NESTLÉ S.A.

2007 FIRST QUARTER SALES CONFERENCE CALL TRANSCRIPT

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

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Roddy Child-Villiers - Nestlé S.A. Head of Investor Relations

Slide 1

Good morning, ladies and gentlemen, and welcome to our first results conference call of 2007, and it gives me great pleasure to be able to kick off the year with a strong set of numbers.

Slide 2 - Disclaimer

I will start by taking as read the usual safe harbour statement, and move straight to the highlights.

Slide 3 - Strong organic growth - highlights

The Group achieved 7.4% organic growth, with Food and Beverage delivering 7.1%. There were strong performances from most areas, with double digit organic growth in Zone AOA, Nestlé Nutrition, Nestlé Waters, and our "Other Food and Beverage" category which includes Nespresso and our food and beverage joint ventures, as well as in Pharmaceutical Products.

We had a negative impact from currencies of 1.5% of sales, but nevertheless increased our total sales by 6.4% to 24.3 billion Swiss Francs.

The raw material environment has got even tougher during 2007, particularly for agricultural materials such as milk, grains, maize and green coffee. It is clear that our Real Internal Growth, or RIG, has benefited in the first quarter from customers seeking to pre-empt our price rises. The severity of the cost increases we are experiencing will require significant further pricing action from us, which will likely lead to contraction of some markets and therefore a reducing RIG through the rest of the year.

Despite this tough environment, and because of the strong volume growth momentum which has been created by our brands, we are confident of again reaching our targets in 2007 of 5 to 6% organic growth and an improvement in the EBIT margin constant currency.

Slide 4 - Q1 sales increase 6.4% to CHF 24.3 billion

This next slide shows the breakdown of our growth both for the Group and for the Food and Beverage business.

For the Group, the 7.4% organic growth was split between RIG of 5.7% and pricing of 1.7%. The net 0.5% gain from acquisitions, net of divestitures, comprised a 1.5% gain from acquisitions and a 1% reduction from disposals. The major contributors to the acquisitions were Jenny Craig, Uncle Toby's and Delta Ice Cream, and to the disposals were the commodity Dairy businesses in Asia and Greece, the Japanese vending operation and private label ice cream in Germany.

Finally, the impact of foreign exchange was 1.5% negative. You will be aware that the dollar has weakened against the Swiss Franc and that the Euro has strengthened. This combination of trends is not helpful for EBIT margins.

The detail of the key currencies is attached as an appendix slide, as is the regional breakdown of the acquisitions and disposals and foreign exchange impact, following a request by some of you to disclose this.

For Food and Beverage, the 7.1% organic growth was split between 5.3% RIG and 1.8% pricing. There was no significant difference from the Group numbers in either the impacts from acquisitions and disposals or from the foreign exchange effect.

Slide 5 - Nestlé Food & Beverage*
Major brands drive geographic sales performance

Turning now to our geographical reporting, and starting with the numbers that reflect our total food and beverage business, including the globally managed businesses. Europe achieved organic growth of 3.4%, the Americas 8.6% and Asia, Oceania and Africa 10.8%. These are strong numbers, representing out-performances in the different markets. You can also see here the high pricing in both the Americas and AOA, both at around 2.5%.

Slide 6 - Primary reporting: above market growth

This next slide drills down a bit further, giving you our traditional primary reporting.

Zone Europe achieved 1.9% organic growth. There was good momentum in RIG, with 1.6%, as the Zone focused on growth. Among highlights was the evidence in our market share performance of a recovery in our UK Confectionery business, led by our Magnificent Seven core brands, as well as the successful launch of the Nestlé Heaven range. In Soluble Coffee, we are pleased with the early performance of Nescafé Dolce Gusto in the three launch markets, and will be rolling it out to more markets during the course of 2007. We have also continued to see good momentum in our Nescafé mixes business. In Eastern Europe, there were strong performances across the region, with Russia a highlight, achieving double digit growth in all its categories.

Zone Americas delivered a strong performance with organic growth of 7.2%. There were good performances from both regions.

