

2006 half year results roadshow



2006 half year results roadshow - August 2006

Disclaimer

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

Agenda

2006 First Half Highlights

Strategic transformation

- Brands and innovation: Product Group review
- Transformation to Nutrition, Health and Wellness

Organisational transformation

- Scale and structure

Conclusion

2006 H1 Highlights: A strong performance across the Group with an improvement in key financials

- Total sales growth 11% to CHF 47.1 billion
- Strong organic growth at 6.4%
- Food and Beverage delivers 6% organic growth
- EBIT increases 14.5% to CHF 6.1 billion; + CHF 768 million
- EBIT margin up 40bps to 12.8%
- Net profit increases 11.4% to CHF 4.15 billion, EPS +11.9%
- F&B contributes 30bps to the margin improvement
- Working capital improves by 40bps to 9% of sales

2006 Forecasts confirmed: Delivering The Nestle Model

Our increased transparency

Greater transparency on Food and Beverage reporting

- Full reporting on Nestlé Nutrition & smaller globally managed businesses, as well as Nestlé Waters
- Food and Beverage margin disclosed
- Greater transparency on brand performance
- Disclosure of total F&B regional sales performance

Sustainable improvement in F&B performance

- Margin, working capital and ROIC

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Creating shareholder value through profitable growth

Strategic transformation

Nutrition, Health & Wellness, Innovation and renovation

- Generating sales growth
- Growing market shares
- Enhancing mix
- Improving F&B margin

Organisational transformation

Mix and efficiency

- Driving focus & discipline
- Tackling underperformers
- Improving F&B margin
- Improving working cap/fixed asset turns

Creating shareholder value through profitable growth

Our strategic transformation is driving growth and mix in our product groups

- 60/40+ and the Nestlé Compass
- Acquisitions - Uncle Toby's/ Jenny Craig
- Divestitures - Japanese vending/Perrier bottle making

Our Organisational transformation is driving efficiencies whilst enabling markets to focus on profitable growth

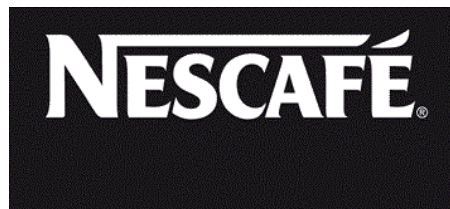
- GLOBE
- Nestlé Business Services

Organic growth the key driver

Beverages, including Water (26% of Group sales)

H1 performance - 8.1% organic growth; EBIT +10bps

- Nespresso, Waters, Milo - excellent growth
- Dynamic growth in emerging markets across all categories
- Japan, UK competitive but positive RIG in coffee
- Raw material pressure in green coffee, Waters



Brand	Mkt Share
Nestlé Waters	
Nescafé	
Milo	



Beverages, including Water

Nutrition Health & Wellness/Innovation & renovation

- Milo with enhanced nutritional profile
- Water: Aqapod launch - encouraging children to drink water
- Nescafé "Body partner" launch in AOA



Enhancing the mix/efficiencies

- Move to added value products
- Japanese vending solution
- Factory closures; Focus on underperformers





Aquapod - The First FUN Bottled Water

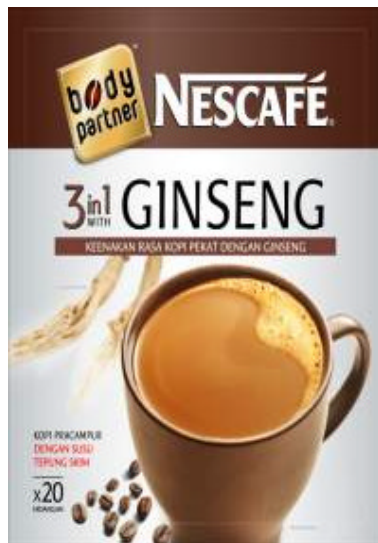
- Revolutionary patented PET technology: unique shape
- Aquapod meets **all** bases success benchmarks for Bottled Waters in the US: 80% of products that meet these benchmarks succeed
- 65% of kids 6-12 would ask their parents to buy Aquapod
- 84% of parents will buy Aquapod for their kids if asked
- **"It bounces, it floats, it will fly off the shelves"**

