

NESTLÉ S.A.

2009 FIRST QUARTER SALES CONFERENCE CALL TRANSCRIPT

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

Disclaimer

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Slide 1 – Opening slide

Good morning everyone and welcome to the First quarter 2009 conference call.

Slide 2 - Disclaimer

As usual, I will take the safe harbour statement as read any move straight to my presentation.

Slide 3 – Q1 Enables Confirmed FY Guidance

Nestlé's organic growth in the first quarter was 3.8%.

Following the record first quarter of 2008, with near 10% organic growth, the first quarter of 2009 was always going to be up against a tough comparative. That was even before we had to meet the challenges of reduced consumer demand, increased competitive activity, and currency depreciations in a number of countries.

In that context, organic growth of 3.8% is a performance that we believe demonstrates continued momentum and reconfirms our ability to meet the full year guidance we gave in February.

Why do we believe we will meet our guidance? Partly because there were some slight seasonal impacts in Q1 that were unhelpful. But mainly because, a deeper review of our Q1 performance highlights that there are broad areas of strength for us to build on, and pockets of weakness for us to address. We have initiatives in place that we believe will address the weaknesses and add momentum to some important business segments.

Let's now make a deeper review, and start with the overall picture of sales development.

Slide 4 – Further Progress in 2009

Starting with the Group, the key driver of growth was pricing at 3.5%, with real internal growth, or RIG, of 0.3%, to give organic growth of 3.8%. Foreign exchange was a negative once again, minus 5.2% reflecting the continued strength of the Swiss franc. We've included the usual currency chart as an appendix slide. Divestures, net of acquisitions, were negative, minus 0.7% of sales.

For Food and Beverage, pricing was slightly higher, at 3.7%, whilst RIG was basically flat. The RIG number is clearly a reflection of weaker economies, lower consumer demand, and seasonal one-offs, but it is impacted also by the tough comparison with Q1 2008, when we had over 4% RIG in Food and beverage. One way to look at the 2009 RIG performance, therefore, is to say that despite everything that has happened in the last year as the world has collapsed into recession, Nestlé has held onto the gains it made in the first quarter of 2008. We think that is a credit to the strength of our brands and the quality of our people.

We expect the food and beverages RIG to improve during the year.

Slide 5 – Total Food & Beverages All Regions Achieve Positive Organic Growth

On the next slide is the performance of our total food and beverage business including the globally managed businesses, nutrition, waters, professional, Nespresso, CPW and BPW. Positive organic growth was achieved in all three regions. As usual I'll go into the detail in my review of the primary reporting.

Slide 6 – Primary Reporting

On this next slide is the same data but broken down by management responsibility, and you can see here those pockets of weakness that I mentioned, as well as the stronger performances.

I'll now go through each of the zones and globally managed businesses in more detail.

Slide 7 – Zone Europe

Zone Europe reported 0.5% organic growth and minus 1.3% RIG.

The reported performance is impacted by the strong comparatives from 2008 when we achieved over six and half percent organic growth and almost 3% RIG. It is also impacted by the late start to the ice cream season. As many of you will know, the impulse vendors only start selling ice cream after the Easter holiday, which fell in March last year but mid-April this year. We effectively lost two weeks of ice cream sales when compared to 2008, and this has resulted in double-digit negative organic growth in Ice cream. That's enough to move the dial for the Zone. We also exited a few smaller less profitable markets last year, this will impact RIG slightly during the year.

Looking at Western Europe, highlights were decent volume growth in France, strong organic growth from the regional PetCare business, driven particularly by the single serve segment, and very strong growth in the UK, with both Chocolate and soluble coffee contributing. *KitKat* continues to grow double digit there. *Nescafé Dolce Gusto* has continued to perform well in the UK, and elsewhere as well, as its launch continues to build momentum internationally.

Chocolate, which you will remember had a great year in 2008, has continued to perform well, with positive RIG despite the price increases. Culinary chilled, especially the *Herta* brand, has also done well, perhaps benefiting from a trend for more at-home eating. So too has the *Buitoni* frozen pizza business.

Overall, in Western Europe, we would describe the consumer environment as subdued.

In Eastern Europe, the growth was driven very significantly by pricing, necessary to compensate currency depreciations in countries such as Russia and the Ukraine. It is clear that consumer demand has been impacted by the macro issues in Eastern Europe. That said, *Maggi* has continued to perform well, and both it and *Nescafé* are achieving double-digit organic growth in the region.

Slide 8 – Zone Americas

Zone Americas achieved 7.1% organic growth and 2% RIG.

