

NESTLÉ S.A.

2008 FIRST QUARTER SALES CONFERENCE CALL
TRANSCRIPT

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Nestlé S.A.**

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Roddy Child-Villiers, Nestlé SA, Head of Investor Relations

Slide 1 - Logo Slide

Good morning, Ladies and gentlemen

Slide 2 - Disclaimer

Welcome to our first quarter sales conference call. As usual I will take the disclaimer as read and move to the highlights.

Slide 3 – Year to date - highlights

Before I go to the numbers though, I'd like just to review the year to date.

Nestlé has a new CEO, Paul Bulcke, and a new CFO, Jim Singh, both of whom many of you will have met on our full year roadshows. They have confirmed that our strategy of becoming the world's leader in nutrition, health and wellness remains unchanged, whilst we will also be seeking to further improve financial performance. In Paul's words we intend to become the reference not only for Nutrition, Health and Wellness, but also for financial performance, whilst continuing to deliver the Nestlé Model.

We have also announced the sale of about 25% of Alcon for about 11 billion dollars, as well as the creation of an option for the potential sale of our remaining holding. In the event that the option is exercised, Nestlé will have turned an investment of below 300 million dollars into about 40 billion dollars.

We have had shareholder approval for a new set of Articles of Association that thoroughly modernise our corporate governance. We have announced a 10 for 1 share split, effective end June. We have just paid a 4.7 billion Swiss franc dividend and have had approval to cancel 10 million shares with a value of about 5 billion CHF. Finally, we have bought back a further one and a half billion francs of our own shares.

In summary, therefore, I would describe the year to date as a period that shows a single-minded commitment to the creation of shareholder value, and that's even before we talk about the business's performance – so let's look at the numbers.

Slide 4 – Q1: Very strong organic growth

Organic growth was 9.8%, both for the Group and for Food and Beverage. The RIG was 4.5% for the Group, 4.2% for Food and Beverage. This RIG performance is particularly impressive in view of the high cost environment for raw materials, as well as the tough comparisons from Q1 last year, when we had RIG of 5.7%.

The momentum in our business has continued and validates our full year guidance, given last month, that we expect to achieve organic growth approaching last year's level, together with an improvement in EBIT margin constant currency.

In Food and Beverage, all three geographic areas contributed to the strong growth.

Nestlé Nutrition was a stand-out strong performer, while Nestlé Waters reflects general softness in its sector and is also up against double digit comparatives from Q1 2007. I'll talk more about them later.

Slide 5 – Sales increase 6.0% to CHF 25.7 bn

On the next slide the summary of the various moving parts in the sales.

The Group's total sales increased 6% to 25.7 billion CHF in the quarter.

RIG, or volume and mix, was 4.5% and pricing 5.3% to give organic growth of 9.8%. This performance is unprecedented. It is also very encouraging to see the continuation of strong RIG despite the continuing severe cost pressures that we are facing in 2008.

Acquisitions added 3.2%, mainly Gerber and Novartis Medical Nutrition, net of divestitures of 0.7%.

Foreign exchange reduced sales by 7%. I'll come back to this.

Looking at Food and Beverage, RIG was 4.2% and pricing 5.6% to give the same organic growth number as the Group's, of 9.8%. Just a reminder that the pricing in F&B in Q1 last year was 1.8%, so the 5.6% is the result primarily of our pricing actions in the course of 2007.

The acquisition number in Food and Beverage was 3.4%, after divestitures of 0.7%. Foreign exchange reduced sales in F&B by 6.8%.

In total our Food and Beverage sales increased by 6.4% to 23.9 billion Swiss francs.

Slide 6 – Weighted average exchange rates

Foreign exchange was a significant negative influence in our sales evolution. On this next slide you can see the movements of some key currencies. Since Q1 2007, the US dollar has depreciated by over 13% and the British pound, and the Mexican Peso by over 12% versus the Swiss franc. The Euro and Yen are only slightly weaker, whilst the Brazilian Real appreciated by about 5%.