**96% of kids
said that
Aquapod was
fun to drink!**



Soluble coffee

- With enhanced health characteristics...
- ginseng, soya, calcium and vitamins
- three times the antioxidants of green tea



Dairy products (20% of Group sales)



H1 performance - 5% organic growth; EBIT +60bps

- Strong performance from Milk in emerging markets
- CoffeeMate grows double digit in the US
- Dreyer's focus on profitability delivers improvement



Brand	Mkt share
Nestlé	N/M
Dreyer's	↗
Nido/Ninho	↗
CoffeeMate	↗



Dairy products

Nutrition Health & Wellness/Innovation & renovation

- Nido nutrition system enhanced with Lactobacillus
- "Slow Churn" technology roll-out in Europe
- No Lactose, no taste compromise Ice Cream (Finland)



Enhancing the mix/efficiencies

- SKU rationalisation in Milk to exit commodity products
- Enhancing differentiation
- Factory closures/disposals
- Chilled Dairy Europe/Lactalis



Nutrition (6% of Group sales)

H1 performance - organic growth 5%; EBIT +60bps

- China shows signs of recovery
- Good growth elsewhere (8% OG), led by NAN HA
- Mid term targets of 20% EBIT, 10% Organic growth

Enhancing the mix/efficiencies

- NAN HA - superpremium
- Factory disposal/ improved sourcing



Brand	Mkt share
Nestlé	→
Ex China	↗




Prepared dishes & cooking aids (18% of Group sales)

H1 performance - 5.4% organic growth; EBIT - 20bps

- Maggi performing well in AOA and accelerating in Europe
- Strong performance from Stouffer's and Lean Cuisine in US
- Wagner strong in Germany, their innovation driving Europe
- Chilled continues strong in the US



Brand	Mkt Share
Maggi	N/M
Stouffers	
Lean Cuisine	



Prepared dishes and cooking aids

Nutrition Health & Wellness

- Reduced salt in Maggi cubes
- Reduced TFA across range
- Increased fibre and vegetables in soups
- "Indulgent" meals in Lean Cuisine - Panini
- Launch of 97% fat free Lean Cuisine pizza



Enhancing the mix/efficiencies

- Factory closures; focus on underperformers



Maggi 2 Minute Noodles

Renovating an Australian Icon - 25 years old

- 38% reduced sodium, 25% less than competitor
- Over 70% reduction in saturated fat , 50% less than competitor
- Contributes 25% of RDI of Iron, B1, B2 and Niacin

Value share grows to 65% of the noodles market



“Simple Goodness that your kids love to eat”

Chocolate, confectionery & biscuits (10% of Group sales)

H1 performance - 3.5% organic growth; EBIT - 50bp

- Expected acceleration in Q2 materialised (Easter)
- Strong growth in Russia, Brazil, AOA, Southern Europe
- Core brands deliver good growth
- UK on plan with structural reorganisation/ brand strategy
- Profitability impacted by increased marketing costs & UK



Brand	Mkt share
Kit Kat	→



Chocolate, confectionery and biscuits

Nutrition Health & Wellness

- World leader in dark chocolate
- A strong "lighter" portfolio
- Initiatives in pipeline



Enhancing the mix/efficiencies

- "Magnificent seven" in the UK
- Increased focus on core brands - globally
- Factory closure/disposal, rationalisation on-going
- Fix underperformers



PetCare (12% of Group sales)

H1 performance - 6.6% organic growth; EBIT + 40 bps

- Strong growth and share gains continue in Europe, with beneficial effect on mix
- AOA and Latin America lead margin gains
- Beneful Prepared meals launch highly successful in US
- Margin pressure from energy and related costs