This is a stellar performance, particularly as it is achieved despite double digit organic growth in Q1 2008. North America contributed the bulk of the RIG, whilst Latin America contributed more of the pricing.

In North America, all the categories contributed positive organic growth with the exception of ice cream, where we have been reorganising our Canadian business to focus on the higher value, higher margin lines. PetCare has once again had a fantastic quarter, achieving double-digit organic growth, with the premium segment as the main growth driver. The big frozen food category is a mixed picture, with strong performances by *Hot Pockets* and the *Stouffer's* family-meal range, but slower growth from *Lean Cuisine* and single serve *Stouffer's*. Clearly, consumers perceive greater value in family portions than single-serve. In total, our market share in frozen is up. Finally, in North America, Ambient dairy, mainly *Coffeemate*, continues to grow well, albeit high single-digit, rather than double-digit, as in 2008.

In general terms in Latin America, those markets that are closer geographically to the US are seeing the greater effects of the economic slowdown. We, as a major player in a number of them, are somewhat affected, but are using the situation to make our businesses stronger and set ourselves up to be fitter in the recovery.

In Brazil, we had a significant seasonal impact, as the Chocolate business makes its Easter sales literally right up to the last day before the holiday. This is the peak sales period for our biggest Chocolate business in the world, so the impact of a Q2 Easter in 2009 compared to a Q1 Easter last year is meaningful for us, a 1500 basis point swing on 400 million francs of sales. Q2 will, therefore, be strong for the category in Brazil.

Nescafé continued to perform well in Latin America, with strong RIG and double digit organic growth. The Mexican launch of *Dolce Gusto* is going very well, and the category is benefiting across region from its multi price-point strategy across the different consumer segments. Petcare also has double digit growth in Latin America, as does ambient culinary. All three product groups, Soluble coffee, Petcare and Ambient culinary, are lapping double-digit growth in 2008.

The big ambient dairy category has slowed significantly, mainly as a result of the reduced level of positive pricing, which was double-digit in 2008. On the other hand, there was double digit organic growth from smaller categories such as biscuits, ready-to-drink beverages and ice cream.

Slide 9 – Zone AOA

Next is Zone Asia, Oceania and Africa, which achieved RIG of 0.8% and organic growth of 5.8%, despite the tough environment. These are lower numbers than we are used to seeing from the Zone, but we are confident of a recovery in the RIG as the year goes on. A number of markets have suffered currency depreciations, which has resulted in us taking pricing action.

There was, in general, a reasonably strong performance from the emerging AOA markets, though they were generally in the high single-digit level, rather than double digit. Positive exceptions, with double digit growth, among the bigger markets were Mainland China, Africa, the Philippines and Indonesia, as well as the regional petcare business. The Philippines, too, has had a very strong start to the year, across all categories, resulting from a strong PPP programme, from being quick and decisive on pricing, and from having a good programme of innovation and renovation.

Whilst Mainland China is strong, the larger Greater China region is still feeling the effects of last year's food industry health issues, which are impacting growth in Hong Kong and particularly Taiwan, which has banned food imports from China. This has had a significant impact on our business as we have had to establish new channels for imports

Middle East had a very slow start to the year, with its big Dairy business down about 20%, having had about 40% growth in Q1 2008. This reflects the impacts of distributors and customers buying ahead of price rises in 2008, and then destocking ahead of price cuts in 2009. The growth trend will improve during the year.

Japan had a slow start to the year, but has performed well in view of the economic environment. The innovation pipeline is proving to be strong, with good consumer pick-up in *Nescafé* of the refill charge, which has taken 30% of the refill market from zero in less than a year. *Kitkat* too is performing well.

Oceania has seen terrific growth, with *Nescafé*, chocolate and powdered beverages all going well, and the market also benefiting from a good ice cream season. The Australian economy is in good shape, with low interest rates and a good employment situation, contributing to a positive consumer environment.

Slide 10 – Nestlé Waters

Next is Nestlé Waters, which reported minus 4% RIG and -2.5% organic growth. The category remains under pressure in Europe and North America. Our performance reflects continuing negative trends in Europe, but an improved picture in the retail market in North America, relative to Q4 2008.

In Western Europe, no market achieved growth. Our view is that this reflects more significantly the economic environment than it does the debate around the environmental impact of water. In North America, our retail business was flat, but the home and office delivery business reported negative growth, again reflecting the economic situation. That said, we have outperformed the HOD industry, and have taken leadership in HOD in North America. We also gained share in retail in North America.