Slide 7 – Total Food & Beverages All geographies contributing positively

On this next slide, we show the performance of our total Food and Beverage business, including the Zones, the globally managed businesses, Nutrition, Water, Nespresso, as well as our joint ventures, Cereal Partners Worldwide and Beverage Partners Worldwide. These numbers most accurately reflect the performance of our Food and Beverage business and enable you to make like-for-like comparisons with

our peers, should you so desire.

We are reporting higher organic growth in each of the three regions than last year. There are strong RIG numbers for those regions, at 2.9% for Europe, 4.1% for the Americas and 6.8% for AOA. These numbers demonstrate the strength of our business around the world, while the organic growth, about 6% in Europe, about 11% in Americas and about 15% in AOA shows our ability to respond to cost pressures – and reflects the strength of our brands around the world.

Slide 8 – Primary Reporting

Let's now look at the organic growth and RIG of the Zones and globally managed businesses.

Zone Europe has enjoyed strong growth in the first quarter, ahead of last year. 6.6% organic growth and 2.9% RIG. Organic growth in Eastern Europe was double digit, and there was also mid-single digit growth in Western Europe.

Among the categories, I would highlight Soluble Coffee, with near double digit organic growth, the bulk of it coming from RIG, with strong performances in all its key markets. The roll-out of Nescafé Dolce Gusto continues to go very well. PetCare also started the year well, despite cost pressures, with near double digit organic growth. Confectionery and Prepared dishes and cooking aids had mid single digit organic growth. It is pleasing to be able to report that our Confectionery growth is being driven in particular by those markets which we had previously highlighted as challenges, being Great Britain and Switzerland. Ice Cream also started the year positively, but clearly the key months are ahead of us for this category.

In the Americas organic growth was 11.5% and RIG 3.7%.

North America had a good start to the year, with organic growth above the level achieved in 2007. There were strong performances from Shelf Stable Dairy, Soluble Coffee, PetCare and Chilled Culinary.

Latin America had high single digit RIG. Growth was particularly strong in Dairy, Chocolate, Soluble Coffee and Ready-To-Drink beverages, Culinary and PetCare. Cost pressures were significant, particularly in those categories with a high milk or grain content.

In Asia, Oceania and Africa organic growth was 14% and RIG 5.3%. The RIG has proven resilient in view of a tough cost environment.

Japan had a slow but positive start to the year. Much of Asia was double digit, as was the Middle East and parts of Africa. This in part reflects the defensive qualities of our portfolio and geographic presence in that a strong RIG performance in categories such as Culinary, PetCare and Soluble Coffee has more than compensated for a slower performance in Dairy. Equally, strong RIG performances in areas such as the Middle East, Indochina and South Asia have helped compensate for slower performances in Oceania and Malaysia.

Shelf Stable Dairy achieved positive RIG in the Zone, despite the cost pressures. Soluble Coffee and Culinary also had double digit organic growth, with RIG the key contributor. Asia and the Middle East were the strongest areas for Soluble, Asia and Africa for Culinary. Powdered Beverages was strong in all regions.

Nestlé Nutrition had a terrific start to the year, with RIG at over 10% and organic growth of 14.4%. This reflects, in particular, almost double-digit RIG from Infant Nutrition, and double-digit organic growth in Jenny Craig.

By geography, Nestlé Nutrition achieved double digit growth in AOA and the Americas and performed fine relative to the market in Europe. The Nestlé NAN billionaire brand has organic growth over 30%, demonstrating the lasting success of our innovation in this infant nutrition brand.

The recent acquisitions from Novartis are not yet included in organic growth.

Nestlé Waters reported RIG of minus 2.3% and organic growth of minus 0.6%. This reflects a number of issues. There was the tough comparison from the strong start in 2007, when we had double-digit organic growth, and category softness in 2008 in key markets such as Italy, France and the US.

Many of you will be aware that we are showing share declines in the US. This is because we significantly reduced promotional activity in the first two months of the year. We are expecting to see an improvement in growth in North America during the year, and this will contribute to an acceleration for the whole business, but probably only to mid-single digit growth.

One piece of good news for Nestlé Waters. The FT today has published its global brands report and, out of the 10 most valuable water brands, Nestlé owns 5.

Other Food and Beverages contains Nespresso and our joint ventures. Nespresso continues to perform at similar levels to 2007. BPW is double digit and CPW mid single digit.