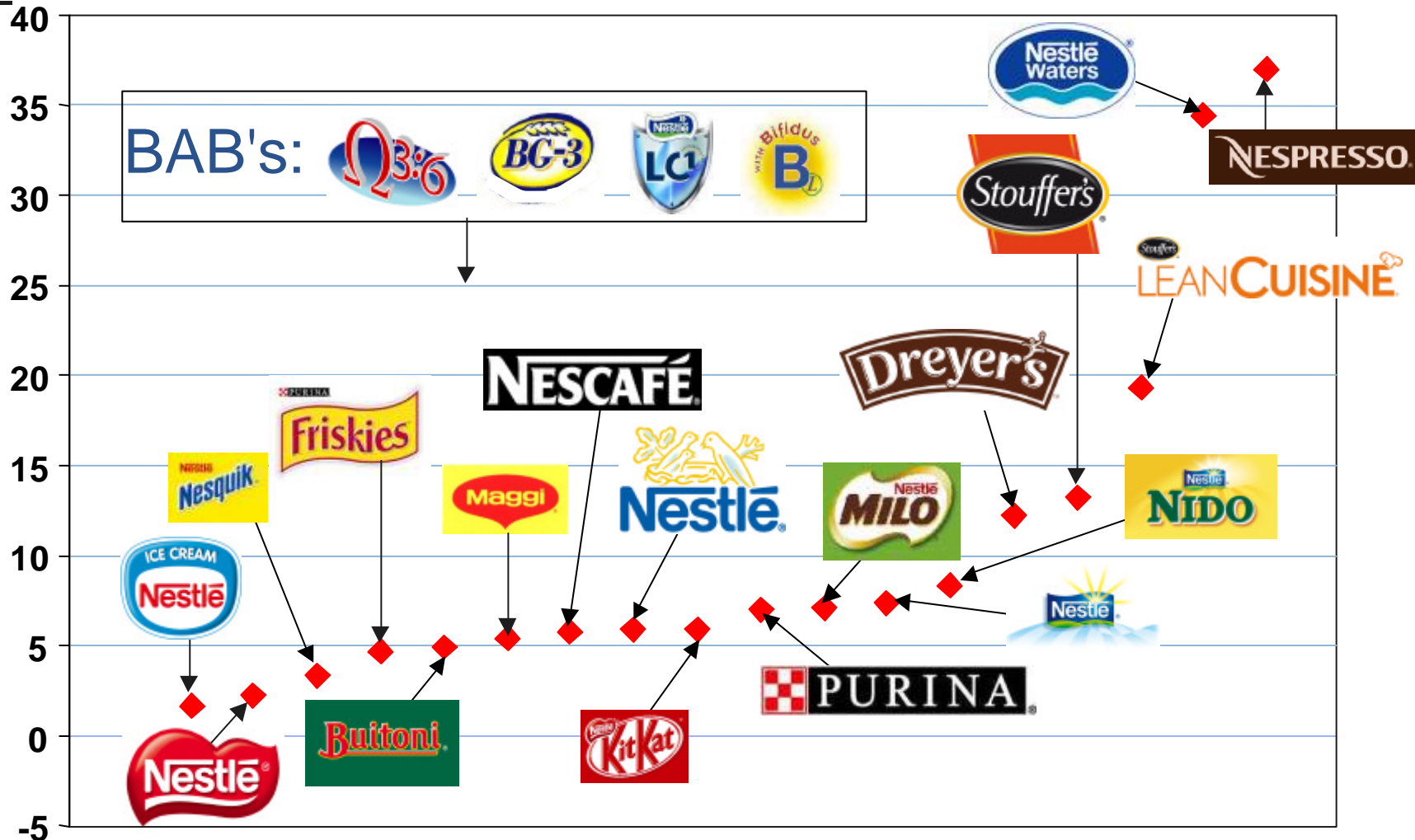


Brand	Mkt Share
Purina	↗
Friskies	↗



Key brands deliver above market growth

Organic Growth
H1 2006

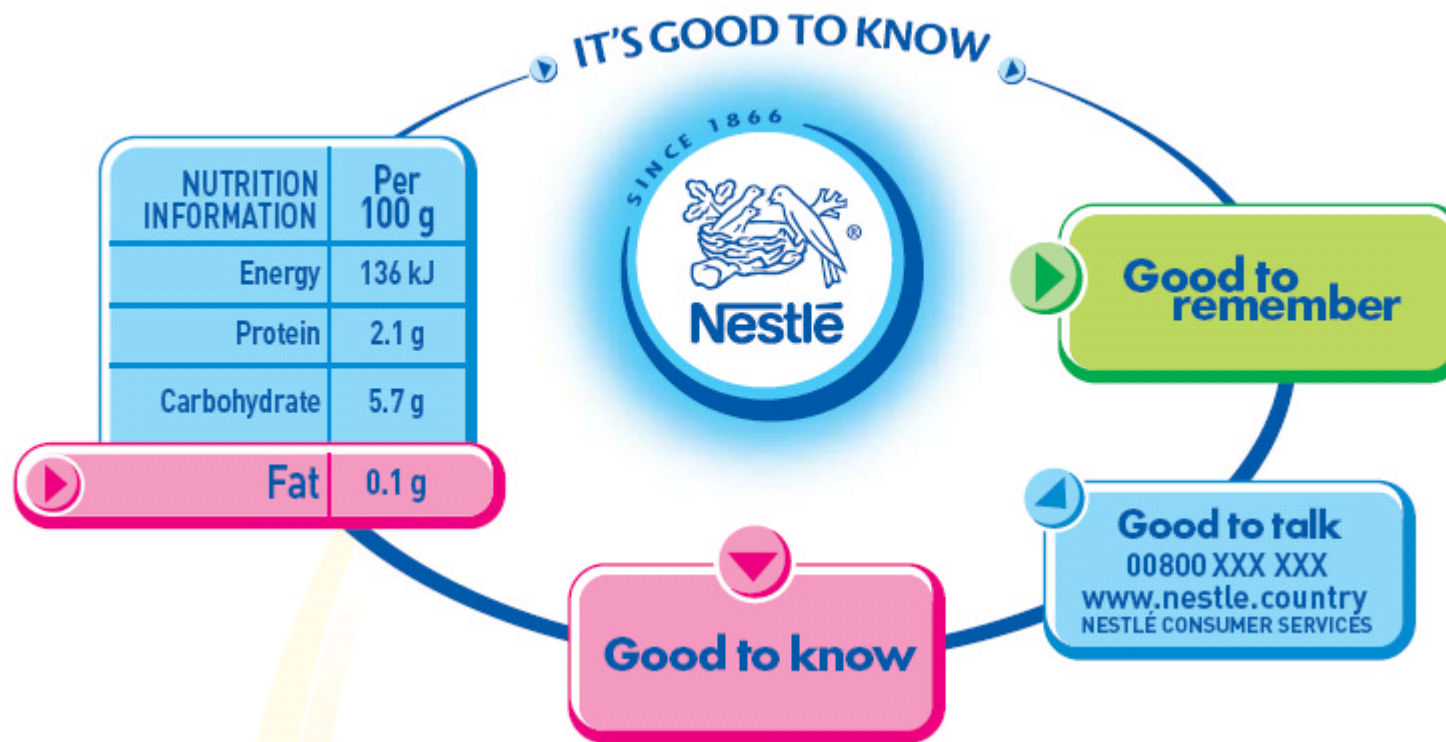


Transformation to Nutrition, Health & Wellness

In summary, Innovation and Renovation is at the heart of our business, delivering

- Differentiation from competitors and share gains in key categories
- Exceptionally High RIG, above target organic growth
- Improved Food and Beverage EBIT margin

The Corporate Wellness Unit is driving activities internally



Transformation to Nutrition, Health & Wellness

Acquisition of Uncle Toby's



Acquisition of Jenny Craig

Transformation to Nutrition, Health & Wellness

Disposal of Japanese vending



Disposal of Perrier bottle making

Disposal of Vlachas in Greece (Dairy)

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Strategic transformation - Nutrition, Health & Wellness

- Generating sales growth
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Organisational transformation

- **Driving focus & discipline**
- **Tackling underperformers**
- **Improving F&B margin**
- **Improving working cap/fixed asset turns**

