

NESTLÉ S.A.

2008 NINE MONTHS SALES CONFERENCE CALL TRANSCRIPT

Conference Date: 23 October 2008

Chairperson: **Mr Roddy Child-Villiers**
Head of Investor Relations
Nestlé S.A.

Disclaimer

This speech might not reflect absolutely all exact words of the audio version.

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

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

Slide 1 – Opening slide

Welcome to Nestlé's 9 months sales call.

Slide 2 - Disclaimer

As usual, I will take the disclaimer as read and move directly to the highlights slide.

Slide 3 –2008 9 Month Highlights

Organic growth for both the Group and the Food and Beverage business is unchanged from the 6 months at 8.9%, comfortably above our long term annual target of 5 to 6%.

These numbers demonstrate that we continue to have strong momentum in the business and, accordingly, we've upgraded our guidance on organic growth for the full year, such that we now expect it to be about 8%.

We've received a lot of questions on our financing in the last few weeks, so we've included a slide later in the presentation. The key message is that our high credit quality, aligned with our strong and predictable cash flows, is enabling us to benefit from a flight to quality in the debt market.

Slide 4 – Above Target Organic Growth at 8.9 %

Here is our usual overview of the various elements of sales. I'll start with the Group, including Pharmaceuticals. No change in the 9 month organic growth from the first half figure, still very strong at 8.9%. This, therefore, represents an acceleration in Q3 from Q2. Real Internal Growth, or RIG, is at 3.4%, with pricing at 5.5%. The material change from the half year is the contribution from acquisitions less divestitures, at 2.5%. You might remember that this was 3.2% at the half year. Finally, foreign exchange took 8% from our reported sales in CHF, a slight improvement from the half year, which was at 8.3%.

For Food and Beverage, the numbers are very similar. Organic growth is identical, at 8.9%, with RIG contributing 3% and pricing 5.9%. The contribution from acquisitions less divestitures was 2.5%, with acquisitions adding 3.1% and divestitures taking 0.6%. Foreign exchange took 7.9%.

In total, the Group's sales grew 3.4% or 2.7 billion to 81.4 billion CHF.

Slide 5 – Total Food & Beverages

Next is an overview of the performance of our total Food and Beverage business, including the globally managed businesses, Nutrition, Waters and Nespresso, as well as our joint ventures. Our business has continued to enjoy strong momentum around the world.

Europe's organic growth has accelerated in the third quarter, particularly due to an increased pricing effect in a number of the larger food categories, as well as in Nutrition.

In the Americas, organic growth remained above 9%, with a slightly slower RIG than at the half year. A number of the categories, such as Ambient Dairy and PetCare experienced slower RIG in the quarter, but a number, such as Frozen Food, Confectionery, Ice Cream and Soluble Coffee, accelerated.

In Asia, Oceania and Africa, the organic growth was unchanged from the half year. Again, there was marginally more pricing and marginally less RIG than at the half year. The RIG picture was mixed by category, with some categories slower and some accelerating during the quarter.

Looking across the total Food and Beverage business, we achieved 16.8% organic growth in emerging markets and 5.1% in the developed world. I'm sure you'll agree that these figures demonstrate the strength of our business around the world, as well as the resilience of our brands in an environment that is still impacted by the effects of high agricultural commodities.

Let's now dive deeper with an update on our primary reporting.

Slide 6 – Primary Reporting: F&B

This slide gives the overview, and underlines what I have just said about the broad-based strength of our business. Let's discuss each of the elements in detail, starting with Europe.

Slide 7 – Zone Europe

Sales for the 9 months were 21 billion CHF. Organic growth was 6.0% and RIG 2.1%.

The Zone's strong momentum has carried through from the first half of the year, with key Western European markets and businesses achieving good levels of organic growth, particularly Great Britain and the pan-European PetCare business, both of which were high single digit for the 9 months. There was a good acceleration in Germany in the third quarter, due particularly to the Maggi culinary business. France has been resilient so far, and remarkably consistent, achieving the same positive level of growth in each quarter of the year. Turning to our successful Eastern European business, organic growth has continued its slight accelerating trend in each quarter of the year and is in the mid-teens.