Slide 9 – Secondary Reporting

Turning now to the product categories.

Powdered and Liquid Beverages has had a strong start to the year, with organic growth of 14.7% and RIG of 10.1%. All the constituent groups achieved double digit organic growth, as well as strong RIG, whilst Ready-To-Drink and Roast and Ground also achieved double digit RIG. The billionaire brands in the product group, Nescafé, Milo, Nesquik, Nestea and Nespresso, all achieved double digit organic growth. In today's FT brand report, Nescafé and Nespresso are the two most valuable coffee brands.

Dairy, also including Ice Cream and Cereal Partners Worldwide achieved 16% organic growth and 4.6% RIG. Ice cream had slightly positive organic growth, CPW mid single digit whilst Milk Products achieved high single digit RIG and about 25% organic growth. This reflects the impact of cost pressures in both 2007 and 2008.

The billionaire brands in Shelf Stable Dairy; Nestlé, Nido, CoffeeMate and Carnation, all achieved double digit organic growth.

Prepared Foods and Cooking Aids reported organic growth of 5.1% and RIG of 1.2%. The strongest performer was Culinary, Maggi, helped by its exposure to emerging markets where it achieved double digit growth in all three Zones. Its growth also accelerated in Europe overall.

In Frozen Food we have responded to cost pressures ahead of some of our competitors, which has led to lower RIG in the US. We expect an acceleration in RIG in the coming months as competitors focus more on margins.

Chilled Culinary continued to enjoy good growth in the US and was positive also in Europe, with continuing strong momentum in Herta.

Confectionery achieved organic growth of 7.3% and RIG of 2.1%. RIG was positive in all three Zones, with pricing particularly strong in the Americas, particularly Latin America. Performances were good in the two biggest markets, Brazil and the UK, but weaker in the US. KitKat achieved double digit growth, and we enjoyed a successful Easter season.

PetCare achieved organic growth of 9.5% and RIG of 3.9%. RIG continues to be driven by strategic brands, new product launches and product mix improvements, and has been achieved despite raw material cost pressures in all markets. The Americas are off to a solid start with RIG growth in most key segments. Europe has also enjoyed good RIG and organic growth, whilst Latin America and AOA are both achieving double digit organic growth.

Finally on this slide, Pharmaceutical products reported organic growth of 8.5% and RIG of 8.9%.

Slide 10 – Nestlé raw material basket remains volatile

On the next slide you can see the market price of our agricultural raw material basket. The green line is the line that we have shown you in each of the last few conference calls, our total agricultural raw material basket. The red line is the same but with milk removed. I remind you that these lines show the weighted average market price. They do not show the price to us and they do not therefore give you a direct read to our income statement. They simply give you an insight into the market. Also, I remind you that any impact on our cost of goods lags the market by several months.

The red line, excluding milk, shows that there has been a quite significant increase in these commodity prices. The green line, including milk, shows that the decrease in the milk price has somewhat compensated the increase in the other commodities. Both lines demonstrate that the agricultural raw materials market is extremely volatile at a high level.

We said in March, and we continue to believe, that the cost pressure on Nestlé will abate as the year goes on. So the raw material picture is somewhat the reverse of

last year, when we felt most of the pressure in the second half.

Slide 11– Conclusion

That concludes my presentation. A quick summary before going to the Q&A. Market conditions are challenging – particularly raw materials and currencies. Despite this, we are off to a strong start around the world, demonstrated by RIG comfortably above 4% and near double digit organic growth.

There are differing opinions on whether or not there'll be recession and, if so, for how long and how hard it'll bite. It should be comforting for our investors, in this environment, to know that we believe that our success will be more driven by our own strategies, our focus on innovation and on driving performance than it will be by raw materials or the economic environment.

And already in the first quarter we have seen sufficient evidence of this to raise our guidance from our usual 5-6% organic growth target to nearer to the level achieved in 2007. We are also maintaining our full year guidance of EBIT margin improvement constant currency, as well as a strong improvement in the earnings per share.

Slide 12 – Questions & answers

Thanks very much and let's go to questions.

