up or trading down we are well positioned, from PPP through to premiumisation, to benefit from the trading down. And that's one of the things that we talked about on the conference call if you remember, we have seen very strong growth in PPP not least because people were trading down and able to find a Nestlé product as a sort of safe haven in the lower price point.

Question on: Increasing Share of Voice and Brand support

Sara Welford, Merrill Lynch:

Just to come back to this marketing spend, can you talk us through - is there not an opportunity to take advantage of your efficiencies and therefore step up the Share of Voice, given that you are getting all these efficiencies from media spend?

James Singh:

Well Share of Voice, it's only one measure of what you're spending and the effectiveness of it. But yes, what we have demonstrated this morning is areas where we are spending less and getting more. And in fact during the first six months, on a constant currency basis, we have increased that element of spending which is media and consumer promotion. So yes the idea is to gain more efficiencies and find better ways of supporting our brands.

Roddy Child-Villiers:

And that is exactly what we do I mean if you remember a couple of years ago we announced this Global Buying initiative and some quite significant savings. And we said to you at the time that these were not savings that would go down to the bottom line, they'd be savings that we'd redirected into the consumer facing part of our marketing spend. Luis maybe there is something to say in Zone Europe?

Luis Cantarell:

Just one word on the question, first of all I think the Share of Voice is a good measure but in some cases a very old fashioned measure because the majority of the investment doesn't go exactly into ways you could measure with the traditional way of measuring Share of Voice, that's one element. The other element is that any opportunity that we could find, like this global buying initiative that we concentrate in two big companies to manage our many investments, has also been given money to invest, not only on media, but also on activities in order to support our brands.

And as I already mentioned an example, Nescafé Dolce Gusto is a brand that was did not exist two years ago. We are putting a lot of money behind it, part of the investment in Europe in terms of innovation; the increased investment has gone to that. And the investment in the so called measurable media, which will be TV, press, is a minor part of that. The majority of the investment is in POS material, is in what we call ambassadors, following our learning's from Nespresso; you need to invest to show people what the product is all about. You need to show the machine, you need to show the performance, you need to do tasting, all these are basically ways of promoting your brands.

In the case of Nespresso in the past and today Nescafé Dolce Gusto it has been proved very, very efficient and this is not something that you will measure through a different channel.

I think that at least from a European perspective and as a marketer myself; you will not see the improvement on the quality of our Billionaire Brands without the key support behind that, with different ways of managing this. And the more and more we have businesses like Out of Home, like Nutrition the investment behind the brands is a completely different way than it was in the past. But the success story of our organic growth and the efficiency of our brands already shows that we are not diminishing, we're even pushing more.

And when we have a big innovation like Nescafé Dolce Gusto there is a lot of support behind this brand and, despite all, we are able also to improve our margins, by the combination of growth, synergies and also the leveraging of these initiatives.

Question on: Performance on Frozen food – Stouffer's and Lean Cuisine
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Jeremy Richardson, First State Investments:

A question on frozen food, in particular Lean Cuisine and Stouffers brands, which according to your chart on page 15 are growing at less then the market average. Given the growth that we've seen from that category driven by customers trading down to the Frozen category, some of the frozen retailers are experiencing quite strong trading, why aren't you achieving more in that category?

James Singh:

Well first of all you know Stouffers, regular Stouffers and Lean Cuisine has been a superb performer in the Americas for many, many years. This year what we have found is two things. First of all we took price increases to recover commodity cost increases and these price increases were not followed by our competitors, our main competitors in the US. And the consumers in this category, in the frozen category have traded down to lower price points. They have not traded down necessarily to private label; they have traded down to lower price points. And you know it takes time to adjust and I would say that with the

programmes that are currently in place I think we will see a positive outlook or performance for the balance of the year on both Stouffer's and Lean Cuisine.

So we believe in the business, we continue to support that business and we believe it's very important for us in the future. So we have to take the time and do what's right to get the businesses back on track. And so far from what we have seen we are going to be quite successful.

Roddy Child-Villiers, Nestlé SA, Head Investor Relations

Closing Slide – Nestlé Half Year Roadshow
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Well thank you very much. Just to summarise, not surprisingly we remain committed to the guidance we gave at the half year on the conference call and we look forward to talking to you again in October. Thank you very much indeed, thank you.

END OF SPEECH