Products and brands

The strength of Nestlé's brands has given the company an unparalleled position on a global basis across a wide range of product categories. Six worldwide corporate brands, *Nestlé, Nescafé, Nestea, Maggi, Buitoni* and *Friskies* contribute about 70% of the group's total sales, with the Nestlé brand itself contributing 40%. These brands are the first choice of consumers around the world, whether as stand alone brands or in combination with product brands such as *KitKat* and *LC1*.

Nestlé also owns regional and national brands with which consumers have a close and often longstanding familiarity. These brands enable consumers to express their individuality and to respect their traditions whilst still enjoying the quality of a Nestlé product and, as such, are key elements of the Nestlé portfolio.

Nestlé's brands and products are the focus of continual innovation and renovation so that they will be relevant and appealing to today's and tomorrow's consumers. As important as ensuring that our brands meet and beat our consumers' expectations is ensuring that they are available whenever, wherever and however our consumers want them.

The terms in italics are registered trademarks of the Nestlé Group.

Beverages

With well over 3000 cups drunk every second, sales of *Nescafé* have been growing ever since 1938 when Nestlé launched the first commercially successful soluble coffee. *Nescafé,* which today includes ready-to-drink varieties, is by far the world's most popular brand of coffee. The Group markets traditional roasted coffees in several European countries, as well as espresso coffee in capsules through *Nespresso.* Nestlé is also the worldwide leader in chocolate/malt beverages, with brands such as *Nesquik, Milo* and *Nescau.* Nestlé is present in fruit juices, where its most important brand is *Libby's* in the United States, and in tea-based drinks, particularly soluble and ready-to-drink *Nestea.* Nestlé is the world leader in mineral and spring water through brands such as *Vittel, Contrex, Perrier, S.Pellegrino, Levissima, Vera, Panna, Fürst Bismarck* and *Naleczowianka* in Europe and *Arrowhead, Poland Spring, Zephyrhills, Deer Park* and *Ozarka* in the United States. The roll out of the *Nestlé Pure Life* brand, successfully launched in Pakistan in 1998 and in Brazil in 1999, has continued in Asia and Latin America in 2000 and will spread rapidly into other emerging markets. A spring water under the *Nestlé Aquarel* brand was launched in five European countries in 2000.

	2000	1999	1998
Sales	**23 044**	20 859	19 879
Trading profit	**4 318**	3 764	3 253
Capital expenditure	**936**	618	593

In millions of CHF

The finest quality coffee
Nestlé has ever produced
(Japan).

Complete coffee mix
for a refreshing cold drink
(Korea).

Different types of *Nescafé*
for younger consumers
(the Netherlands).

Sales *Nescafé* sales continued to grow strongly, particularly due to the economic rebound in Eastern Europe and the success of complete coffee mixes in the developing markets of South East Asia. 2000 was also marked by vigorous innovation and renovation of the *Nescafé* portfolio, which delivered new product launches across all continents.

Our proprietary research into coffee extraction and aroma development created a milestone in the history of *Nescafé* through a quantum leap in quality for *Nescafé Gold Blend.* The result is the best soluble coffee ever produced by Nestlé. It has gained massive approval by consumers following its launch in the UK and Japan, two of our biggest markets for coffee.

Meanwhile, Eastern Europe is the focus of a major marketing effort to make *Nescafé* part of the daily way of life in those countries. The superior quality of *Nescafé Classic* in Russia, for example, is now matched by new packaging with high on shelf visual impact.

A key challenge is to develop tomorrow's coffee drinkers by attracting today's young consumers to *Nescafé.* We are continually creating *Nescafé* variations to build a following within this target group. Examples include *Nescafé Nes* in France, *Nescafé for you* in the Netherlands, which is a range of flavoured coffees in convenient single serve sticks, and *Nescafé Ice,* a bottled ready to drink beverage successfully tested in the UK.

We upgraded the packaging and product quality of the *Nescafé* portfolio in Mexico with, for example, the introduction of a new coffee aroma in the premium range. The result has been record volume growth.

Nespresso improved upon last year's strong performance, driven by exciting new colour machine variants, additional customer services from *Nespresso Club* and the addition to its web site of a new online order service that has immediately achieved a high

The *Nespresso* system for a perfect espresso every time.

New dynamic pack designs to attract young consumers.

Launched in 2000, in Europe.

level of consumer acceptance and has become an important business channel. Visibility has been enhanced and sales stimulated by the creation of shop-in-shops, a proven route to market for luxury brands, in major European department stores and by its first boutique store in Paris.

Nestlé's major chocolate/malt beverage brands, especially *Nesquik* and *Milo,* have been given a heightened visual impact. This has led to greater competitiveness and brand loyalty. The combination of worldwide promotional activity and availability in out of home through chilled and shelf stable ready to drink packs ensured increasing numbers of regular consumers and generated increased awareness of the intrinsic quality of our brands.

In the **iced tea** category, sales of *Nestea* continued to make progress though our joint venture with Coca-Cola, with market share growth achieved in the key markets of North America and Europe.

Water Sales saw continued growth in 2000 as Perrier Vittel responded to European consumers' demand for a lower priced spring water with the launch in Spain, Portugal, France, Belgium and Germany of the low mineral content *Nestlé Aquarel.* In the year ahead, we will expand it to other European countries.

Meanwhile, product innovations such as "*Contrex* Beauty Water" and "*Vittel* Fruits", a mineral water enriched with fruit juices and natural flavours, stimulated demand for the existing brands.

Our water business continued to expand rapidly in the United States, particularly in the fast-growing PET segment. Our leading position was reinforced through innovative packaging such as the "32oz wide mouth" bottle, aimed specifically at the younger "on the go" segment. In the Home and Office channel, sales were stimulated by the launch of a new 5 gallon bottle, incorporating a handle, and by improved distribution.

Beauty Water
with enriched

Pure and sa
for

Perrier special edition
for Wimbledon.

The new "wide
mouth" bottle.

The launch of *Nestlé Pure Life* has been the catalyst for the continued development of our position in emerging markets, particularly China, Mexico, Philippines, Thailand and Argentina. This brand will be rolled out rapidly in other emerging markets.

The Group has also developed a Home and Office business in Argentina, Pakistan and China, as well as, at the end of the year, our first European Home and Office business in the UK. We will take this sector into other countries in the years ahead.

Profit Trading profit increased by 15% and margins improved thanks to favourable commodity prices and to a strong sales progression. The profitability of Water continues its progression despite a sharp PET cost increase, due to volume growth, and productivity improvements, as well as some non-recurring items.