Questions on; Price elasticity in emerging markets
Input cost guidance for full year
Innovation pipeline skewed to first or second half
Guidance on A&P spending throughout the year

Marco Gulpers, ING

Could you update us a bit more in detail on the price elasticity that you're seeing in emerging markets? And also the guidance for the full year on the input cost environment, you're saying that you're expecting the commodity environment to abate somewhat. Does this now mean that for the 220 basis points guidance for the full year that that is now improving or are you still confirming the 220 basis points impact?

The second question is on the innovation pipeline. How much is that skewed to the first half or the second half? And maybe you could also include in the guidance how you see A&P spending developing throughout the year?

Roddy Child-Villiers:

On input costs - we're not changing our guidance on input costs in terms of the impact. The message that I gave you, that the cost pressure will abate, is the same message we've been giving all year, so it would stand to reason that the guidance would be the same on the impact.

In terms of innovation and the likely timing of marketing spend I'm going to offer you no transparency there. As you all know these decisions around marketing spend are taken locally in the markets and the timing is also decided locally. So I'm not going to be able to offer you any transparency on that at this stage.

In terms of the price elasticity in emerging markets, I think that there is one broader issue, which is not a Nestlé issue it is an industry issue, which is simply that there is only so much money in people's pockets. With all food prices going up we need to be competing very aggressively for our share of their spend.

That said - and as I said in my speech, the spread of our business is providing us with very strong defensive qualities. Some markets are stronger than other markets; some of our categories are performing better than other categories. On balance however as you know we are achieving mid single digit RIG, double digit organic growth and that speaks to the strength of our business. So I think whatever the market conditions are we are probably better able to deliver in those conditions than our competitors.

Marco Gulpers, ING

So in conclusion no major changes seen in emerging markets for you?

Roddy Child-Villiers:

That would be a fair assessment.

I just want to clarify that the guidance we've given on raw materials was actually in CHF rather than in basis points.

Question on Category softness in Water in US, Italy, France & UK Positive first quarter in Japan

Warren Ackerman, Dresdner Kleinwort:

I was just interested in your comment in the category softness in Water. You've obviously taken us through what's going on in the US, but elsewhere in Italy and France, could you perhaps elaborate where you can and has there been any sort of push back on the whole environmental issue again? I've noticed in the UK that Water volumes have been extremely soft.

And then secondly on Japan I think you said that it has been positive, small up in the first quarter, could you perhaps elaborate a bit further on that, thanks?

Roddy Child-Villiers:

Yes, it's clear that the Water market is soft and it would certainly be, I think, naive if we were to deny that there is any impact from this issue. What we are doing about it, which is perhaps the most important thing: In Europe, where our competitors are

also pure water players, we are working through the trade associations to try and come up with a communication strategy that tries to bring some reason to the debate. It's clear that if people are attacking water as opposed to carbonated beverages then reason is lacking in this debate.

In North America we're going to be managing our own communications strategy. Kim Jeffery who runs the North American business is going to be very active in the States communicating around the known and unarguable benefits, environmentally and in terms of Nutrition, Health and Wellness, of water over competitor products.

Our shares actually in those markets are okay, it's just that the market overall are weak in Europe. So it's not a share issue for us.

Warren Ackerman, Dresdner Kleinwort:

Has there been any trade de-stocking at all that you've seen in those markets?

Roddy Child-Villiers:

Not that I'm aware of, no. You asked about Japan, Japan is a relatively good story. Certainly a good story in Coffee, Chocolate also is doing okay and the market is actually brought down by our Ready-to-Drink business where we're about to do a re-launch of products. So we've been basically clearing out the old products.

Warren Ackerman, Dresdner Kleinwort:

Just going back to your point about the commodity cost guidance you said the 220 is an absolute number in CHF not in basis points. So are you saying 2.2 billion CHF impact?

Roddy Child-Villiers:

That was our guidance at the full year and we're not changing our guidance.

Warren Ackerman, Dresdner Kleinwort:

So it's 2.2 billion CHF?

Roddy Child-Villiers:

Yes.