Let's look briefly at Europe by category. All categories have achieved positive organic growth for the 9 months. The bigger categories, Chocolate, Culinary, PetCare and Soluble Coffee, achieved high single-digit organic growth. The main drivers are the same as at the half year: the relaunch of KitKat and successful launch of KitKat Senses; the relaunch of the Nescafé range and the roll-out of Nescafé Dolce Gusto; a good innovation pipeline in PetCare, replicating successful launches in North America; good communication around Nutrition and Health in Culinary, all being examples.

Also, as you know, Nestlé has good exposure to the fast growing hard discounter channel, as well as traditional retail, and, generally speaking, is in categories or segments that have relatively low private-label presence. In Eastern Europe, all our categories, except our small sugar business, are achieving double digit organic growth.

Slide 8 – Zone Americas

Next is the Americas . It reported sales of 23.8 billion CHF. Organic growth was 10.7% and RIG 3%. There was high single-digit organic growth in North America and double-digit organic growth in Latin America.

North America achieved a good improvement in the third quarter. There was increased pricing in PetCare and a slight improvement in Ice Cream's RIG. Frozen Food also contributed to the improvement, posting a good recovery, in line with our guidance at the half year. Those of you who worry about Hot Pockets will be pleased to hear that its organic growth is above 5%, and it is benefiting in particular from some very good nutritional messaging on Lean Pockets, as well as some broader innovation and launches. Chocolate also accelerated strongly, though this category certainly benefited from an earlier buy-in for Halloween this year than last year. Soluble Coffee continues to perform well.

Latin America's slowdown in organic growth from the first half was due to Ambient Dairy which, though still growing double digit, reflected lower milk prices in the region. Soluble Coffee, PetCare and Biscuits accelerated a little in the quarter, whilst Chocolate and Culinary slowed a little. Almost all categories are achieving double digit organic growth.

Slide 9 – Zone AOA

Next is Zone Asia, Oceania and Africa. It achieved sales of 12.7 billion CHF. Organic growth was 13.2% and RIG 4.5%. The cumulative RIG is unchanged from the half year, but the half year was heavily weighted to the first quarter. These numbers therefore demonstrate strong momentum in this Zone.

All the Zone's major emerging markets such as Middle East, South Asia, Africa and Greater China are achieving double-digit organic growth. I'd point to our scale, the strength of our brands and distribution, and the success of our PPP strategy, targeted at low income consumers, as key drivers of this strong performance.

As you know, we went through a reorganisation of our Japanese business last year. We are now enjoying positive RIG and organic growth there, reflecting in part the low comparatives from last year, but also an improved performance, with products flowing from our pipeline to the market including Dolce Gusto and a new Nescafé refill, that has taken 15% of the market within 4 weeks of launch. In the Japanese PetCare market we've taken leadership in Cat, which is the bigger segment.

All the key categories in the Zone achieved high single-digit or double-digit organic growth.

A few words on China. To talk milk specifically, our situation in mainland China is good relative to the market. The ripples from the events of last month have, however, washed over the Dairy industry, creating cashflow challenges for wholesalers, disruption in the supply chain, and confusion among consumers. More broadly, our total mainland China business is doing well, with double digit organic growth and will, we believe, continue to do so.

Slide 10 – Waters

Moving now to Nestlé Waters. They reported sales of 7.6 billion CHF. The organic growth was minus 1.0% and the RIG minus 3.2%. This performance is unchanged from the half

year. It reflects the slowdown of the bottled water category, as well as trading down to lower priced brands, in Western Europe and North America. Our emerging market businesses continued to deliver organic growth above 20%. The two billionaire brands, Poland Spring and Nestlé Pure Life, achieved positive growth, as did the premium brands, San Pellegrino and Perrier.

Nestlé Pure Life is now the Number One water brand in the world. Those of you in the UK, who understand how irrational is the environmental debate around bottled water, can now share in Nestlé Pure Life's success, at Asda. John Harris, the CEO of our Water business, will discuss this category further at our web-cast press conference later this morning.