Capital expenditure Capital expenditure increased from CHF 618 million to CHF 936 million. We installed the new manufacturing process for *Nescafé Gold Blend* in Japan and invested in new vending machines following the acquisition of the vending part of UCC Ueshima Coffee Co. Ltd. We also continued to invest in our water business, supporting the launch of *Nestlé Pure Life* in Argentina, China, Mexico, the Philippines and Thailand, increasing our PET capacity in the US, as well as building a new factory for *Poland Spring.*

Acquisitions We acquired the vending part of UCC Ueshima Coffee Co. Ltd. in Japan, which has considerably reinforced Nestlé's position in the massive ready to drink coffee sector; *Nescafé* is now available anytime, anywhere in ready to drink form from over 300 000 vending machines in Japan.

We also made a number of acquisitions in water over the year, including *Kekkuti* in Hungary, *Aberfoyle* in Canada and *Valvita* in South Africa. In the Home and Office sector we acquired *Black Mountain* in the United Sates and *Fresh Water* in Argentina.

Milk products, nutrition and ice cream

Nestlé has long been a major player in the dairy business worldwide, originally with well known shelf stable brands such as *Nido, Nespray, La Lechera* and *Carnation,* then building a strong international presence in chilled dairy and ice cream under the *Nestlé* brand. Innovation and renovation play a major role in the development of milk based products as well as of breakfast cereals, managed as a joint venture with General Mills. The area of nutrition, with its benefits to health, well-being and fitness, is having a significant impact on the development of our business. A wide range of added value products such as start-up and follow-up formulas, growing-up milks, cereals, enteral diets, oral supplements and performance foods are actively developed and brought successfully to market under the *Nestlé* brand.

	2000	1999	1998
Sales	**21 974**	19 411	19 175
Trading profit	**2 620**	2 168	1 837
Capital expenditure	**530**	366	576

In millions of CHF

Flavoured skimmed milk with sweetener, enriched with calcium and iron.

Stick pack of calcium-enriched

Natural, creamy yoghurts enriched with calcium.

Sales **Shelf stable dairy** products showed strong growth in 2000 as a result of both our increased pace of innovation and the better economic situation in Asia and Latin America.

We have followed the successful launches of 1999 with roll-outs into our main markets of value-added products such as pre-school milks with the *Prebio*[1] branded active ingredient and adult milks with *Omega 3:6.*

Our innovation has been focused at making traditional products attractive to new consumers. Examples include *Molico* flavoured non-fat milk powders with chocolate and strawberry in Brazil; flavoured sweetened condensed milk stick packs sold in Brazil and Chile; and special packs with small plastic Disney characters in Colombia.

We have also re-entered Bangladesh with *Nido* full cream milk powder and *Blue Cross* milk drinks and we launched a UHT *Nestlé* milk in the Mumbai region of India, the second largest market in the world for cows' milk.

Meanwhile, subsequent to the letter of intent signed with Snow Brand Milk Products Co. Ltd. in Japan, we have reached an agreement to establish a marketing joint venture. *Nestlé* branded yoghurts will be launched around May 2001 under the *Everyday* and *Sveltesse* brands. Snow Brand will be responsible for the primary activities of manufacturing and distribution, Nestlé for marketing, quality assurance and product development.

Whilst the **chilled dairy** category has not grown at the same rate as shelf stable, important markets including France, Portugal, Spain, Mexico and Hong Kong delivered strong performances.

A spiral of lightly whipped yoghurt and fruit purée.

Low fat yoghurt enriched with calcium and vitamin D to help build stronger bones.

Cereals with *BL Bifidus*.

Several initiatives during the year have strengthened the market positions of our brands, especially the relaunch of *LC1* in Germany, Italy and Spain, the launch of *Yoco* (children's nutrition) in Spain, Belgium and Germany, the expansion of the *Pak Fook* soya product brand in Hong Kong and the introduction of character licensed products such as Disney and Pokemon in Australia, Argentina and Hong Kong. We also incorporated Branded Active Ingredients into strong nutrition brands such as *Sveltesse* and *Mio.*

Further major initiatives during 2000 included increasing the availability of chilled dairy products through sales to schools, hospitals, airlines and through vending machines and innovative "on the go" concepts such as stick packs.

Nestlé has entered Pakistan, a high growth potential market for chilled dairy products. It has also acquired the remaining minority shareholding of *Mis Süt,* which is now integrated into Nestlé Turkey, to strengthen Nestlé's position in this key market.

Infant nutrition grew at a high rate mainly because of a strong recovery in Asia. Infant cereals achieved substantial growth with good performances in key markets such as Brazil and India. Sales of baby foods in jars, marketed primarily in Europe, remained stable, whilst Nestlé infant nutrition was successfully introduced to the Spanish food trade.

The geographical expansion of the innovative probiotic BL concept, as well as its extension into new infant product categories, has continued, whilst our first range of baby foods in long shelf life plastic pots won consumer and trade acceptance in Europe.

A new concept of vending
machine in Spain.

Cereal bar adapted
for diabetics.

Nutren Junior
is a nutritionally complete
diet for children.

Clinical nutrition enjoyed accelerated growth in 2000, particularly in North America. In Europe, notably in France, the *Clinutren* range of oral supplements gained good acceptance and increased its market share significantly. Those Asian and Latin American markets which Nestlé entered in 1999 showed good progress, and our geographic expansion continued during 2000.

New products included *Nutren Junior* and *Peptamen Junior,* in powder form, for children over 1 year, and *Nesvital,* which offers simple and efficient solutions for particular dietary requirements such as a high protein drink for slimming and a balanced cereal bar for diabetics.

Performance nutrition has continued to create value-added foods which have a positive impact on consumers' health and well-being, as well as tasting good.

Natural active ingredients which have been identified and scientifically proven to have specific functionality in digestion, bone density, cholesterol level and infant nutrition are being incorporated into an ever wider range of Nestlé products around the world. These include probiotics in infant products, prebiotics and *Omega 3:6* fatty acids in milk products, as well as calcium in yoghurts, cereals and beverages.

The **ice cream** business strengthened its market position during 2000 by further expanding its distribution and introducing creative new products such as *Smarties Pop Up* in Europe, *Milo Cup* in Australia and *Duets* in Spain.

Our blue swimming pool visual identity has proven highly impactful, delivering immediate recognition and strong brand appeal to consumers. We have, therefore, continued its extension into all markets. This is a key element in our drive to increase the visibility and availability of our products.

Another initiative to improve availability was a new type of vending machine in Spain, based on a packaging innovation, which allowed us to reach additional outlets such as shopping malls, amusement parks and theatre complexes. We also extended our presence in the townships of South Africa through the use of specially conceived points of sale.

Milo ScoopShake:
a successful launch
in Australia.

Twice the pleasure:
ice cream and real *Smarties*.

A fun and innovative way
to eat ice cream in Spain.

Poor climatic conditions had an impact on volumes in the critical Summer period in most of Europe, but highlights included the particularly strong performances in Russia, Mexico and South-East Asia, as well as the positive start to our joint venture with Häagen Dazs in the United States.