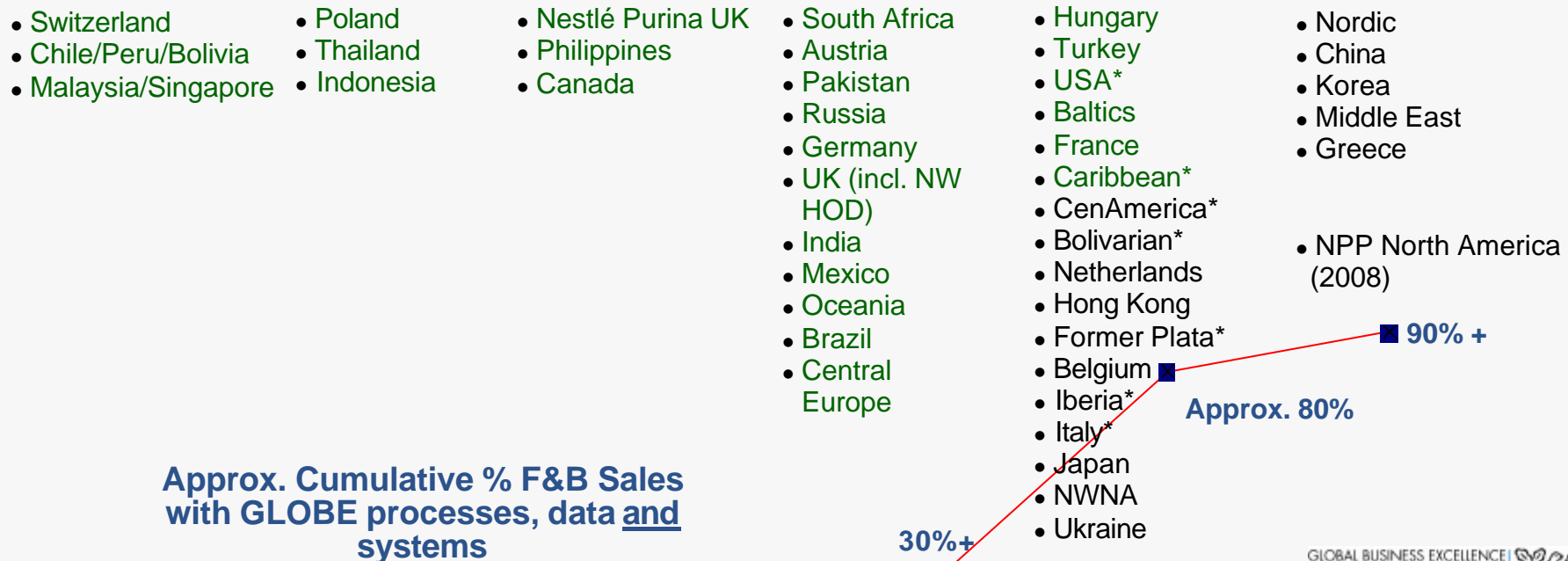
GLOBE Implementation Plan

2002 | 2003 | 2004 | 2005 | 2006 | 2007

Business Excellence/ Best Practice Implementation

Data Standards/Data Management Implementation

GLOBE System Implementation



- Switzerland
- Chile/Peru/Bolivia
- Malaysia/Singapore

- Poland
- Thailand
- Indonesia

- Nestlé Purina UK
- Philippines
- Canada

- South Africa
- Austria
- Pakistan
- Russia
- Germany
- UK (incl. NW HOD)
- India
- Mexico
- Oceania
- Brazil
- Central Europe

- Hungary
- Turkey
- USA*
- Baltics
- France
- Caribbean*
- CenAmerica*
- Bolivarian*
- Netherlands
- Hong Kong
- Former Plata*
- Belgium
- Iberia*
- Italy*
- Japan
- NWN
- Ukraine

- Nordic
- China
- Korea
- Middle East
- Greece
- NPP North America (2008)