Slide 11 – Nutrition

Next is Nestle Nutrition. Sales were 7.8 billion CHF, organic growth was 9.6% and RIG 4.0%. This performance points to a full year outcome not much below its long term target of 10% annual organic growth.

The Infant Nutrition business continues to perform really well, particularly Infant Formula, which is comfortably into double digit organic growth in the Americas and AOA, and not far off double-digit in Europe. Innovation is driving growth, so it is good to be able to report that the pipeline is rich.

We're pleased with our launch of NaturNes baby food in Europe, starting in France and rolling out from there, now also in Spain. This is a new offering in baby food, 100% natural, with a new cooking process and benefiting from its competitive advantage of being in aseptic packaging, enabling a new range of ingredients to be included, as well as a greater ability to add active benefits to the products. This is the biggest innovation in packaging in the baby food since the move from tins to glass 50 years ago.

Meanwhile we've been working hard across the Baby Food, Healthcare and Performance divisions to improve our profit mix through rationalising our range and SKUs. As you might expect, this has slightly slowed our organic growth. This rationalisation has also been part of the merging process of Novartis's healthcare business with our own. The integrations of this business and of Gerber, also acquired last year, have been completed.

Finally in Nutrition, a word on Jenny Craig. This, together with Performance Nutrition, is the most sensitive of our Nutrition business to economic conditions. We have seen a trending down from the amazing performance that we enjoyed in the first quarter. That said, the organic growth for the 9 months is above the level achieved in 2007.

Slide 12 – Other F&B

Last are Nespresso and our Food and Beverages joint ventures, bracketed under Other Food and Beverages. Sales were 2.9 billion CHF, organic growth was 22.8% and RIG 19.7%. Nespresso's momentum has continued unchecked with organic growth in the high thirties. Cereal Partners Worldwide had a strong third quarter, whilst Beverage Partners Worldwide slowed somewhat, reflecting tough comparisons resulting from last year's launch programme, but its organic growth remains above 20%.

Slide 13 – Secondary Reporting

Next we have the slide summarising the product Group performance. I've covered much of the detail during my run through the Zones, so I'll just go briefly through the product groups.

Slide 14 – Secondary Reporting Summary

Powdered and Liquid Beverages achieved sales of 13.7 billion CHF. Organic growth was 13.1% and RIG 8.1%. This product group continues to deliver a very strong performance. Soluble Coffee has maintained its good momentum. By the way, you might be surprised to know that over 50% of our sales of Soluble Coffee are in emerging markets. 52% to be precise. Organic growth at Powdered Beverages is a bit slower than at the half year.

Milk Products, including Ice Cream had sales of 15.9 billion CHF. Organic growth was 10.8% and RIG 1.7%. The organic growth of Ambient Dairy products is experiencing the effects of falling milk prices but remains double digit in most markets. The RIG in Dairy is also positive. The CoffeeMate billionaire brand continued to perform well across all Zones. Ice Cream's growth improved a bit during the last quarter. The premium brands, and those characterised by healthy consumer propositions, continued to out-perform.

Prepared Dishes and Cooking Aids reported sales of 13.1 billion CHF. Organic growth was 6.3% and RIG 1.4%. This is an acceleration from earlier in the year, due to an improvement in Frozen Food in the US and Maggi's continued strong organic growth in Asia and Africa as well as its good recent performance in Germany.

Confectionery achieved sales of 8.7 billion CHF. Organic growth was 9.1% and RIG 2.8%. This is a broad based performance, with high single digit organic growth in all three zones. The acceleration from an already strong first half reflects mainly the early demand for Halloween in the US and a good performance in the UK, with some early Christmas sell-in.

PetCare had sales of 9.0 billion CHF. Organic growth was 11.4% and RIG 5.0%. The acceleration in the third quarter reflects the effects of the necessary pricing action taken late in the first half, with demand proving to be quite resilient.

Pharmaceutical Products had sales of 5.6 billion CHF, 9.5% organic growth and 8.9% real internal growth. Alcon and the joint ventures, Galderma and Innéov, continued to grow nicely.