Emerging markets are continuing to grow double-digit, and Nestlé Pure Life, present in emerging markets and North America, reached 15% organic growth in the first quarter.

Slide 11 – Nestlé Nutrition

Next is Nestlé Nutrition, which achieved minus 4.3% RIG and flat organic growth. Nestlé Nutrition had an unusually weak quarter due to a number of factors we are in the process of improving. One mitigating point is that the comparison, 14.4% organic growth in 2008, was an extraordinarily strong quarter, as we said at the time.

That 2008 quarter benefited from a 30% positive growth contribution from Jenny Craig, whereas the 2009 quarter suffers from a 20% negative growth contribution. Jenny Craig may only be about 7% of nutrition's Q1 sales, but that swing is nonetheless meaningful. The business is clearly suffering in the current economic environment, although its performance stands comparison with its listed peers in the weight management field. The good news for this business is that new customer leads are actually growing quickly again, which should point to an improving performance during 2009. In the meantime, Jenny Craig remains a significantly bigger and more profitable business than it was when we bought it.

Healthcare nutrition's growth continues to be impacted by last year's profit-driven, product rationalisation programme, as well as some pricing action. Some of the over the counter brands are suffering somewhat from consumer down-trading. Overall, we have been more margin-focused than growth-focused in Healthcare, but we expect to see growth accelerating through 2009.

In Infant Nutrition, there are quite different situations in Europe and North America.

In Europe we have lost share, but we expect to see an improved performance by the year end. Plans are in place to improve our competitive position, including realigned pricing, new consumer communication platforms and accelerated innovation.

Our NaturNes roll-out continues, and consumers are responding well to the range's unique offering, but the growth has not been sufficient to compensate the slowdown in the commoditised glass jar business, where the competition has been fiercest.

In North America, we have achieved record market share in infant formula of 16%. There has, however, been a negative impact on our reported pricing, resulting from the significant increase in the proportion of our sales that are now being made to the government WIC scheme for lower income mothers. This trend is a direct impact of the economic downturn that has pushed more families down into the qualifying income level for the WIC programme.

Continuing with North America, Gerber has been reinforcing its share position at around the 80% levels.

In AOA and other emerging markets, Infant nutrition achieved near double digit organic growth, despite the impact of the milk-related industry issues in China. As you know, Nestlé was not part of the adulteration scandal, but our growth has suffered because of our status as a "Made in China" producer. Our non-Chinese competitors have trumpeted their import status in their consumer communication. Nestlé's strength has always been, and will continue to be, the fundamentally local nature of its business.

In summary, then, on Nutrition, a number of negatives came together in the first quarter of 2009. We expect to see an improvement in the growth by year end.

Slide 12 – Other F&B

Finally is Other Food and Beverages. This grouping of businesses achieved 3.1% RIG and 6.8% organic growth.

As you know, we have transformed our FoodService business from a regionally run business reporting into the zones into a globally managed business called Nestlé Professional. In order to bring our reporting in line with our management structure we have, from the first of January 2009, extracted Nestlé Professional from the Zones and included it in this segment, along with the other smaller globally managed businesses, Nespresso, CPW and BPW.

Nestlé Professional is having a tough debut year, faced by a contraction in the out-of-home market, but is running about flat for organic growth due to a good performance in the emerging markets. Nespresso is continuing to grow above 20%, and CPW is also performing well. BPW was faced by extremely tough comparatives, and had a slow start to the year.

Slide 13 – Secondary Reporting

On this next slide are the product groups. As usual, I won't spend much time on this, as it is rather repetitive of the Zone review.

The powdered and liquid beverage performance reflects continued strong growth from the various component product segments, and double digit growth in both the Americas and Zone AOA.

Dairy including ice cream is impacted by tough comparatives from Q1 2008, particularly for dairy, with over 4% RIG, as well as double digit organic growth, as well as the late start to the 2009 European ice cream season.

Prepared dishes and cooking aids had a tough start to the year in Western Europe, particularly frozen and culinary chilled. There was a better performance in the key North American market, and good growth too from Maggi in emerging markets.

The Confectionery performance is pretty good in view of the negative impact from the late Easter in Brazil and the impact on pricing, and comes on the back of a strong performance in 2008. Growth is particularly strong in the emerging markets of Zone AOA, as well as in the UK.

PetCare has had a great start to the year, growing well in all three Zones, supporting the view that this is one of the more defensive food categories. That growth reflects the impact of 2008 pricing, the on-going success of 2008 launches and the continued strength of our core dry premium and super-premium brands. It also reflects the fact that our wide range means that we can cater to customers at all price points.