* Back Office Operations: F&C, HR, P2P



Nestlé's Future with GLOBE

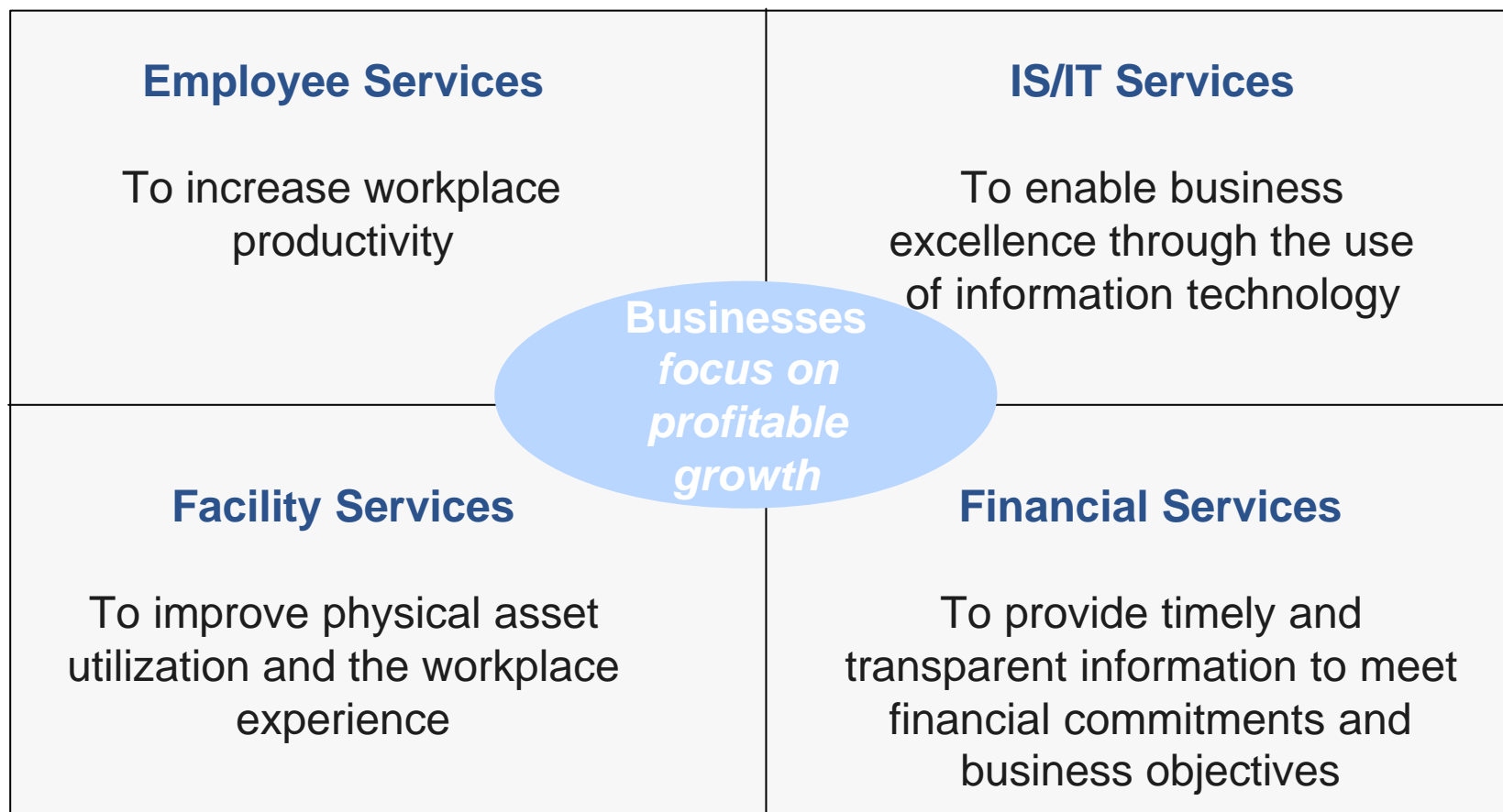
- Speed to share and implement new best practices
- Provide better information for better decisions
- Facilitate organizational change
- Allows markets to focus on generating demand activities

GLOBE enables the Nestlé Model

Global Business Services: objectives

- To free up market resources to focus on demand generation – profitable growth
- To deliver back office support at competitive service levels and best-in-class cost
- To exploit the potential of GLOBE
- To scale up shared service initiatives to further leverage scale beyond Market / Region levels
- To standardize processes and structures

Initial scope relates to four service bundles



We will leverage preferred outsourcing relationships to establish a global, regional and local service delivery model

Improving performance of Nestlé F&B Finance Focus areas

1. Drive **simplicity** across the businesses
E.g. SKUs, structures, reporting
2. Leverage **scale** for competitive advantage
E.g. GLOBE, Shared services, procurement
3. Tackle **underperformers**
Investment phase, core, non-core,
4. Increase **discipline/ execution** in all we do
E.g. Dynamic forecast, real time data, project tracking

Summary

- Transformation to Nutrition, Health and Wellness is accelerating
- Organisational transformation is freeing up the markets to focus on profitable growth
- Nestlé is opportunity rich - innovation for growth and mix; scale for growth and efficiencies

Conclusion - H1 2006

The Nestlé Model reconfirmed

- H1 organic growth ahead of market, driven by key brands
- F&B the main contributor to First Half margin improvement
- Progress on working capital
- The Nestlé Model reconfirmed for 2006: upper end of 5-6% organic growth target and improvement in constant currency EBIT margin

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