Cereal Partners Worldwide (CPW), our joint venture with General Mills for **breakfast cereals** outside North America, now operates in nearly 80 countries which, together, account for three quarters of breakfast cereal consumption outside the United States and Canada. 2000 was another successful year for the joint venture which saw good volume growth in Continental Europe, Asia and Latin America supported by increases in market share in most countries. CPW's consolidated market share in the countries where it operates has progressed to an estimated 21%, a strong number two position.

CPW launched *La Lechera* in Mexico and *Moça* in Brazil to capitalise on the strength of Nestlé's sweetened condensed milk brands in those markets. Additionally, CPW expanded *Crunch* cereal into several European markets and *Cini Minis* into Poland, all of which contributed to the positive overall result.

Profit Trading profit rose by 21%. Dairy shelf stable milk products saw a further recovery in margins, particularly in Latin America. Nutrition also improved results, assisted by strong volume growth, while refrigerated dairy products had to face difficult situations in some European markets. Despite unfavourable climatic conditions in Europe, ice cream

Breakfast cereal,
new to Mexico.

Energy bars and gel for athletes
and sports enthusiasts

improved its profitability globally thanks to an increased performance in both North and Latin America.

Capital expenditure Capital expenditure increased from CHF 366 million in 1999 to CHF 530 million. We increased our capacity for ice cream in Mexico and breakfast cereal in Poland and Mexico. We also invested in a chilled dairy factory in Istanbul to support the launch of Petit Yoco in Turkey. We rationalised our milk production facilities in the UK.

In South-East Asia and Oceania we are restructuring around a few focused core factories in Australia, the Philippines, Malaysia, Thailand and Indonesia which will be producing milk powder, infant formula, infant cereals and liquid milks for the different markets of the region.

Acquisitions In April, we acquired PowerBar Inc in the US, the leader in the emerging energy bar category. This company takes Nestlé into sports nutrition and offers a range of premium energy bars, gels and drinks. These products are used and endorsed by world-class athletes and are increasingly popular with sports enthusiasts and consumers with active lifestyles.

Prepared dishes, cooking aids and pet care

A diversified range of soups, stocks, sauces and culinary preparations, primarily under the *Maggi* brand, is adapted to local tastes, recipes and ingredients in each country. *Maggi* instant noodles are sold in the Far East-Pacific area, as well as Europe, Africa and Latin America. Nestlé's frozen prepared dishes are marketed mainly under two brands, *Stouffer's* in the United States and *Maggi* in other regions of the world. Nestlé is present in Italian cuisine with *Buitoni* pastas and sauces, both refrigerated and shelf stable. The *Buitoni* range also includes a wide choice of frozen pizzas and recipe dishes. In Europe, a full range of delicatessen products and cold meats is available under the *Herta* brand. The Group also manufactures cold sauces and condiments under various brands such as *Thomy, Crosse & Blackwell* and *Winiary.* Our increasingly important pet care business, under the *Friskies* brand, is a strong number two in the global market.

	2000	1999	1998
Sales	**20 632**	20 185	18 765
Trading profit	**1 948**	1 850	1 617
Capital expenditure	**390**	464	442

In millions of CHF

Involved cooking
of contemporary food
in Germany.

Chicken is the leading
stock flavour in Russia.

Recipe Mix concept in tablets
for authentic Malaysian dishes.

Sales The substantial increase in sales and profit reflects the good performance of **cooking aids** and **prepared dishes,** the Group's priorities in the culinary sector. This is the result of a strong focus on local food and cooking habits as well as constant innovation and renovation of the traditional, high potential **dehydrated products** categories. **Stocks, sauces** and **soups,** in particular, showed very satisfactory results, partially due to increasing penetration and geographical extension, notably in Central and Eastern Europe, Asia and Africa.

We introduced a range of **liquid stocks** in the Netherlands, where *Maggi* already enjoys a leading position with traditional stock cubes. In France we launched an innovative range of **seasonings for rice** in convenient stick-packs, *Maggi Parfum de Riz.* In West and Central Africa the *Maggi* **stocks** business maintained its stellar performance whilst, in Russia, 2000 marked the start of local production of *Maggi* **stocks.**

In Asia, where "cooking from scratch" remains the tradition, we are continuously improving our position in **dehydrated cooking aids.** In Malaysia we launched a **paste recipe mix** range, targeted at the country's different ethnic groups.

Under the *Fix* brand, *Maggi* Germany launched two new recipe mix concepts for **Wrap's** (Mexican style tortillas) and **Fingerfood.** We introduced this category, where *Maggi* is the leader, 25 years ago. It continues to grow, driven by constant innovation of recipes adapted to new ways of cooking.

In France, we introduced a range of **instant soups** under the *Maggi Sveltesse* brand in new and innovative stick-packs, whilst the Czech and Slovak Republics saw the successful launch of a new *Maggi* **soup range** where the consumer has only to add an egg to achieve home-made quality. Brazil, meanwhile, benefited from the introduction of the *Maggi "Sopas de Casa",* a **high quality soup** range.

Tasty and fast:
oven bake in the US.

Dehydrated soups with
home-made quality.

Great taste and
convenience in Franc

Dehydrated prepared meals continued to perform well, especially cup products, branded *Crosse & Blackwell* in the UK and *Maggi* in other European countries.

Maggi **instant noodles** had another very good year, especially in Asia where *Maggi* has built a strong leadership in Malaysia and India, and has achieved very encouraging increases in sales.

Nestlé sells **frozen pizzas** and **Italian dishes,** as well as **chilled pasta** and **sauce** under the *Buitoni* brand and, after the divestment of the *Findus* brand (except in Switzerland and Italy) and part of our commodity frozen food business in Europe, we have been able to focus our frozen food business on our core categories of recipe dishes, pizza and snacks. Sales of these products performed extremely well, both in the USA and Europe, as a result of new product launches, as well as renovation of existing products.

The launch of *Stouffer's Skillet Sensations* in the US was repeated in Canada and followed in the US by the successful launch of *Stouffer's Oven Sensations,* delivering high quality convenient food for oven preparation. As a result of these initiatives, *Stouffer's* has considerably strengthened its position in the US market. We also introduced to that market a line of **frozen Mexican specialities** under the brand *Ortega.*

The real Pizzeria

Italian tradition at its best.

Innovative technology in
the US: just break and bake.

A number of initiatives have been taken in Europe within the **frozen pizza** category resulting in an improved position in all markets. An example is *Fraîch'Up* in France which is a self-rising crust pizza. This technology gives a real "pizzeria style" quality.

The *La Cocinera* business in Spain, acquired in 1999, had an excellent year, strengthening our leadership position in **recipe dishes** in that country.

Sales of branded frozen foods are also increasing in channels outside the traditional supermarkets. Examples include frozen entrées (for microwave reheating) in **vending machines** in non-staffed cafeterias, and frozen **multi-portion dishes** for deli counters.