Strong performing core brands include Dog Chow, Beneful, Pro Plan and Cat Chow. The performance of these brands has been enhanced by innovative additions, such as Healthful Life by Cat Chow and Beneful Playful Life, as well as the national rollout of Beneful Prepared Meals in the US. In addition, the initial launch of Chef Michael wet dog food in the US is going well with the dry recipes scheduled for launch later this year.

North America, our largest business, as well as Latin America and Asia, Oceania and Africa all achieved double digit organic growth, as did the large majority of our key brands.

In Western Europe, there has been strong growth in the single serve segment, as well as from brands such as Gourmet, Felix, Bakers and Purina One.

Interestingly, we are also seeing strong growth in Russia, in contrast to some food categories, and in emerging Asia as well.

The Pharmaceutical products division concludes the slide with 5.4 % organic growth. Alcon report later today, so nothing to add here.

Slide 14 – Conclusion

Before the Q&A, a quick summary.

The trading environment in 2009 has not come as a surprise. Our businesses around the world have been focused since last year on meeting and beating the challenges that they face. You heard Paul Bulcke on the full year roadshow talk the general theme of acceleration. That is what we have been doing around the world – working to accelerate our innovation, prioritising the bigger opportunities, pushing for increased affordability across our range, rolling out PPPs, pushing harder for efficiencies, and so on.

It is the combination of these initiatives and the Q1 performance, that enables us to confirm unchanged our guidance for 2009, to deliver organic growth at least approaching 5%, as well as an improvement in margins constant currency.

Question and Answer session

**Questions on: RIG evolution by category
Expected impact of FX on full year margin**

Marco Gulpers, ING:

Two questions; the first is on acceleration. During the first quarter which is probably the toughest for Nestlé for the full year, five out of seven categories in food posted negative real internal growth. And which of those do you expect to see turnaround more quickly and which of those do you expect to take slightly more time? I'm talking about this acceleration theme.

The second question is much more on guidance for the full year and looking at the consensus margins for fiscal year '09. Consensus currently is still expecting on a reported level a 10 basis points improvement. However, looking at the currency impact of about 5%, should we be expecting an underlying improvement of about 30 basis points as, on our calculations, this might actually have a negative impact of about 20 basis points again on your margins, i.e. how comfortable is Nestlé still with the current consensus of reported plus 10 basis points? Thanks.

Roddy Child-Villiers:

First of all on the theme of acceleration, the point we were trying to make on the road show is that acceleration doesn't literally mean growing organic growth faster. What it means is driving harder and faster at all the many different initiatives that we have in the organisation. And they can be - initiatives around costs, around working capital, around accelerating innovation, around driving the PPP Programme and so on and so forth. It's not literally just meaning growing the business faster, it's about doing all the things that are driving our success and doing them harder and faster and with more aggression.

So don't take acceleration as a literal translation of growing organic growth faster, it's about doing all the things we're doing in the business harder and faster.

However, to answer your question, if I take it the other way around, the category where we see the least likelihood of any significant improvement would be Water. And I'm not going to start factoring hopes and expectations of a fantastic summer or anything like that. We just simply see that the water market is tough and we don't expect to see much improvement there.

Then I've explained about the Ice Cream business and where we are there. Unfortunately just because the ice cream season starts later it doesn't mean it ends later, it still ends at the same time - so it's just a shorter season this year.

Nutrition, we do expect to see an improvement over the course of the year, no question about that. Confectionery, I mentioned the Brazilian impact, so the 400 million I quoted is the Q1 sales, it's not the full year sales it's the Q1 sales. So you know there is a big impact there.

PetCare is doing very well, so probably actually will go a bit the other way. We don't think PetCare is going to deliver double digit growth for the year as a whole. So I think those are the categories that you touched on.

And then on the second question on guidance, I think that the consensus is it's a difficult piece to grasp at the moment because, if you look at the range on the EBIT margin, the consensus goes from the EBIT margin going down to it going up and there is about a 70 basis point spread. But if you look at the organic growth consensus I think it's about a 350 basis point spread.

So you know I'm not sure that there really is a consensus in that sense. We've given our guidance and our guidance is that we will at least approach 5% organic growth and our guidance is that we will improve our margins in constant currencies. And I'm going to leave the guidance at that, which I think is a good level of guidance in this environment.

The width of the highs and lows in the consensus prove just how difficult this environment is and how difficult it is forecast this environment. I think our guidance is quite clear.