Slide 15 – Financial Position

My final slide before wrapping up is on our financial position. I should say that we do not feel any particular need to discuss this. As you know, our exceptionally strong balance sheet and predictable cash flows make us the gold standard in the industry. We've included this slide simply because we've been getting a lot of questions.

Our message is simple. Nestlé's debt has been more short-term than long-term weighted because this has been the most cost-efficient strategy. We have seen continued demand for our commercial paper in September and October, and we continue to place it at sub-libor levels.

We expect to end 2008 with lower net debt than at the end of 2007, due to the 10.4 billion dollar in-flow generated by the partial-disposal of Alcon. These funds, received in July, have materially reduced our exposure to the commercial paper market.

We are continuing with our share buy-back at the accelerated pace announced in August, such that by the end of the year we will probably be running about 2 billion CHF ahead of where we would otherwise have been, with about 13 billion francs of the 25 billion completed.

Our commitment to capital expenditure is unchanged. We will continue to support the needs of the business, with a particular focus on higher return, higher growth businesses such as Nestlé Nutrition and Soluble Coffee. As an example, I'm sure you all saw this week's announcement of a 240 million CHF investment in a soluble coffee facility in Russia.

Slide 16 – Outlook & Improved Guidance

To summarise then, Nestlé continues to perform at a high level. We expect to finish the year well above our long term target for organic growth, at about 8%.

Our financial position is strong, a competitive advantage, today, as always.

Question and Answer Session

I'd be happy now to take your questions.

Questions on; Reported Consensus Further Pricing

Marco Gulpers, ING:

Two questions if I may, the first is on your statement with respect to margins. You are continuing to see progress in margins, could you update us on whether you are happy with underlying consensus expectations of 30 basis points reported?

Question number two is on negotiations with the trade. You mentioned during September that you're forecasting still some 3 to 4% input cost inflation for next year. I was slightly surprised by the high pricing you still have to take in the 3rd quarter and was wondering how much further pricing you still see coming?

Roddy Child-Villiers:

I wasn't aware that I made a comment on margins but in any event I will talk about the consensus. The consensus is for a 30 basis point improvement in the EBIT margin. And I think to achieve 30 basis points despite currency headwinds is always going to be a challenge. We were able to do so at the half year and we intend doing so again.

That said, one thing we don't believe as some of you do is that the second half is going to be easier than the first half. So on the trade part, the thing to remember about pricing is that the pricing that we are reporting in the 3rd quarter of 2008 is a reflection of all the pricing that we've taken since Q4 2007. It's not just pricing taken in the last month, it

reflects the comparative over the 3rd quarter of 2007 and therefore the trend of pricing in the meantime.

That said, I mean there has been more pricing. We've taken pricing in PetCare and in some of the categories as well. So there has been some more pricing.

| | |
|---------------------|---|
| Questions on | Factors causing trending down for FY guidance Drivers of pricing between Q2 & Q3 Coffee prices in Q4 |
|---------------------|---|

David Hayes, Nomura

Two questions if I can, one more broad and one more specific. On the broad side, I mean just in terms of the third quarter progression is there anything we should be looking at in terms of slowdown either market or product category? I mean looking at the four year guidance you're kind of assuming on our numbers a slow down in organic sales to about 5.7% in the 4th quarter, looking at the 3rd quarter it looks like there's nothing wrong with the world. Is there anything that you'd highlight that we should be aware of in the 4th quarter in terms of slowing?

And then secondly and a bit more specifically just in terms of pricing. I mean Europe in particular, a big jump up in pricing from I think 2.7 in the 2nd quarter to 5.2 in the 3rd. Can you just talk a bit more about what's driving that in terms of again timing of price increases and the areas that maybe you've seen those in?

Roddy Child-Villiers:

Okay, so why we think we'll trend down from 8.9 to 8 by the full year? Well I think there are a number of things, I mean first of all as I said in my speech our Confectionery business has clearly benefited from some earlier buying against Halloween and Christmas than last year. So those are if you will sales that were made in Q4 last year that are in Q3 this year.

The water business continues to be slow. We're launching Nescafé Dolce Gusto in four markets this year, Japan, some in the Americas and elsewhere in Europe. Those are in the market in September for pre-Christmas sales. So obviously there's a big kick up in September from that launch which will then work its way through the final quarter.