In North America, PetCare was outstanding, as 2006 launches continued their momentum, and 2007 launches started to contribute, including Beneful Prepared Meals, ONE Originals, Alpo Chop House, Fancy Feast and many others. The Nestlé USA business was also strong. Like Europe, it too benefited from a strong Easter performance from our confectionery business, whilst Lean Cuisine and CoffeeMate both performed well. Our Hand Held Frozen Snack business, branded Hot Pockets, which you may remember was the only of our Billionaire brands not to achieve positive organic growth in 2006, seems to be stabilizing We have seen share gains in many categories in North America, including Ice Cream, where we continue to focus on a better balance between growth and profitability.

In Latin America, all the markets contributed to a strong performance, with the Chocolate, Ice Cream, PetCare and Soluble coffee categories particularly strong.

Zone Asia, Oceania and Africa achieved organic growth of 10.3%. This was a good broad-based performance with many of the emerging markets in the Zone achieving dynamic organic growth, even above 20% in some cases. Most categories were good contributors, with only Confectionery weak, though also positive, due to the seasonal timings in its key Japanese market.

It's clear that there has been some customer buying in expectation of price increases in both Zone Americas and Zone AOA. We therefore expect their growth to slow down during the year, and that pricing will become a heavier element of our growth.

Nestlé Waters achieved 10% organic growth, and you will notice that we are reporting a small positive impact from pricing for the first time since 2003. The business in North America has once again increased its market share, helped by successful innovation around our water plus theme, as well as in packaging to make water a more enjoyable proposition for children. Nestlé Pure Life continues to be a key driver of growth, as do the strong regional brands, such as Poland Spring and Arrowhead, whilst the international brands, such as Perrier and S. Pellegrino are also performing well.

Growth in Europe has also picked up, with good performances in Italy and the smaller markets more than compensating for a slower performance in the French market. Nestlé Aquarel and Nestlé Vera, as well as our strong local brands performed well. Our business in the rest of the world delivered double digit growth, with Nestlé Pure Life continuing its rapid development.

Nestlé Nutrition reached its longer term 10% organic growth target for the first time in the first quarter of 2007. While this performance demonstrates that the 10% growth target is realistic for Nutrition, we may not maintain this level for the year. That level of growth represents an impressive achievement during a period when the business has been integrating the Jenny Craig acquisition and working on the pending acquisitions of Novartis Medical Nutrition and Gerber. Of course, none of those deals are included in the organic growth, and nor will they be until a year after they are acquired.

The growth was delivered to a great extent by Infant Nutrition, which benefited from the continuing innovation across its product range, and the successful roll-out of NAN HA. There was also a strong performance by HealthCare Nutrition. Both divisions were strong in all three geographic zones.

Our Other Food and Beverage activities achieved outstanding organic growth of 20.6%. Nespresso continues to be the poster-child for growth, but the joint ventures, CPW and BPW also contributed.

Slide 7 - Product groups - RIG and organic growth

Turning now to the Product Categories.

Powdered and liquid beverages achieved 8.9% organic growth. Nescafé achieved high single-digit growth in the Americas and Zone Asia, Oceania and Africa. In Europe, its growth was driven by the value-added mixes segment, whilst the Dolce Gusto launch has got off to a good start. In Asia, the brand performed well in most markets, and our health focused extension, Nescafé Protect, is strong in markets such as the Philippines, Malaysia and Korea. Milo, benefiting from its relaunch across Zone AOA with further enhanced nutritional credentials, achieved high single digit growth.

Dairy, including ice cream, achieved 6.5% organic growth. Shelf stable dairy has continued to perform well in much of Asia and Latin America, but the major challenge for this category is the soaring cost of Milk. It is clear that the category's margins and those of its key markets will be under pressure in 2007. Pricing in Milk Products is already over 3.5%.

CoffeeMate performed well in the US, with high single digit growth.

Ice cream has had a good start to the year, with Europe particularly strong. There have been good performances in Zone AOA and from super premium brands such as Mövenpick in Europe and Häagen-Dazs in North America. The successful roll-out of the half fat range is also contributing to the performance. We are keeping our fingers crossed for a hot and sunny peak season in Europe so that our strong portfolio of new products can realize its full potential. Our launches in 2007 range across healthier alternatives and the super premium and impulse segments.