Marco Gulpers, ING:

Maybe another way of asking this questions then. If currency impacts for the full year would indeed be similar to the first quarter, would we then still expect a negative impact on margins related to the currencies?

Roddy Child-Villiers:

I have not seen what the Q1 currency impact is on our Q1 margins so I can't answer the question.

Questions on: Pricing in emerging markets
Impact on pricing if adjusting for trade promotions
Impact of pricing on volume growth in emerging markets

Pablo Zuanic, JP Morgan:

Just a comment first, that I agree that 3.6% organic sales growth in F&B is probably a very good number in the current environment. So congratulations on that. I'm not going to harp on the fact that five out of seven divisions have reported negative volumes, I understand the issues in the first quarter.

But it would help me in terms of clarity and visibility to understand better the quality of the quarter if you answer the following questions. Number one, when you say that emerging market sales growth

was up 7%. But at the same time you explained that FX helped increased prices in Asia and Latin America and Eastern Europe. How much of that 7% in emerging markets came from pricing?

And the second question would be, you are benefiting from pricing across the board, but your trade promotions go on the SG&A line. So if I was going to adjust that pricing that you reported, but I adjusted it for changes in year on year on trade promotions, what would be the year on year change on pricing net of the trade promotion change?

Roddy Child-Villiers:

On the first question, last year we talked about around 15% organic growth from emerging markets, this year it's around 7%. We didn't give a split last year between RIG and pricing precisely - though we said it was probably about one third to two thirds. And I would say that this year the pricing aspect is probably even perhaps a little bit more than that, but we haven't got the split.

On the trade promotions, this is a complicated question to answer unless we were to run two sets of accounts, one the way we do it today and one in the way it is done in the US GAP and we don't do that. So you know again I can't answer the question because we're not running US GAP accounts.

Pablo Zuanic, JP Morgan:

That's fine. If I can just follow up then with another question, in terms of the pricing progression by the product categories as we look ahead in '09, from what you've explained in the case Nutrition apparently we should expect negative pricing. In the case of Chocolate apparently there has been quite a bit of promotion going on. Can we just have some general guidelines in terms of where pricing may accelerate or decelerate more than in other divisions at the product level? Thank you.

Roddy Child-Villiers:

Well we've clearly been taking pricing in Chocolate, cocoa prices have touched highs during the year and we've clearly been taking pricing. We've been taking pricing in a number of different markets around the world, driven by currency depreciations - whether that's in Eastern Europe, whether that's in the UK, whether that's in Asian countries. So that will be across all the categories in those - countries.

I think those are the main drivers of pricing. I think one can underestimate the amount of pricing that we are doing in places like Latin America or Eastern Europe in view of the currency depreciations. There is some quite significant pricing that we have been taking.

Pablo Zuanic, JP Morgan:

Okay, but doesn't raise a concern about the volume progression in emerging markets as the year progresses again, because of this type of pricing? Or should we be comfortable that emerging market volumes will hold relative to first quarter trends?

Roddy Child-Villiers:

You know we are focussed on driving profitable growth. And clearly there may be a trade off between pricing and volume. But equally we don't want to be driving volume that's not profitable. So we're focussing on profitable growth and our individuals are in the markets running these categories and taking the pricing decisions that they feel they need to take to deliver profitable growth.

And in Zone Americas it is absolutely clear that our focus is on protecting our market shares and also delivering margin improvement.

**Questions on: Emerging markets growth ex Eastern Europe
FY guidance for impact of divestments
Buyback pace throughout the year**

Jon Cox, Kepler:

I have a couple of questions for you. Just on that emerging market figure of 7% growth I wonder if you can give it to us excluding Eastern Europe, because I think Eastern Europe is where obviously the wheels have fallen off the bus, as it were, in emerging markets? That's the first question.

The second question, just on the M&A impacts or negative impacts of disposals in Q1 was probably higher than most of us expected. I wonder if you have any thoughts for the year as a whole, should we just be plugging in a minus 0.7% for the year as a whole or can you give us just a bit of a colour on what you've divested there?

And then a third question, the buyback has obviously slowed down quite a lot since you reported the full year results and obviously we know why that is. But obviously if you extrapolate the daily volume at the moment you're not going to be able to do the four billion you've promised. I'm wondering will we start to see a pick up in the buyback post the dividend payout on Monday? Or have you maybe slowed down the buyback for some other reason as well? Thank you.