We think Nutrition will be nearer to 9 and 10; it's currently nearer 10 than 9. And as I said also in the speech you know the Ambient Dairy pricing is coming off. So there are a number of things going on that I think give us justification for thinking we're going to have a slower 4th quarter.

I think the pricing, I don't want to repeat myself but it's not all about what we did in Q3, it's about what we did in the year leading up to Q3. But certainly in Europe Chocolate, Culinary, Soluble Coffee and PetCare all had increased pricing, so there is pricing going through. They were main categories where it was affected.

David Hayes, Nomura:

Just quickly you mentioned Ambient Dairy prices coming off. We saw yesterday I think it was, or certainly this week a couple of competitors talking about coffee prices coming down

in some markets. Is that something that you're following, seeing, would be expecting in the 4th quarter?

Roddy Child-Villiers:

Well I think if you look at the traded commodities from June to October they are all down double digit percentages. And this is a reflection of the hot money or the speculation if you will getting out of those commodities. But that's a very short term dynamic. I think you know mid term, the commodity prices will be more driven by the economic condition, in other words by consumer demand. And I think longer term all the good things that are driving our business in terms of growing populations and growing incomes, that are good news for us, will also drive commodity prices.

We've been forecasting lower commodity prices, you'll remember we said that back in June at our seminar and therefore the positions that we've had have reflected the view. We may be looking opportunistically to change the view if there are lower prices.

| | |
|----------------------|---|
| Questions on; | Volume slow down in Zone AMS and general situation Growth dynamics in Europe and improvement in Q3 |
|----------------------|---|

Jon Cox, Kepler:

I have two questions for you. If you can come back to that comment about the Americas, I think you said the volume was slowing down in the Americas but otherwise it looked okay there. I wonder if you can just give us any update on the US situation, are they trading down, trading up whatever it might be? And then just on the channels in Europe. I wonder if you can give us some idea of the different growth dynamics, because you mentioned that you are in categories where private label tends to be pretty underdeveloped. But I guess you're probably growing stronger in discount channels than maybe in the traditional retail channels?

As a little add on to that it seems to have been an improvement in Europe in Q3, is that just because some of the retailers have been fighting back, some of the mainstream retailers and you've gained from that?

Roddy Child-Villiers:

No I said that the RIG in the US has accelerated in the quarter not decelerated. Frozen Food recovered nicely, as did both Stouffers business and Hot Pockets. Ice Cream was slight better. So I didn't point to a slowdown in the US in the quarter.

Latin America was slightly slower in terms of RIG in the half. And that was a very specific situation in Mexico where we are lapping a very heavy 2007 launch programme in our Milk business. And that's had a slightly negative impact on the RIG in the Mexican Dairy business, which is a very big business, so it does move the dial.

Europe, I haven't got any data on growth trends in the different channels and we did give you that data at the half year - well we gave it to you actually at the beginning of September. So I don't imagine it's changed very much from then. What we saw at that

stage was double digit growth in hard discounters, rather slower growth in the traditional retail, but our business was out performing both in the hard discount channel and in the traditional retail channel.

| | |
|----------------------|---|
| Questions on; | Impact of financial situation on interest cost for H2 Margin consensus |
|----------------------|---|

Julian Hardwick, RBS: ‘

Could I just ask first of all on your finance costs, given the short term weighting of your debt, has the turmoil in the financial markets had any impact on your interest costs for the second half relative to what you were looking at previously? And secondly can I just - going back to your response to the first question on the margin consensus outlook. If I could just make sure that I've got this right, I mean you're saying that you still think the consensus is a realistic place for people to be and your comment about some people looking for strong performance in the second half versus the first - clearly in your first half you're up 30 basis points so the consensus is looking for a similar performance. So I take it that was a comment on some of the outliers rather than on the consensus itself?