Prepared dishes and cooking aids achieved 3.3% organic growth. Maggi had a very strong start to the year in Africa and Asia, which saw the launch of new soup and noodle products inspired by traditional Chinese medicine. In North America, Lean Cuisine and Buitoni reported strong growth. Culinary chilled was the category's strongest performer in Europe.

Chocolate, confectionery and biscuits reported 7.3% organic growth, above the Food and Beverage average. All three Zones contributed to this performance, with the Americas achieving double-digit growth. The category capitalized on a successful Easter season, which came earlier this year than last, and is also benefiting from increasing consumer interest in lighter, wafer-based snacking alternatives and darker chocolate. We have been particularly active in dark chocolate, with about 50 separate product launches around the world in the first quarter, many of them under our strong local brands. I have already commented on our improving performance in UK confectionery.

PetCare achieved 7.6% organic growth. The Americas were particularly strong, as I have said. There was also continued growth in Europe, with Friskies making progress, and a good performance in the rest of the world.

Finally on this slide, our pharmaceutical activities started the year well, with 12.1% organic growth. There were double-digit performances from the main constituent, Alcon, as well as from the two joint ventures with L'Oréal, Galderma and Laboratoires innéov.

Slide 8 - Agricultural commodities
Nestlé's weighted market price index

This next slide is an update from that which we showed you at the Full Year. It shows the price of our weighted basket of agricultural commodities. This is based on market prices, and is not the cost impact to us, but it shows clearly the continued upward cost pressure that we are facing.

These cost increases are hitting categories as diverse as Dairy, Ice Cream, Nutrition, Powdered Beverages, Ready to drink beverages, Soluble Coffee, Cereals and PetCare. The pressures are most severe in the Americas and Zone AOA.

Slide 9 - Agricultural commodities
Milk products (Av. Quarterly prices)

This slide shows the trend in the milk price. Milk is our biggest food raw material. The price of MSK has risen from about 1800 dollars to about four and half thousand dollars in the last 12 months.

I remember Paul saying on the full year roadshow that it was going up like a rocket, and I can't think of a more appropriate simile. Perhaps the most telling thing I can say about this is that the Group is facing an additional one and half billion Swiss Franc cost for milk in 2007 compared to 2006. It is clear that we will not be able to compensate this level of cost increases just through pricing, and we are focusing also on driving efficiencies and other initiatives to compensate.

Slide 10 - Agricultural commodities
Coffee and wheat prices

This next slide shows the movements in Coffee and wheat. Again, the sharp movements over 2006 and into the current year are evident.

Slide 11 - Conclusion: The Nestlé Model reconfirmed

Ok, so before opening the call to questions, a few words of conclusion.

Nestlé has got off to a great start to 2007, but we have been helped by two factors, strong customer demand ahead of expected price increases across many markets, particularly in milk and grain-related categories, and an early and successful Easter season for our chocolate business.

We expect pricing to increase during the year, but this will have a dampening effect on demand, leading to a slowdown in overall organic growth. We also need to look beyond pricing, as I have just said, to protect our margins in those categories that are most affected by the raw material cost increases.

Finally on the numbers, we are, of course, reconfirming our 2007 targets, in line with the Nestlé Model, of organic growth of between of 5 to 6% combined with an improvement in our constant currency EBIT margin. And I can confirm that we are comfortable with the most recent consensus on margins, though we do see delivery against it as a tough challenge in the current cost environment. In fact the only reason that we believe that we will be able to get to the 30 basis point consensus for EBIT margin improvement is because of the growth momentum in our business: we need the economies of scale and growth to help compensate the increased cost environment.

Moving away from our financial performance, I hope that you have been able to see that our transformation to Nutrition, Health and Wellness is accelerating. The most visible signs of this have been the three acquisitions in Nutrition, and we are delighted that with Gerber, we will be adding another billionaire brand to our portfolio. But also, we continue to focus our innovation on enhancing both the taste and nutritional content of our

products – Maggi noodles inspired by Chinese medicine being just one example of this. The separation of R&D from operations should add further momentum to this activity.

Our organizational transformation continues apace. Our continued ability to deliver above-market growth is testament to the success of our initiatives to free up our country management around the world to spend more time with their customers and consumers.