Roddy Child-Villiers:

I haven't got emerging market ex Eastern Europe, but Eastern Europe was not far off 7% so the number probably wouldn't change very much. The main divestitures have been the Buitoni business in Europe, some bits and pieces out of Gerber that were non-core, that were non-food parts of Gerber that we bought and the chilled dairy business in Oceania.

On the buyback, we will deliver the pace of buyback that we promised at the start of the year. But you must remember that the buyback stops during the closed period and then starts again. But we will deliver the share buyback pace that we promised.

Jon Cox, Kepler:

Okay, just on the buyback, you're obviously - you've dropped down to about I think 125,000 shares a day and prior to the full year results you were at 600,000 and you said that basically you would probably halve that amount just given the fact that you're only going to spend four billion odd this year rather than eight billion. So should I assume then that the buyback should actually - the run rate should be 300,000 shares a day? I'm just wondering why it has come down so low. And I assume it is to do with the timing of the dividend payment.

Roddy Child-Villiers:

Yes, that's right it is all about managing our cash flow - so you know the fact that we're paying out the dividend will be a part of that. But as I say you know the intent remains the same. So the pace of the buyback will obviously have to pick up.

**Questions on: Nespresso growth
Confectionery growth**

John Parker, Deutsche Bank:

A couple of questions. Could you talk a little bit about Nespresso, I think you said it was growing at about 20%. I think it has been growing closer to 30, you could hardly describe 20% as disappointing but is that sort of a structural slowdown in the growth, or are there any sort of special factors in Q1 and anything further you could say about that?

A second question would be as you highlight Confectionery continued to do well, have you got any sense or whether you're gaining market share, or whether it's the markets in sort of key markets like the USA and I guess obviously the UK?

Roddy Child-Villiers:

Nespresso was nudging 40% last year, it's now in the mid twenties so I suppose that one could call that a slowdown. One could also say it's continuing to grow very dynamically on the back of tough comps. It depends whether you are a glass half-full or glass half empty sort of person. But I don't think one can draw any particular conclusions just from the first quarter. But we're very pleased with Nespresso's performance; I think it does prove that a premium business with a unique offer will grow in good times and bad.

And you know we've always said that though Nespresso is super premium from a cost perspective to the consumer your cup of Nescafé at home is just a matter of cents, we're not talking dollars, so it's a nice affordable luxury and we're very pleased with the performance.

On Confectionery certainly there have been share gains in the UK. And we've had a good Easter in the UK. North America, we have not seen share gains, but we're still going through this process there of thinning down the portfolio, focussing on the key brands. So certainly overall we've not seen share gains. I don't know about those particular key brands themselves.

A good performance in Australia in Confectionery. I mentioned that KitKat was going well in Japan. So I don't have all the data points on the shares, but the feeling from the product group - from the product category was that it's a good strong performance, probably out performing the industry.

<p>Questions on: Impact of late Easter on Chocolate in Brazil Impact of late Easter on European Ice cream Input cost guidance</p>
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Julian Hardwick, RBS:

Can I just come back to the seasonal impacts, I'm afraid I didn't quite catch what you said about the Brazilian impact and I wondered if you could just repeat that. And also could you give us any sort of quantification of the Ice Cream impact on -- from the shift of Easter and are they the only seasonal effects that you're referring to in terms of Q1?

Roddy Child-Villiers:

Brazil is actually our largest chocolate business by sales, it is significantly our largest chocolate business by sheer volume, but also by sales in Swiss francs. And Q1 sales were around 400 million and what is unusual about Brazil is that - our sales forces are literally selling the chocolate up until the day before Good Friday, selling into all the small stores around the country. So the days of difference when Easter comes makes a big difference in that market.

And as I said the swing between Q1 '08 and Q1 '09 in terms of organic growth was 1500 basis points on 400 million of sales, so it's a material swing. And clearly we expect to get the benefit of that in the current quarter.

Ice Cream - it's a smaller issue because it's a smaller business, it's probably about half that size, in Q1 which is obviously a light quarter for Ice Cream in Europe. Basically what happens with Ice Cream is that the street vendors and other vendors don't stock until after Easter Monday. So again with Easter Monday being in Q1 last year and two weeks into Q2 this year we missed those first two weeks of sales. And the negative organic growth in Ice Cream in Europe is double digit, but I think it's around the teens.

Julian Hardwick, RBS:

Could you just give us an update on your view on input costs this year, any significant changes relative to what you were seeing back in February?

Roddy Child-Villiers:

No, I think our view is the same. We talked about - maybe about 2% input cost inflation and our view is the same. I know that the market was a bit sceptical of our view back then, but I suspect probably some of these currency depreciations that we've seen and the impact that that has on input costs in those markets - that has probably helped to make the market less sceptical of our numbers than it was before.