Roddy Child-Villiers:

The answer to question two is yes and the answer to question one is that we guided at the first half of the year to about a billion as the income statement cost and we're sticking with that guidance, it will be about a billion for the net financing cost.

| | |
|----------------------|--|
| Questions on; | Market situation in China Chilled Dairy growth Private label trade down in USA and Europe |
|----------------------|--|

Alain Oberhuber, MainFirst:

I have also two questions. One question is about China, could you give us a sense about the market down there, giving also the experience you have when these issues about this product problems are coming through? And could you just tell us also how much your Chilled Dairy business grew in the nine months and also in Q3 and what the market growth was there?

And the second question is about private label in the US and also in Europe. Have you already seen trading down or private label issues in the US?

Roddy Child-Villiers:

On China I'm not sure that I can add much to what I said earlier on. I mean there's clearly been - I mean it's a terrible story for the consumers and there has clearly been disruption in the market. As I say we are out performing the market in Dairy in Mainland China. The rest of our business is continuing to perform very well. And I think that's all I can say. Obviously we've increased our number of R&D experts and scientists and the like; we've taken some over from Switzerland to China to help the local people to accelerate all the testing and stuff that we needed to do. So the situation is being managed very, very well.

I would just repeat what you all know which is that we apply the same standards, the same quality levels, the same procedures in China and everywhere else in the world that we do in Switzerland and all the other developed markets. There is only one way of doing business at Nestlé.

At the press conference after this call Paul Bulcke will talk a bit more about China but there's not much more to add than that really.

On Chilled Dairy, we don't really have a Chilled Dairy business any more Alain. But you know I so far as we have one it's doing pretty well, it is doing - high single digit organic growth.

Then private label, I haven't got much to say, as I said in my speech our categories are relatively lowly exposed and to give you an example, Soluble Coffee in the UK which is as you know a very intense private label market, less than 20% of the soluble coffee market is private label. In categories where we are more exposed, Water we are clearly struggling from down trading as I said in my presentation. Ice Cream I think it's more the large tubs which is private label where we are less present.

I think what I would say is that we are benefiting from our strategy of focussing on added value categories and increasingly on the more premium end of the categories where we are playing. We have strong differentiation from not just private label but also from our branded competitors. And that's what driving these strong numbers.

| | |
|----------------------|---|
| Questions on; | Expectations for growth in Latin America Expectations for growth in Nutrition business |
|----------------------|---|

Patrik Schwendimann, Zurich Kantonalbank:

I have two questions first regarding Latin America you still have very nice double digit growth in Latin America, but it seem overall that environment is getting tougher, what are your expectations there for I would say next year, or are you feeling already some slowdown there? Or are you still very optimistic?

And secondly regarding the Nutrition business which still has a nice growth of 9.6% but which was coming down quarter by quarter. You were mentioning Performance Nutrition and Jenny Craig - what should the year expect for the next couple of quarters. Do you see some more slowdown in Nutrition? Or would you say no it's possible to get the 10%? Thank you.

Roddy Child-Villiers:

Nutrition I think will be nearer to 9 than 10. But you know that's still within reach of our long term target of 10%, so a slight further slowdown. And as I said the big business there, Infant Nutrition is performing very well. The Healthcare Nutrition business, the RIG and organic growth are not yet really benefiting from the inclusion of the Novartis business because that has only just come into those figures. So hopefully next year that will be a benefit to the RIG and organic growth numbers.

Also as I said the RIG and organic growth numbers are suffering slightly from the rationalisation that we've been doing of brands and SKUs. So this is a story that you're

quite familiar with from Nestlé. We've been clearly focussing on improving the product mix in the category by rationalising some of the SKUs. So as ever it's not just about growth it's about the Nestlé Model and the Nestlé Model for Nestlé Nutrition, driving both high top line organic growth but also the margin. And I think that's what we'll be doing this year and next.

In Latin America we have seen a mixed picture by category and by country, some are going fast and some are going slower. The one thing that is a consistent is that the pricing is coming off in Ambient Dairy which is exactly what you'd expect in view of the milk price in the market. But we're not seeing anything that points to a region wide slowdown or acceleration.

Patrick Schwendimann, Zurich Kantonalbank:

So you're still also optimistic for next year for Latin America, so you don't see a major slowdown there?