Chilled products also had a very satisfactory performance. The *Nestlé Toll House* **chilled cookie dough** business in the US considerably strengthened its market position, mainly through successful new product launches.

Acquisitions and divestitures We acquired an important stocks business, together with the brand *Consomate,* to reinforce our position in the important Mexican market.

We sold the *Findus* brand, with the exception of Switzerland and Italy, and some of the related frozen food assets, which represented around CHF 900 million in annualised sales.

Premium nutrition dog food in Europe.

The premium nutrition choice for cats.

The healthy choice for puppies in Latin America.

Pet care Pet owners are increasingly aware of the impact of nutrition on the health and well-being of their pets. Nestlé's strategy of applying human nutrition know-how to pet food creates strong competitiveness in this environment. The rapid expansion of dog foods with chicory, a natural source of inulin for improved digestive health, across markets and product formats was the most significant example of this strategy at work, and was complemented by new ranges with proven benefits to dental health and skin and coat condition.

Sales in Europe improved in 2000. The *Digestion+* dry dog food range with chicory was extended to wet and treats products. The expansion of *Vital Balance* premium cat and dog food in the grocery channel and *LifePlan* premium cat food in the specialist channel, both with proven benefits to pets' well-being, also contributed to this growth.

Sales in the US were impacted by significant competitive activity. Despite this, Friskies USA and Canada increased market share of core brands *Fancy Feast, Mighty Dog* and *Alpo*. The *Alpo* dog treats and biscuits range was successfully relaunched with natural fibre and chicory. We have also developed strategic alliances with internet retailers to build our position in this growing channel.

Sales increased sharply due to strong internal growth and acquisitions in Latin America where *Alpo Nutrition Plus* with chicory was successfully launched in grocery and alternative channels.

In Asia and Oceania *Friskies* extended *Alpo* with chicory to Japan, Korea and Thailand whilst *EPOL* dry dog food was relaunched in South Africa.

Healthy and tasty
snacks for dogs.

A nutritious alternative
to milk for cats.

In Japan *Mon Petit Gold* wet cat food was relaunched and introduced to convenience stores in response to consumer demand.

Acquisitions In Argentina we acquired Cargill's petfood business including the leading brands *Dogui* and *Gati.*

In January 2001 we made an agreed offer, subject to approvals, for Ralston Purina, the premier pet care company in North America. Their business is highly complementary to our existing business, both in the Americas and internationally, and will make Nestlé a world leader in the fast growing pet care industry.

Profit The improving trend in profitability of **Prepared dishes, cooking aids and pet care** continued with a 5% increase in trading profit, lowered by the divestiture of Findus business in Europe. The profitability of pet care decreased slightly, due to an intensification of competition in North America and substantial marketing investments to develop our positions in Latin America.

Capital expenditure Capital expenditure decreased from CHF 464 million in 1999 to CHF 390 million. We increased the capacity of some frozen food facilities in the US in response to the success of the *Stouffer's* brand. We also invested in our pet care business in Europe and Brazil, as well as generally in line rationalisation and productivity related improvements.

Chocolate, confectionery and biscuits

The global trend towards eating "on the go" provides opportunities for Nestlé to grow by offering new and improved confectionery concepts that respond to consumers' desire for a wider range of taste experiences, available whenever and wherever they want them. The range includes international brands such as *Nestlé, KitKat, Smarties, Lion, Crunch, After Eight* and *Polo* as well as popular local brands such as *Cailler, Butterfinger, Rossiya, Orion, Caja Roja, Sao Luiz* and *Star.*

	2000	1999	1998
Sales	**10 974**	10195	10485
Trading profit	**1 166**	882	976
Capital expenditure	**250**	280	388

In millions of CHF

Wafer fingers in three flavours (milk, coconut, hazelnut) in Poland.

Small individual wafer fingers with the taste and appearance of standard *KitKat.*

Elegant biscuits in dark

Sales Sales showed an upturn from previous years when the economic crisis in key markets affected our performance. Sales in Russia, the US, Asia and Latin America markedly improved although the situation in Brazil remained difficult. The strong programme of innovation and renovation, which enabled our brands to gain market share and volume, strengthened our major brands and saw successful launches and extensions in many markets. The development of our No. 1 product brand *KitKat* continued: *KitKat Petit* was introduced in Japan whilst the extraordinary success of *KitKat Chunky* in the UK led to this product being rolled out across Europe and other markets including Australia, South Africa and Canada. New variants such as *KitKat Breaktime* were successfully introduced in the UK, which saw the launch, as well, of an indulgent, large sized variant of *Polo* and, for children, a *MilkyBar Choo.* Meanwhile we responded to consumer demand for more indulgent biscuits with a *Rolo* and *Yorkie* biscuit in the UK and an *After Eight* biscuit in Germany. In France, our leading position in premium chocolate was enhanced with the introduction of *Nestlé* chocolate sticks.

A jelly rope covered with multi-flavoured *Nerds* candy in the USA.

A healthy vitamin enriched biscuit in Brazil.

The newly launched *Cailler* Nougatine in Switzerland.

We delivered another good performance in Eastern Europe, helped by our focus on improving distribution and merchandising. We further consolidated our leadership position in chocolate in Russia where the local *Savinov* sugar brand retained its No. 1 position. We captured a significant percentage of the Czech Republic market with the launch of *Orion Delissa,* a chocolate covered wafer, and launched *Princessa Moments* wafer fingers in Poland.

The performance in Asia improved markedly, helped by that region's economic recovery and the newly established co-ordinated industrial and commercial structures in ASEAN. We launched several successful new products, such as *Frutips* variants and a *Nestlé* Wafer Countline in Malaysia.

We recorded strong growth in India, Korea, the Middle East and Israel, while the *KitKat Chunky* launch in Oceania and South Africa gained significant market share.

Our brands maintained their market share in North America with the launch of *KitKat Chunky* in Canada towards the year end, as well as production streamlining and greater support for the *Wonka* children's range in the USA.

In Latin America, we held our position in a difficult Brazilian market and introduced several new added value biscuit products, notably a healthy range under the *Vitalife* brand. We performed well in the Bolivarian region (Colombia, Ecuador, Venezuela), recovering from a difficult 1999 due to improvements in sales and distribution, together with our focus on brand innovation. Our manufacturing re-organisation in Mexico paid dividends with all brands showing growth.

Indulgent, large sweet with
natural strawberry flavour and
real cream in the UK.

High value for money
white chocolate wafe
in China.

Sticks of dark chocolate
with pieces of hazelnut
in France.

A premium quality *Nestlé*

Profit After two difficult years, trading profit rebounded in 2000 to increase by 32%. Chocolate margins improved significantly in all three geographical zones, with a good recovery in Russia. Sugar confectionery margins were down in the USA and Western Europe, while Biscuit performance improved, particularly in Israel.