<p>Questions on: Organic growth guidance for 2009 by product categories Pricing guidance for 2009 Split between North and South America RIG</p>
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Patrik Schwendimann, ZKB:

I have two questions, firstly regarding again the guidance in organic growth approaching 5% for 2009. You've touched on categories, could you also touch the regions, where do you see the most acceleration in growth - in the main regions? And secondly, again, regarding the price effect which was 3.5%, the consensus for the full year is around 2%. You were also mentioning price inflation of roughly 2%, so you would say that that's a fair assumption for the full year that we should assume 2% price effect? Thank you.

Roddy Child-Villiers:

On the price effect there's a difference between our pricing and the raw material and an input cost pressure inflation. There are clearly other inflationary aspects to our business, wages would be an obvious example. But there are many other cost pressures on our business beyond just the raw materials that we buy.

We haven't tried to split the at least approaching 5% between RIG and pricing for our guidance and I'm not going to do that now.

In terms of looking at the growth trends by the primary reporting I have already said we don't expect much change from Waters, we hope Nutrition will improve, we're not expecting much difference in Europe, we think there may be an improvement in AOA and in the Americas not much change. Clearly there will be an acceleration in Brazil. But you know we've had a very, very strong start in PetCare that might be a bit weaker in the Americas as the year goes on, so probably not much change in Americas.

Patrik Schwendimann, ZKB:

In Americas you were mentioning overall the RIG was 0.2%, you were saying that the mostly came from North America, so this means that Latin America had a negative RIG in Q1 is that correct?

Roddy Child-Villiers:

No the RIG was 2.0 not 0.2 - the RIG was 2.0 in the Americas.

Patrik Schwendimann, ZKB:

0.2%.

Roddy Child-Villiers:

Well I was talking about Zone America and in Zone America the RIG is 2% in the first quarter. Okay?

Patrik Schwendimann, ZKB:

But here Latin America was negative then?

Roddy Child-Villiers:

No it wasn't no. No, no, I mean what I said was the North America contributed more of the RIG - did not contribute over 100% of the RIG, it contributed more of the RIG. Latin America was also positive for RIG.

Patrik Schwendimann, ZKB:

But including Nutrition, Waters, etc, it was obviously negative because overall it was only 0.2%. So it must have been negative in Latin America then?

Roddy Child-Villiers:

Well Patrik there are two different things, one is we give you the total food and beverage RIG and organic growth split between the three regions of the world which enables you to compare like for like with our competitors. And then we give you the reporting - how we run the business which is the Zone Americas performance. Okay, I do not have the total food and beverage numbers split down between Latin America and North America; I have the zone number split down between Latin America and North America. And my comment in the speech was that in Zone Americas, North America contributed most of the RIG. And in Zone America Latin America was also positive.

Patrik Schwendimann, ZKB:

Okay and regarding the pricing, I mean this 3.5%, obviously there were some effects coming from 2008, that's why I was mentioning that obviously we should expect some slower pricing then for the full year, does this assumption sound feasible?

Roddy Child-Villiers:

Yeah, it sounds feasible; I just wasn't going to comment on your 2%.

Questions on: Impact of pricing deceleration in AOA Organic growth of PPPs in Q1

Sara Welford, Bank of America Merrill Lynch:

I have two questions, first of all in Zone AOA you talk about emerging markets receiving positive organic growth despite lower reported pricing. Can you shed some more colour on this? Was it a case of passing through lower raw material costs?

And secondly, in terms of PPPs you gave the organic growth of PPPs at the full year level, do you still see a similar level of outperformance in the PPPs in Q1? Thanks.

Roddy Child-Villiers:

The growth of the PPPs is lower than it was at the full year. But to use your language, yes there is a similar level of outperformance. So it's still growing - PPPs are still growing significantly faster than the emerging markets are. But their growth is lower than it was at the full year.

And on the pricing point, we had about 8.5% pricing in AOA at the end of last year, it's now 5%. So the pricing is still positive but it's quite significantly lower than it was - in the region. That was really my point.

Clearly that's driven by two things. The main driver will be the Dairy business; the Dairy business is our biggest business in the emerging AOA markets, where we had very dramatic pricing last year. We still have positive pricing this year but it's at a much, much lower level. So that's really the main driver of why the pricing has come off but it is still positive.