Some of you might have thought that you were going to listen to a Nestlé conference call without a mention of GLOBE. You're not. Our markets continue to leverage the GLOBE programme, enabling us to create shareholder value by exploiting opportunities for further competitive advantage provided by our scale, our nutritional know-how, our unrivalled brand portfolio and geographical presence.

Slide 12 - Questions & answers

I am now happy to open the call for questions

Questions on:	**Milk Hedging policy and supply problems** **Market share developments in Nutrition in China and globally**

Marco Gulpers, ING

I've got two questions: the first one is related to the milk prices. Can you confirm to us your hedging policy and also are you seeing any supply problems currently? And the second question is on Nutrition. Could you give us an update on your market share developments in China and also on the greater markets and that's for Nutrition? Thank you.

Roddy Child-Villiers

On milk we don't as such have a hedging policy. We have different buying strategies for milk. We buy fresh milk in a number of countries and then we buy milk powder elsewhere. And all we can do really in terms of hedging is to try and extend contracts. But clearly in this environment suppliers would not be very willing to extend contracts.

So there isn't really any hedging in milk at all and this is why it's such a difficult category for us to manage. So, as I said on the call, our most effective response is through on the one hand pricing and on the other hand other initiatives that we can take to counter the impact of the cost increases - things such as redesigning recipes, working harder on our Popularly Positioned Products, for example smaller pack sizes, moving to soft packs and a number of other initiatives like to that to take cost out. But hedging is not a great weapon in our armoury in the milk area.

On Nutrition I haven't got any market share data with me, to be honest. But we are reporting very strong growth in China; clearly they're against very easy comparatives.

We made it clear at the end of last year that as far as we were concerned China was no longer an issue in our Nutrition business. And you know the numbers that we're reporting demonstrate that to be the case.

Marco Gulpers, ING

Any supply chain problem that you see on milk?

Roddy Child-Villiers

One of the reasons for the increase in the milk cost is supply issues, and this relates to the multi year drought in the southern hemisphere countries and also the fact that some countries have ceased to export milk, for example the USA.

So clearly there is a supply issue that's part of the reason for the costs going up as well as the fact that there is increased demand. We are not currently having problems of supply. But there is clearly a risk of that as the year develops.

One place where we're lucky is these milk districts in places like China and India and Pakistan where we are sourcing fresh milk, and that is obviously a help against that issue.

Questions on:	**Planned pricing actions for 2007** **Cost base of milk in 2006**

Patrick Schwendimann, Zurich Kantonal Bank

I have a question regarding your pricing actions. Could you give us some more flavour of what pricing actions are planned and what we should expect for the whole year? We had in Q1 1.7% price inflation; should we expect over 2% for the whole year. Could you also give us some flavour for the regions, America, Asia and Europe? And secondly you were mentioning that the milk costs will increase by 1.5 billion Swiss francs what was the cost base in 2006?

Roddy Child-Villiers

At the risk of stating the obvious the pricing strategy will obviously be to drive them up. I'm not going to be able to give you a number either for the zone or group impact on pricing. But we are talking, particularly in milk, significant double-digit price increases. And one of the reasons why we're being relatively cautious on our organic growth target, despite having started the year above 7%, is because we simply don't know if we are taking ten, twenty, thirty percent price increases in some products. We simply don’t know the impact on volumes. And that's why we're slightly cautious on the overall organic growth number and expect it to come down.

In terms of the cost base for milk, it was around four and a half billion last year, so it's going up quite significantly, with another one and a half billion of additional costs.

Patrick Schwendimann, Zurich Kantonal Bank

So a six billion total right?

Roddy Child-Villiers

Yes, around there.

Questions on:	US PetCare market and impact of product recall Working capital improvements link to GLOBE

John Cox, Kepler Equities

I have a couple of questions. The first one is I just wonder if you could just give us an update on the US PetCare market and the impact of the wide spread products recall there? And maybe a bit of colour about what is actually going on with regards to any litigation coming through the pipeline and the whole sourcing question?

Secondly we've just mentioned about GLOBE and I'm just wondering if some of maybe the working capital improvements that you guys have hinted at with the rollout of GLOBE are starting to trickle through at the moment? Or is it still too early to start factoring in working capital improvements in the first half of the year? Thanks very much.