Roddy Child-Villiers:

We don't see a major slowdown other than the fact that the pricing will come off in Shelf Stable Dairy and Shelf Stable Dairy is over a third of that business so it clearly has a notable impact on the Latin American organic growth number

| |
|--|
| Questions on Nutrition growth Nestlé business in Russia |
|--|

Xavier Croquez, Exane:

I'm sorry to go back, with my first question, to Nutrition. But if I take quarterly figures roughly I have 14% for Q1, 8% for Q2 and let's say an unchanged Q3 at 7. Just to clarify the comments you made initially and the comments you made in the previous question. The swing between Q1 and Q2 which has remained stable in Q3 was mainly due to Jenny Craig and the Performance Nutrition is what I understood from your initial comments. That the rationalisation of the Healthcare is going on and that actually Infant Formula continues to be robust throughout the three quarters. That's my question are we still cruising at around 10% in the core INF business Q1, Q2, Q3 is my first question?

And the second question is I didn't hear much comment on Russia. What is the current mood for sales and consumption and how is your business doing in that country, because there are some concerns on that major growth driver?

Roddy Child-Villiers:

As you will recall the 1st quarter in Nutrition was the anomaly. If you remember the 2007 quarterly Nutrition numbers were pretty steady at a high level but not as high as 14, they were I think around the 10 level, 9 or 10 level and that's what we're now seeing after Q1 again, a return to the level of around 9% - 9, 10%.

So Q1 was the anomaly and yes it was Jenny Craig that accounted for the anomaly and Jenny Craig is now returning to more normal levels of growth.

Yes Infant Nutrition is continuing to perform at the same level give or take as at the first 1st quarter, it's still into double digits, performing very well, particularly the Infant Formula business.

Russia, clearly we have a very positive view on Russia or we wouldn't be investing a quarter of a billion CHF in a new factory there. The trend through this year has been of accelerating organic growth in our Russian business. And that is both driven by RIG and by pricing and it is true of just about every category that we're in. So we're seeing a very strong performance in Russia.

Worth remember that we are the second largest Food and Beverage business in Russia, the largest international or non-Russian Food and Beverage business in Russia. So we have strong market positions and we're in dynamic fast growing categories. So it's a super story for us at the moment. And it's also of course a very nicely profitable market.

| |
|---|
| Questions on; Financing costs and net debt in 2008 and beyond |
|---|

Jon Cox, Kepler:

Yeah hi I thought I'd come back for a second go. Just to clarify on that, you said a billion francs your net finance charge for this year. I thought your guidance was around 800 million at one point, did I understand you correctly there, can you just clarify that?

Roddy Child-Villiers:

We had I think - from memory, I think we had 530 financing cost at the half year and we said it would be about double that for the full year. We never guided to 800. And I'm just reconfirming that the guidance hasn't changed.

Jon Cox, Kepler:

Okay, thanks very much because I assumed that you might do something with the money coming from Alcon, that might help you a little bit in the second half of the year, but obviously not.

Roddy Child-Villiers:

There are always winners and losers aren't there and that's clearly reducing our net debt, but we're spending more on the share buyback and other stuff.

Jon Cox, Kepler:

Any thoughts for the next couple of years then, are you talking about maybe your net debt being slightly lower at the end of this year, I guess holding all things equal with the buyback on one hand the cash coming in for next year I guess your net debt will be down again slightly. So I guess we should still be thinking about another billion francs in financing costs for next year?

Roddy Child-Villiers:

I think in these markets it's a bit of a risky number to be trying to forecast. But the fact that we are continuing to achieve sub-Libor rates on our paper tells you what a strong position we're in and we're clearly going to do the best we can. But I'm not going to commit to a

financing cost figure at this stage for next year. But whatever the environment is in the debt markets we are fantastically positioned to benefit from a flight to quality or as you've seen in the easier times from our strong balance sheet.

Closing slide

Roddy Child-Villiers:

Thanks very much indeed for your questions. If you still have any appetite to hear more about Nestlé our press conference starts in about 40 minutes time at ten o'clock Swiss time. The details for dialling in are on the website. Thanks again for your interest in Nestlé and goodbye.

END OF SPEECH