Capital expenditure Capital expenditure declined slightly from CHF 280 million in 1999 to CHF 250 million. The investment went generally into improving our capabilities in chocolate production.

Acquisitions and divestitures We made two important acquisitions: Svitoch, the leading Ukrainian confectionery company and Joe, the leading Romanian wafer company. Both acquisitions complement Nestlé's Eastern European strategy, where we are developing a strong leadership position. In Japan, the group's participation in Nestlé Mackintosh KK was increased to 100%.

Meanwhile, in line with our strategy, we sold the Intra Cocoa processing facility in Italy.

FoodServices

Nestlé first entered the food services market in the early eighties, targeting institutions and restaurants. Over the next twenty years Nestlé rapidly increased its product offering and built itself into the market leader. Its strategy was reoriented in 1999 to turn the emphasis from being product driven to becoming more customer focused. Nestlé FoodServices today spearheads the Group's drive into the fast growing area of out-of-home consumption, enabling its customers to cater to the impulse market and consumers' desire to eat whenever, wherever and however they want. It combines its expertise in the out-of-home market with Nestlé's high quality brands such as *Nescafé, Nestea, Nesquik, Maggi* and *Buitoni* to enhance the competitive advantage of its customers. It has also developed specific Nestlé FoodServices brands such as *Davigel, Minor's* and *Chef* to meet the requirements of such diverse customers as catering companies, fast-food chains, hotels, restaurants and airlines.

Nestlé FoodServices' success in creating products and services that meet the requirements of its customers has enabled it to achieve a higher than Group average level of growth at a higher than average level of profitability. It should remain a growth engine for the Group as out-of-home consumption continues to grow in popularity, driven by changes in demographics, socio-economic factors and consumers' growing demands for indulgence, convenience and new eating experiences.

The sales of Nestlé FoodServices are divided amongst the food product categories on pages 29 to 55.

FoodServices

Nestlé FoodServices is the world leader with sales in excess of CHF 6 billion. It is customer focused which allows both geographical expansion with our customers and expertise in each channel with solutions, such as an airline confectionery box or toppings for McFlurry, adapted to individual operators.

Key objectives for 2000 were to continue to grow whilst improving our professionalism and developing further systems across products, technology and equipment. We also launched our Intranet site to enable managers and sales people to share best practice. Fast and effective communication is key as FoodServices delivers new business in the out-of-home channels.

Beverages We have seen a remarkable growth in sales and in the number of vending machines and beverage systems placed on the market. There has also been increased loyalty to Nestlé's global coffee brand, *Nescafé,* which, with *Milo, Nesquik* and *Nestea*, received greater exposure through the development of unique impulse points of sale, including *Nescafé* trucks, tricycles, kiosks, motor bikes and the *Café Nescafé.* Our major beverage brands extended their presence with key customers through, for example, co-branded beverage dispensers and coffee corners in petrol stations, convenience stores and fast-food restaurants.

Food New products, including liquid sauces and stocks and a new shelf-stable product category incorporating crispy particles, have set a new level of convenience. With customised culinary solutions, developed with and for the customer, such as paste sauces or product and dispensing solutions, we are fulfiling customer requirements and creating innovative food delivery from the counter and the kitchen.

FIS – The Flavour Specialists

FIS (Food Ingredients Specialities) is a worldwide organisation, creating, producing and marketing flavourings for the food manufacturing industry globally. As a result of a clear and on-going emphasis on quality, FIS has become the flavour partner of choice for major food producers across the globe.

A highlight of 2000 was the opening of new offices, flavour creation and application laboratories and a production unit in Jurong, Singapore. This new facility will allow FIS to develop more specifically Asian flavours and to be even closer to its customers in this region. The facility includes a new Customer Service Centre for Asia. Inside, it will house an impressive array of specialist food industry machinery. This pilot plant is designed to simulate typical food applications and processing conditions on an industrial scale for the region. The new construction adds to the two other strategically placed FIS Customer Service Centres located in Paris, France, and New Milford, USA.

FIS combines Nestlé know-how in food application and food understanding with its own fundamental understanding of flavours and flavouring systems to provide flexible, cost-effective and competitive solutions to its business partners around the world. FIS customers are benefiting from its reinforced focus on flavours and from its speed in both product development and delivery.

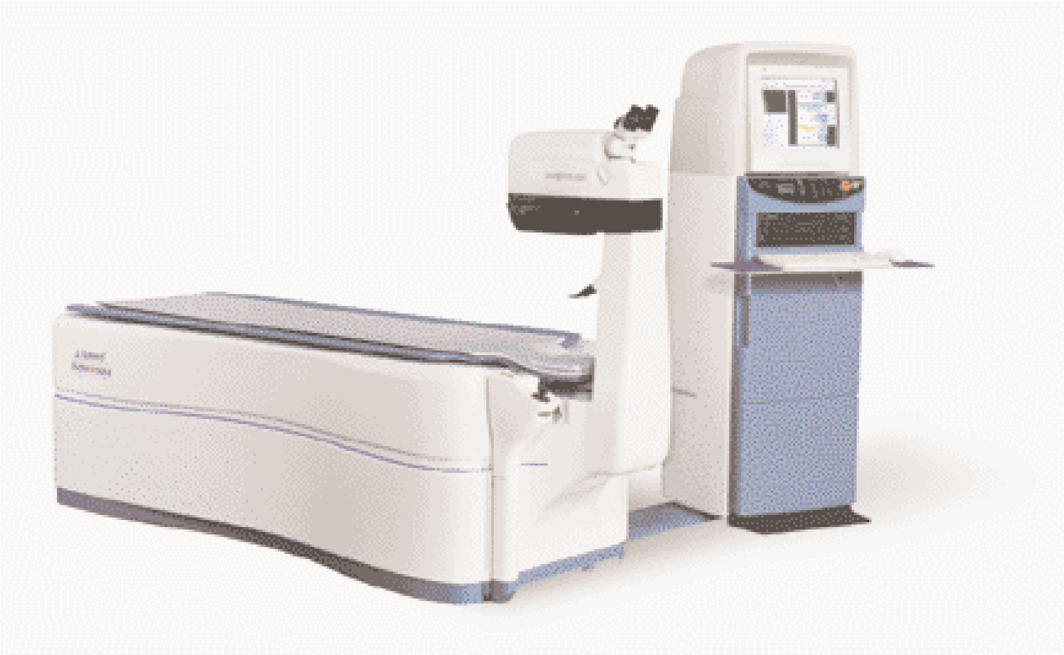
Pharmaceutical products

Alcon Laboratories is the global leader in vision care. Its product lines cover therapeutic, surgical and consumer products, including *Patanol, Betoptic S, TobraDex* and *Ciloxan* in pharmaceuticals, *LADARVision, AcrySof, Legacy, Accurus, BSS, Viscoat,* and *Custom Paks* in the Surgical area, *Opti-Free Express, Opti-One* and *Clerz Plus* in Consumer Products and *Cipro HC Otic* for ear care. *Falcon Pharmaceuticals,* meanwhile, is Alcon's generic label. Alcon also has technological leadership in the rapidly growing retractive surgical market through Summit Autonomous.