<p>Questions on; Impact of leap year on Q1 Future price increases during the year Impact of early Easter in Confectionery Use of gum as a carrier of nutritional benefits</p>

Jon Cox, Kepler Equities

I'm just wondering what the impact of the leap year would have been on Q1 and I'm

guessing it must have been a point or so on the sort of organic growth dynamics there. The second question, just on the price increases are you pretty much done now or should there be more to come or are we just now seeing the impact of what you were doing in Q4 and maybe the start of this year? And then lastly just in Confectionery can you give us an indication of what the impact of an early Easter would be - the Confectionery figures looked pretty good? And then as an add-on to Confectionery I'm just wondering what you thought about gum? Previously you've actually been getting out of gum, I'm wondering if now you're maybe looking at it more as a potential transmitter of functional and health, wellness type attributes and maybe you might be interested in gum, thank you?

Roddy Child-Villiers:

The leap year we haven't really looked into and frankly it was another day, great, but you know by the time we get to the end of the year one extra day doesn't make much difference. Then of course you had Easter early so probably less days in Easter and you know - we haven't looked at it and I don't really think it's very relevant.

Price increases, our strategy on this is to manage our cost pressure and any action that we take for the rest of the year will be driven by the cost pressures that we see in the rest of the year. But you are absolutely right, the number we're seeing for the first quarter is very significantly driven by the pricing we took last year. 1.8% Q1, about 4% end of the year, for the final quarter, that clearly carries over into 2008. But equally you know mathematically that's likely to reduce our reported pricing as we go through the year, other things being equal.

Confectionery; we're not that convinced that the early Easter has a huge impact on Q1. I think it was in early April last year so a lot of last years sales would have also been in Q1, although some may have been in Q2 in markets where they do last minute campaigns.

But the important thing for us is that we had a good Easter and so you know our good sales numbers I think reflect a good Easter, perhaps more than they do in early Easter. And I'm going to leave you to chew on gum because I'm not going to comment.

Jon Cox, Kepler Equities

Thank you, just a quick follow up on the planned launches for this year, because obviously then it gives maybe a chance to push through further price increases because of the innovative nature of the products. Can you just remind me, I think it's about 20% of your portfolio that is renovated every year, not necessarily huge changes but in terms of packaging or stuff like that, does that remain the case, and I guess most of that wasn't done in Q1. I guess that will be smoothed across the whole year.

Roddy Child-Villiers:

Yes exactly, we do have an ongoing non-stop programme of renovation as well as bigger more headline innovation launches. Renovation is driving our continued

momentum in the business; innovation we hope is the icing on the cake as you're seeing with Infant Nutrition and the Nestlé NAN brand. The success of that brand in that category is being driven primarily by fantastic new innovation.

Questions on; Timing of the share buyback Guidance on margin progression

David Hayes, Lehman Brothers:

Firstly on buybacks, should we assume the timing of the buyback is pretty constant through the year even as and when the monies come in from the first phase of the Alcon sale? And secondly just going back to the margin question, you're guiding again to this similar organic top line growth to last year, guiding again to raw material prices abating. Should we assume a similar kind of margin progression in terms of operational leverage as '07, in terms of 50/60 basis points or are there other factors that we should be considering in making that assessment that may be offsetting to performing a similar pattern as last year?

Roddy Child-Villiers:

On the buyback you've obviously been following it on our website. We publish every week the volume that we've bought in the previous week. You will have seen that the volumes have come down a little bit on a weekly basis as we've been preparing to pay the dividend. We would expect to see the volumes pick up again to their more normal levels and then yes it will be a sort of straight line through to 2010.

On the margin, I mean there's obviously more to the margin than raw materials, a lot more to the margin than raw materials. You know we manage our business holistically, top of the P&L to the bottom not just the one line. Consensus is around 30 basis points and our guidance is that we will improve margin constant currency. Our guidance is constant currency and on that basis we're happy with consensus.

Questions on; Pricing evolution during the year Margin progression in the first and second half
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Julian Hardwick ABN AMRO:

Could I just come back to the question on the pricing evolution. Did I understand from your previous answer that Q1 is going to be the high point for pricing for this year if we assume that the raw material situation doesn't evolve any differently from your current expectations? And secondly just in terms of margin phasing for this year, you made the point that the commodity cost movements were going to be a flip of what we saw last year. Presumably that argues for margin progression being stronger in the second half than in the first half, is that fair?