Questions on: FX impact regional breakout 08 numbers re-statement due to Nestlé Professional

Charlie Mills, Credit Suisse:

The number that we all seemed to have rather slipped up on is the FX impact - certainly looking by the consensus that you sent out. I wonder if to help us identify where we've all gone wrong if you could give us broad idea of what FX is for each of your primary reporting regions?

Also, more by way of request is there any way we can see 2008 restated onto the new divisional breakdown, that is with Food Service split out into other food and beverages?

Roddy Child-Villiers:

I mean as you know our friend Herman doesn't like to give these foreign exchange numbers by zone. But as always it's a bit of a puzzle as to why everyone gets this number so wrong. But basically you know the US has appreciated against the Swiss franc but everything else has gone down against the Swiss franc.

I will, as I do every year, go back to Herman and once again see whether I can persuade him to give us the regional FX breakdown.

Your second question was on? ...

Charlie Mills, Credit Suisse:

The restatement for 2008 with Food Service taken out. Can we see what 2008 - obviously we all cast our forecasts off the 2008 numbers, it would be helpful to have the new divisional split for 2008.

Roddy Child-Villiers:

You mean the sales and the profit and everything else?

Charlie Mills, Credit Suisse:

Yes.

Roddy Child-Villiers:

Yes, we'll give you that.

Questions on: RIG of PPP and Premium Regional performance of PPP and Premium

Pierre Tegner, Oddo:

I have two questions concerning PPP and Premium. Could you give - you have given some colour concerning PPP but would it be possible to have some flavour concerning the RIG of the PPP

business and Premium business. How these two main categories significantly over perform in the total food business and at which level?

And secondly, concerning PPP and Premium in which regions are you seeing the main over performance for the premium business? It is in Europe, in Western Europe or North America or are you still over performing in emerging markets on the Premium side?

Roddy Child-Villiers:

We'll start with Premium. As you know we don't have a Premium business as such, we have Premium businesses in the different product categories. The biggest of those is obviously Nespresso and I've already told you that Nespresso is growing very nicely. The bulk of the Nespresso business is in Europe, so you know it is clearly continuing to perform very well in Europe despite the consumer environment in Europe.

Mövenpick again the bulk of that business is in Europe; it is really a bit early in the season to say how well Mövenpick is doing. But those are really the two significant Premium businesses. I suppose on the Water side the premium businesses Perrier, San Pellegrino are somewhat weak. In PetCare it's actually the Premium segment that has been driving the growth in PetCare. But that is Premium rather than Super premium.

In Nescafé I understand that there has been good growth in the more affordable areas of Nescafé. So it's a slightly mixed picture.

On PPP, the growth with our PPP business continues to be double digit and it is predominately in zones Asia, Oceania and Africa and of course in Latin America.

Pierre Tegner, Oddo:

Okay, but the double digit growth in PPP, is it including pricing effects?

Roddy Child-Villiers:

Oh yes and it's organic growth.

Pierre Tegner, Oddo:

And in terms of RIG are you quite close to the low single digit or mid single digit?

Roddy Child-Villiers:

I actually haven't got the number, but you know you have to assume that there is going to be quite significant RIG because the pricing numbers come off quite dramatically.

Questions on: Pricing in PetCare and Confectionery Ice cream in Europe and US
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Alain Oberhuber, MainFirst:

I have just two add-on questions on pricing, just to understand you've increased prices mainly in Confectionery because of cocoa prices and also in packaging - in PetFood, could we see a similar price increase in Q2 for these two categories, or will that ease you've started to do it already in Q4 last year?

And the second question is about Ice Cream in Europe and in the US. Did you lose market share in these two markets, versus other players and private label?

Roddy Child-Villiers:

On the pricing side, as you know these decisions are taken locally in the markets by our people running the categories. But a lot of the PetCare pricing was actually in H2 of last year rather than this year. So that pricing is predominantly behind us and that was in response to the increased cost of the cereals last year.

In Confectionery my understanding is that we have taken quite significant pricing, but that is not necessarily finished, there may be more pricing to come still in some markets.

In Ice Cream I don't know about the market shares in Europe because it's so early in the season in Europe. In North America I do know that we've taken share relative to our branded competition but the branded players have lost some share to private label.

End of Question and Answer session

Roddy Child-Villiers:

Thank you very much for your questions. And I repeat that we believe that this first quarter performance is a secure foundation from which to build towards our maintained full year guidance of organic growth, at least approaching 5% as well as an improvement in the EBIT margin in constant currencies. And I thank you all very much for your interest in Nestlé and wish you a good day. Thanks very much, goodbye.

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