In 1989, Nestlé and L'Oréal formed Galderma. This company offers dermatologists a range of products for the treatment of skin complaints, including *Differin,* which has become the retinoid of choice for the topical treatment of acne, *Metrogel/Rozex,* for rosacea, *Loceryl* for nail fungus and *Silkis* for psoriasis.

	2000	1999	1998
Sales	**4 798**	4 010	3 443
Trading profit	**1 212**	1 077	915
Capital expenditure	**113**	91	81

In millions of CHF



The unique *AcrySof* single-piece intraocular lens to be implanted through a smaller incision.

Alcon Alcon again reported strong growth and an excellent profit performance in 2000. All product lines and geographic areas contributed to this success. New proprietary product introductions and the acquisition of Summit Autonomous, the refractive eye surgery market leader, further stimulated growth.

Our dedication to innovation, combined with our concentration on the needs of vision care specialists and others who treat eye conditions, has brought the company to worldwide prominence in its field.

The highlights of 2000 included new launches such as the *AcrySof* single-piece intraocular lens, *Clerz Plus* Lens Drops that help prevent protein build-up while refreshing contact lenses, and a new "No Rub" indication for *Opti-Free Express* Multi-Purpose Disinfecting Solution for contact lenses. *Patanol,* the leading ocular allergy product on the market, continued its vigorous growth, further expanding this market segment due to its therapeutic efficacy and broad acceptance by physicians and patients alike.

With the development of new products and the acquisition of new technologies as priorities, and with increasing market shares throughout the world, Alcon is well positioned for continued growth.

Galderma Galderma, the joint venture between Nestlé and L'Oréal in the field of dermatology, maintained strong growth in 2000, achieving a turnover of CHF 816 million, an increase of 28.5%.

Five years after its launch, *Differin,* a topical treatment for acne continued to increase its market share. The US launch of *Differin* Cream stimulated growth, helping to make Galderma the worldwide leader in topical anti-acne, with a market share of about 20%.

Silkis, a new topical vitamin D treatment for psoriasis had an excellent reception from dermatologists, following its launch in the Netherlands, Switzerland, Germany and Brazil.

The only solution for "No Rub" use – a new level of convenience and safety for contact lens wearers.

The only drop that helps prevent protein build-up on contact lenses.

Differin Cream, a new form of the leading topical retinoid for acne.

Silkis Ointment, the first synthetic natural Vitamin D for topical treatment of psoriasis.

Galderma's other strategic products all achieved sustained growth. *Loceryl,* the topical anti-fungal treatment for onychomycosis acquired in 1999, made good progress. *Metrogel/Rozex,* the topical treatment for rosacea, has continued to grow worldwide. Sales of the *Cetaphil* range of cleansers and moisturisers for sensitive skin also grew significantly.

Galderma obtained its first product registrations in Eastern Europe and created a new subsidiary in Hong Kong.

Profit Trading profit rose by 13% thanks to sales volume growth. The progression was partly offset by increased investments in research and development and operating expenses related to the Summit acquisition.

Capital expenditure Capital expenditure increased from CHF 91 million in 1999 to CHF 113 million. The predominant project was the expansion of Alcon's Fort Worth manufacturing facility to meet the flourishing international market for contact lens care products. Other major projects included enlarging the Alcon plant in Sinking Spring, Pennsylvania, and a major expansion of the viscoelastics production area in the Puurs, Belgium facility.

Acquisitions Alcon catapulted itself into technology leadership in the rapidly growing refractive surgical market through its acquisition in July 2000 of Summit Autonomous. This business is benefiting as individuals seek surgical corrections of visual abnormalities such as myopia, hyperopia and astigmatism. Alcon's disposable products, prescription pharmaceuticals and dry eye therapies complete a full offering to refractive surgeons.

In the United States, Galderma acquired *Capex,* the first corticosteroid shampoo on the market for seborrheic dermatitis of the scalp.

Associated companies

Nestlé holds an interest of at least 20% in these companies but does not exercise management control. They are included in the financial statements by the equity method. Their net results appear, in proportion to Nestlé's participation, in the Group's consolidated income statement under "Share of results of associated companies". The Group's share of their net assets is shown in the consolidated balance sheet under "Financial assets".

The most important associated company is L'Oréal, the world leader in the cosmetics market. Nestlé's involvement with L'Oréal started in 1974. L'Oréal markets over 500 brands and more than 2000 products in all sectors of the beauty business: hair colour, permanents, styling aids, body and skincare, cleansers and fragrances. Its products are found in all distribution channels.

Nestlé's share of associated companies	**2000**	1999	1998
Sales	**5 519**	4 831	5 156
Results	**395**	339	300

In millions of CHF

Anti-ageing innovation:
the highest concentrations
of pure Retinol and
Vitamin C ever combined.

L'Oréal Professionnel:
New haircare
line Série Expert.

Outrageously full, soft,
healthy-looking lashes.

'ALPH a colourful floral
agrance, captures the spirit
young women who
proach life with confidence,
le and optimism.

L'Oréal

L'Oréal, the world's leading cosmetics company, is controlled by Gesparal, a holding company, of which Nestlé owns 49% and the Bettencourt family 51%. In 2000, the company continued its rapid development. Consolidated sales rose 17.9% to EUR 12.7 billion; net profit amounted to EUR 1028 million, up by 24.2%, and for the sixteenth consecutive year, profit on ordinary activities before taxation achieved double digit growth.

L'Oréal continues its organic growth in its three key zones: Western Europe, North America and the rest of the world. It has strengthened its policy of investing in the United States and in numerous developing countries. The establishment of new subsidiaries, as well as the launching of innovative products and international development are all part of its growth policy.

Furthermore, in 2000, its external growth policy has been especially fruitful. Notable strategic acquisitions included Carson Inc, global leader in ethnic beauty products with a presence in the United States and South Africa, Matrix Essentials, leader in professional hair products in North America, and Kiehl's, a very selective skin care brand, famous in the US, founded in 1851 in New York City. L'Oréal also signed a strategic alliance with the Japanese company Shu Uemura, pioneer in the art of make-up and beauty care.

This alliance and these strategic acquisitions, added to local acquisitions such as Laboratoires Ylang SA, Argentina's leading producer of mass market make-up, and Respons, a Scandinavian shampoo brand, provide an exceptional growth opportunity for the Group. L'Oréal continues therefore to consolidate its strategy as the world leader in comestics.

Detailed information about L'Oréal's activities and results is available in its Annual Report and on its website (www.loreal-finance.com).