Roddy Child-Villiers:

On the pricing my comment was really just to say that assuming all else is equal then the reported pricing will trend down because of how it trended up in 2007. Clearly

there has been further pricing action in 2008 in response to cost pressures, but we would expect that that would not be sufficient to compensate the trending down mathematically, so yes over the course of the year the pricing element will trend down.

On the margin question and the timing of the margin, H1/H2 I mean again as I just said it's not just about raw materials it's about other things we're doing in our business. In the call we talked about cost pressures abating and this is really the same comment as we made about the pricing. Last year the cost pressure went up and up as the year went on, thus mathematically the cost pressure is greater first half than second half and it's exactly the same issue as with the pricing. So other things being equal cost pressures will abate as the year goes on.

Now in terms of the first half, second half split of the margin I'm not going to comment. Our margin guidance is for the full year and I'll leave the rest to you to analyse.

Julian Hardwick ABN AMRO:

Would you still expect to see margin progress in the first half, would that be a reasonable expectation?

Roddy Child-Villiers:

Well, as I say I'm not going to comment but I wouldn't take that negatively or positively it's just a non comment.

Julian Hardwick ABN AMRO:

Okay thanks.

Roddy Child-Villiers:

You know we're not in the half year guidance game, so my not commenting is just saying that we'll comment on the full year only. It's not a reflection either of negative or positive thoughts on your question.

Julian Hardwick ABN AMRO:

Okay, I will take it that way, thank you.

Questions on; Sustainability of volume growth in Dairy EBIT margin target for 2008 in constant currencies
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Patrik Schwendimann, Zurich Kantonal Bank:

First regarding Milk products and Ice Cream you had there astonishing volume growth, 4.6% despite really strong price increases. Do you think this is sustainable or do you think there will be some slow down here in the category of Milk products?

Secondly, maybe for clarification for the EBIT margin target for 2008, you're mentioning +30 basis points in constant currencies, not in CHF, is that correct?

Roddy Child-Villiers:

To your second question the answer is yes. To your question on Dairy, it is a super performance. The Ice Cream business has had a reasonable start to the year particularly in Europe, but is positive also in the Americas as well. As you all know how Ice Cream will turn out for the full year depends on the second half of the year rather than the first quarter and that can clearly have a big influence on the RIG overall.

For the Ambient or Shelf Stable Dairy business we've had near double digit RIG overall which talks to I think the strength of our business, also it talks to a very strong performance in North American from Coffee Mate and Carnation. Some decent volumes in AOA even despite cost pressures. I think this is about the strength of our brands, I think it's about the job that our people in the markets are doing to find a good balance between responding to cost pressures, protecting their market shares, growing their business and also hopefully protecting their margins. So yes it's a good performance all round.

Patrik Schwendimann, Zurich Kantonal Bank:

You don't expect some time lag, that we'd see some more slow down in the RIG in this category?

Roddy Child-Villiers:

Well as I say the category can be greatly moved by Ice Cream and I'm not going to try and forecast our summer Ice Cream performance. If you're asking whether the Ambient business is going to slowdown I think we are very pleased by how well it's doing but it's possible there might be some slowdown, we'll have to wait and see.

<p>Questions on; Impact of partnership with Marcolini Chocolate performance in US Organic growth in the Americas Recession in North America</p>

Alain Oberhuber, MainFirst:

The first question is about Chocolate, have you already seen an impact from the Marcolini joint venture? How is it performing currently and how exactly will it evolve throughout 2008/9?

Secondly also about Chocolate, you stated that the US business was less good than the others, could you give us a reason why? And secondly the organic growth in the Americas, could you split it up, how much it was in Latin America, North America or if not could you tell us was it stronger in North American than in Latin American or vice versa?

Roddy Child-Villiers:

The Marcolini joint venture, it's very early days yet, there is no impact in the numbers yet. It is also tiny, but we don't own the business it's just an investment in the business, so you know the benefit that we will see will come through, we would hope, him inspiring our business to new innovation. We won't be reporting Marcolini sales.

Why is the US business weaker than the rest of the world? Well partly because the rest of the world is so strong of course, but also because we are going through a process in the US that is somewhat similar to what we did in Great Britain a couple of years ago. Looking at rationalising the portfolio, focussing the marketing spend on the key brands. And as you'll recall from Great Britain that tends to have an impact on growth, at least in the initial stages and hopefully then it will result in better performance.

In terms of the split between Latin America and North America, Latin America is much the stronger performer and it continues to be - Brazil continues to be very strong. Brazil had a super Easter and generally I think in Latin America it was pretty good. But Brazil our biggest market had a fantastic Easter.

Alain Oberhuber, MainFirst:

Just a follow up question on North America, have you seen already any impact of the recession yet, or what is the case there because Mr Brabeck gave once a statement that he hasn't seen or felt any impact of the recession yet in North America?

Roddy Child-Villiers:

Well the answer is that we haven't seen any impact. I had the opportunity to talk to Brad Alford who runs most of our US business just last week and his view was that in the event that there was a recession and that the recession was sufficiently deep that it would impact food consumption, he would expect the impact to be greatest in those categories where there is a heavier commodity orientation. I mean commodity not in the sense of raw materials but commodity in the sense of lack of added value. So where there is a heavier commodity orientation and where there are more competitors and private label.

Fortunately we're not in many of those categories, so we think that even in the event that there is a recession that's deep enough to hit the food industry we should be relatively protected by our category choices.

<p>Questions on; Sales growth in March compared with January/February Variation in RIG as the year evolves</p>

John Parker, Deutsche Bank

In the first quarter was there any difference in the sales growth rate in March compared with January/February or was the rate of sales growth pretty consistent

through the quarter? And my second question would be looking at the year as a whole over the next three quarters you've indicated that all else being equal pricing might be lower than in the first quarter, have you got any corresponding view on RIG? Would you expect any variation in RIG as the year evolves compared with this first quarter?

Roddy Child-Villiers:

Well you remember we made our trading statement in early March and that was based on two exceptionally strong months. March was also fine, it wasn't at the same exceptional level as January and February but it was still fine. In terms of the full year the reason that we're guiding to organic growth for the full year at the same levels as last year is more because we expect pricing to come off than because we expect volumes to come off.

<p>Questions on; Level of SKU pruning expected for 08 RIG and Organic growth in Nestlé Professional and PPP</p>
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Xavier Croquez , Exane BNP Parisbas

A follow up on the previous question regarding RIG. If I look back at 2007 you had a RIG of around 4.5, 4.4% so let's say pretty similar to Q1 and you added, in the presentation during the roadshow, that SKU pruning- and I understood it was a net figure, was 10% which was pretty impressive to me because actually if you add back some of non-pruning you were running probably at 5% RIG. My question is the level of SKU pruning you expect for '08 and which actually took place perhaps in Q1, is it comparable to the average of last year or is there any bias coming from SKU pruning in the Q1 figures compared to Q1 '07 is the first question? And the second one is can we get a sense of RIG and organic growth in FoodService and PPP (Popularly Positioned Products) which are growth pool areas - and on hard discounters.

Roddy Child-Villiers:

If you're a gardener you'll know that you prune in order to ensure a better crop the following year or indeed maybe since you're in France if you were working in Bordeaux you would know that you prune in order to ensure you have a fine harvest the following year. So I mean you prune for growth you don't prune to shrink. So I wouldn't join into that correlation between SKU pruning and the RIG number. We might have pruned SKU that had negative RIG so how does that come into your sum for example.

So as I say I won't draw any connection between the two, I'm not aware, I don't have a number on the amount of pruning that we've been doing so far this year, nor do I have a number on PPP although I know that the performance is good. On Nestlé Professional the organic growth was about 6%, 5.9% and the RIG was 0.7%. And on hard discounters I haven't got a number for you either.

Slide 13 – Logo slide

Roddy Child-Villiers:

Great, well thank you very much indeed for your interest, that concludes our call. I think it only remains for me to say that Nestlé is off to a great start and is well set on the path to delivering the Nestlé model once again in 2008, thank you very much and goodbye.

END OF TRANSCRIPT