History

First came infant and milk nutrition Innovation and an entrepreneurial spirit have been Nestlé characteristics from the start.

In 1866, while the Page brothers in Cham were building Europe's first condensed milk factory, for the Anglo-Swiss Condensed Milk Co., Henri Nestlé, in Vevey, was developing his infant cereal *"Lactous Farina Nestlé",* launched in 1867. The two companies merged in 1905 to become the "Nestlé & Anglo-Swiss Condensed Milk Co.". The former had developed a successful long-life product from fresh milk, a highly perishable raw material, whilst Henri Nestlé had achieved international acclaim due to the remarkable qualities of his invention. Given the high infant mortality rate, due mainly to the lack of an appropriate breast-milk substitute, his infant cereal responded to a real need.

Henri Nestlé (1814-1890)

His name and the nest symbol (Nestlé means "little nest" in German) were the guarantee of the consistent quality of his product, the result of painstaking scientific research.

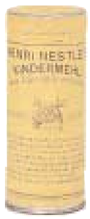
Then came product diversification Contacts with other leading companies that had innovative ideas led to acquisitions and diversification. The Company expanded in 1929 through the acquisition of the Cailler, Peter and Kohler chocolate companies, followed in 1947 by the Maggi group and its culinary products. Thus, Nestlé became the heir to inventions such as Daniel Peter's milk chocolate (1875) and Julius Maggi's vegetable-based soups (1884) and stock cubes (1908).

Nestlé's accumulated knowledge, as well as the perseverance and competence of scientists like Max Morgenthaler, made possible the huge success of the *Nescafé* launch in 1938.

Subsequent acquisitions opened the doors to new areas, such as preserves (*Crosse & Blackwell,* 1960), frozen foods (*Findus*, 1962), mineral water (*Vittel,* 1969) and pet care (*Carnation,* 1985). Others reinforced the Company's position in established areas, for example, Italian cuisine (*Buitoni,* 1988), chocolate and confectionery (Rowntree, 1988) or performance foods (*PowerBar,* 2000).

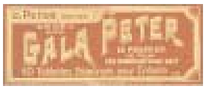
At the same time, research at Nestlé resulted in the development of new products such as *Milo* (1934), *Nestea* (1944), *Nesquik* (1948), *NAN* (1962), *Yes* (1979), *Nespresso* (1986), *LC1* (1994) and *Nestlé Pure Life* (1998). Existing products such as *Nescafé, Maggi* culinary products or the various dairy products have been constantly improved and adapted to current consumer life-styles.

Today and tomorrow a company that cares about consumers all around the globe Today, Nestlé is the world's leading food company. Its international R&D network supports the products made in 479 factories in 81 countries. Being a company dedicated from the start to food, Nestlé remains sensitive to culinary and eating habits, and responds to specific nutritional problems, whilst also setting and matching new trends such as growing out-of-home consumption.



1867
Henri Nestlé's Infant cereal

1905
Anglo-Swiss Condensed Milk Co.
(Merger with Nestlé)



1929
Peter, Cailler, Kohler
Chocolats Suisses S.A.
(Merger with Nestlé)

1938
Development of *Nescafé*

1947
Nestlé Alimentana S.A.
(New name after
merger with Maggi)

1947

1960
Crosse & Blackwell

1962
Findus

1969
Vittel

1970
Libby

1971
Ursina-Franck

1973
Stouffer

1974
L'Oréal
(minority interest)

1977
Nestlé S.A.

1977
Alcon

1978
Chambourcy

1985
Carnation

1985
Friskies

1986
Herta

1988
Buitoni-Perugina

1988
Rowntree

1992
Perrier

1993
Finitalgel

1994
Alpo

1998
Sanpellegrino

1998
Spillers Petfoods

2000
PowerBar

Manufacture and sale of products

Nestlé has 479 factories in 81 countries around the world. This is a reduction from 509 in 1999, resulting from disposals and closures. We are running a Group wide drive to improve the performance of our assets through the sharing of best practice, improved technology and communication, more sophisticated supply chain management and shared resources. We are also refocusing our manufacturing base to meet the demands of today's more liberated international marketplace, whilst seeking to realise the benefits of our scale to achieve high flexibility at low cost.

Number of factories

	2000	1999
Europe	**198**	220
Americas	**151**	153
Asia, Oceania and Africa	**130**	136
Total	**479**	509

Europe

		Beverages	Milk products, nutrition and ice cream	Prepared dishes, cooking aids and pet care	Chocolate, confectionery and biscuits	Pharmaceutical products
Austria	**1**	● ■	■	● ■	■	■
Belgium	**3**	● ■	● ■	● ■	■	● ■
Bulgaria	**1**	■	■	■	● ■	■
Czech Republic	**3**	● ■	■	■	● ■	■
Denmark	**1**	■	● ■	■	■	■
Finland	**1**	■	● ■	■	■	■
France	**38**	● ■	● ■	● ■	● ■	● ■
Germany	**27**	● ■	● ■	● ■	● ■	■
Greece	**5**	● ■	● ■	● ■	● ■	■
Hungary	**4**	● ■	■	● ■	● ■	■
Italy	**25**	● ■	● ■	● ■	● ■	■
Netherlands	**8**	■	● ■	● ■	● ■	■
Norway	**2**	● ■	● ■	● ■	■	■
Poland	**6**	● ■	● ■	● ■	● ■	■
Portugal	**5**	● ■	● ■	■	■	■
Republic of Ireland	**3**	■	■	● ■	● ■	● ■
Romania	**2**	■	■	■	● ■	■
Russia	**5**	● ■	● ■	● ■	● ■	■
Slovakia	**1**	■	■	● ■	■	■
Spain	**19**	● ■	● ■	● ■	● ■	● ■
Sweden	**2**	● ■	●	■	■	■
Switzerland	**9**	● ■	● ■	● ■	● ■	● ■
Turkey	**3**	● ■	● ■	●	●	■
Ukraine	**1**	■	■	■	● ■	■
United Kingdom	**23**	● ■	● ■	● ■	● ■	■

The figure in bold after the country denotes the number of factories.

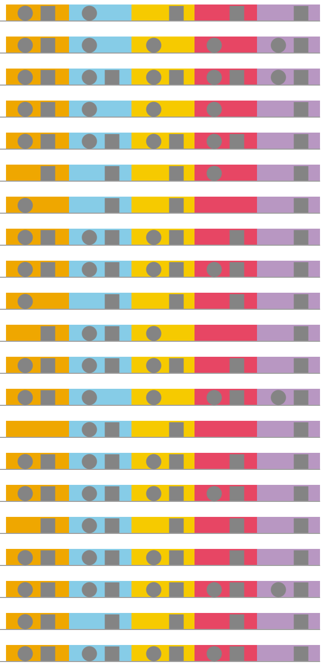
● Local production (may represent production in several factories)

■ Imports (may, in a few particular cases, represent purchases from third parties in the market concerned)

Beverages
Milk products, nutrition and ice cream
Prepared dishes, cooking aids
and pet care
Chocolate, confectionery and biscuits
Pharmaceutical products

Americas

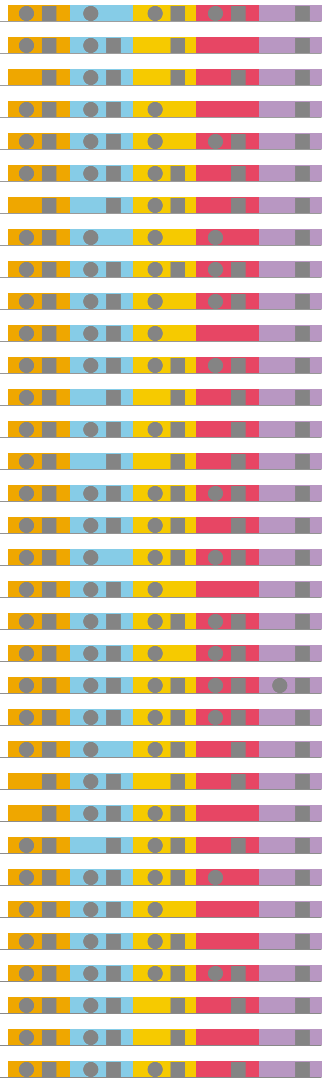
Argentina	8
Brazil	22
Canada	11
Chile	7
Colombia	3
Costa Rica	1
Cuba	2
Dominican Republic	3
Ecuador	3
El Salvador	1
Guatemala	1
Jamaica	2
Mexico	15
Nicaragua	1
Panama	2
Peru	2
Puerto Rico	1
Trinidad and Tobago	1
United States	61
Uruguay	1
Venezuela	3



Beverages
Milk products, nutrition and ice cream
Prepared dishes, cooking aids
and pet care
Chocolate, confectionery and biscuits
Pharmaceutical products

Asia, Oceania and Africa

Australia	12
Bangladesh	1
Cambodia	1
Cameroon	1
Egypt	4
Ghana	1
Guinea	1
India	6
Indonesia	5
Israel	12
Ivory Coast	2
Japan	3
Jordan	1
Kenya	1
Lebanon	1
Malaysia	7
Morocco	1
New Zealand	4
Nigeria	1
Pacific Islands	4
Pakistan	2
People's Rep. of China	18
Philippines	8
Republic of Korea	1
Saudi Arabia	1
Senegal	1
Singapore	1
South Africa	13
Sri Lanka	2
Syria	1
Thailand	8
Tunisia	1
Vietnam	3
Zimbabwe	1



General information

Agenda for the 134th Ordinary General Meeting of Nestlé S.A.

Thursday 5th April 2001
at 3.00 p.m. at the "Palais de Beaulieu", Lausanne

1 **Annual report, report of the auditors**
1a 2000 annual report and accounts of Nestlé S.A.; report of the auditors
1b 2000 consolidated accounts of the Nestlé Group; report of the Nestlé Group auditors

2 **Release of the Board of Directors and of the Management**

3 **Decision on the appropriation of profits resulting from the balance sheet of Nestlé S.A.**

4 **Elections to the Board of Directors**
Rainer E. Gut (term of office for 4 years)
Jean-Pierre Meyers (term of office for 5 years)
Nobuyuki Idei (term of office for 5 years)
André Kudelski (term of office for 5 years)

5 **Modifications of the Articles of Association**
5a Change in the capital structure
5b Editorial modification of Art. 5bis
5c Modification of Art. 35

Elections to the Board of Directors At the General Meeting of 5th April 2001, the terms as directors of Messrs Rainer E. Gut, Fritz Gerber, Jean-Pierre Meyers and Reto F. Domeniconi will expire. Having reached the age limit, Mr. F. Gerber will not stand for a new term. Mr. R. F. Domeniconi has expressed the wish to leave the Board. The two other directors are eligible and present themselves for re-election. In accordance with the provisions of the Board's regulations concerning the age limit, Mr. R. E. Gut will stand for a four-year term. Mr. J.-P. Meyers is standing for a five-year term.

Furthermore, the Board of Directors is recommending that the General Meeting elect as new directors, also for five-year terms, Mr. Nobuyuki Idei, Chairman and Chief Executive Officer of Sony Corporation, Tokyo, Japan, and Mr. André Kudelski, President and Chief Executive Officer of Kudelski Group, Cheseaux-sur-Lausanne, Switzerland.

Next Ordinary General Meeting:
Thursday 11th April 2002
at the "Palais de Beaulieu", Lausanne

Important dates

5th April 2001 134th Ordinary General Meeting, "Palais de Beaulieu", Lausanne

11th April 2001 Payment of the dividend

26th April 2001 Announcement of first quarter 2001 sales figures

22nd August 2001 Publication of the half-yearly report January/June 2001

19th October 2001 Announcement of first nine months 2001 sales figures; Autumn meeting with the press (Zurich)

28th February 2002 Announcement of 2001 sales figures and results; Press conference (Vevey)

10th April 2002 Announcement of first quarter 2002 sales figures

11th April 2002 135th Ordinary General Meeting, "Palais de Beaulieu", Lausanne

Shareholder information

Stock exchange listings As of 31st December 2000, the registered shares of Nestlé S.A. were listed on the exchanges of Zurich, Brussels, Frankfurt, London, Paris, Tokyo and Vienna.

In November 2000, Nestlé S.A. announced the delisting of its shares from the exchanges of Amsterdam, Brussels, Tokyo and Vienna. The shares were delisted from the exchange of Amsterdam on 29th December 2000.

American Depositary Receipts (ADRs) representing Nestlé S.A. shares are offered in the USA by Morgan Guaranty Trust Company of New York.

Registered Offices Nestlé S.A., avenue Nestlé 55, CH-1800 Vevey (Switzerland), tel. (021) 924 21 11.

Nestlé S.A. (Share Transfer Office), Zugerstrasse 8, CH-6330 Cham (Switzerland), tel. (041) 785 20 20.

Further information For any additional information about the management report, please contact Nestlé S.A., Investor Relations, avenue Nestlé 55, CH-1800 Vevey (Switzerland), tel. (021) 924 27 42, fax (021) 924 28 13.

E-mail: investor.relations@nestle.com

As to information concerning the share register (registrations, transfers, address changes, dividends, etc.), please contact Nestlé S.A., Share Transfer Office, Zugerstrasse 8, CH-6330 Cham (Switzerland), tel. (041) 785 20 20, fax (041) 785 20 24.

The Company offers the possibility of depositing free of charge Nestlé S.A. shares traded at the Swiss Exchange at its Share Transfer Office in Cham.

Nestlé URL: http://www.nestle.com