Roddy Child-Villiers

PetCare seems to be a favourite subject of yours. So far the impact on our business of the recall has been s been zero. We achieved double digit growth in PetCare in the first quarter in North America. We removed two products from the shelves, which together were less than 1% of our North American PetCare sales. There are other branded and non-branded companies that were much more significantly hit. And there's also been quite a lot of shelf space made available which was out of those more affected products being removed from the shelves.

So in terms of our business we've not seen any negative impact. Our factories are running pretty much at full capacity so we can't take perhaps full advantage of the freed up shelf space, but we're doing out best to do what we can.

In terms of litigation, I'm not aware that there is any litigation. This issue is more an issue for cats than dogs. And the two products that we withdrew were actually dog products, not cat products. And my understanding is that less than 20 animals have died and amongst them only one dog; I think all the rest were cats. And in any event if anybody wishes to pursue litigation against any of the companies involved, they need to be able to prove several different factors before they can take things forward in terms of the fact that they were actually eating these products. But that's the situation.

On GLOBE I'm not going to go into a working capital debate on the first quarter. What I can tell you though is that - obviously we saw good improvements last year in working capital, this year we've continued the same reporting process as last year but we've also put working capital into the variable remuneration of the market heads. So there's an additional incentive there for us to continue to improve working cap.

Questions on:	Milk price increase and its effect on Q1 results Strong pricing in Confectionery in Q1

James Amoroso, Helvea

I've got some questions on milk, strangely enough. Is the increase from Nestlé's perspective something structural or is this a transitory blip? That's one question on the

milk. And also to what extent are any price increases reflected in the Q1? I'm presuming it's mainly to come. And on Confectionery I'm also assuming that you've not had yet price increase impact from the US increases. And if that's the case then what's the reason for the quite strong pricing that you've had in Confectionery in Q1?

Roddy Child-Villiers

I think it's clear that the cost increases are to an extent structural. It's not to say that they are going to stay at this level forever. But we think they are going to stay at higher levels than they've been historically.

The pricing in milk has not been greatly reflected in the first quarter there's a lot more to come.

In Confectionery I don't have the geographic breakdown of the pricing. But we were up against a pretty low comparison on pricing the first quarter last year. Cocoa prices have started to increase more recently so there might have been a bit of pricing taken against that but I'm not aware that there has been. I think it's probably more to do with the low comparison.

Questions on:	**Ability to price in Europe and margins** **Restructuring costs**

Mark Lynch, Goldman Sachs

Just looking at the breakdown on pricing, you've highlighted a very distinct difference in pricing in Europe versus the rest of the world and Americas. And I think you commented that the price pressure was less in Europe than elsewhere. But the difference does seem very marked and it is also a reflection of - as we've seen in the past - the more limited ability to get prices through? You made some comments on margins on the milk business, would you also comment on Europe margins in terms of greater pressure there given the comments I've just made on pricing?

Roddy Child-Villiers

Yes, pricing in Europe is obviously much lower and I think there are a couple of things to say on that. First of all certainly in the first quarter there were less categories in Europe affected by the cost increases than elsewhere. Soluble coffee is obviously the stand out that would have been affected.

I think also you know we had approaching 2% pricing in the first quarter of last year in Europe. So again there's a fairly tough comparison we're up against from last year, albeit that that trended down.

Also and we've been saying this for quite a long time now the European zone has been very focused on trying to drive growth into the business. And they see that the only way for them to improve margin sustainably is through achieving growth and they've been successful in doing that with 1.6% RIG again you know continuing the improving trend from last year. So you know I think that's part of what they're trying to do.

On the margin side, as you know, we saw an improving trend in the margin in the second half of last year. And the zone is hoping for that trend to continue, not necessarily at the same rate but at least that trend to continue. And clearly what they're doing is focusing very heavily on the cost side of the business.

Mark Lynch, Goldman Sachs

Okay and the second question, if I may. You just mentioned they're restructuring and you talked about the need to take cost out of the business to offset some of the pressures. Do you think we will see that coming through in terms of the restructuring charge on the P&L being above average this year?

Roddy Child-Villiers

No, I don't think it's necessarily restructuring; it's just focusing much more on the cost side of the business. And the major restructuring in Europe was the Confectionery one that we talked about last year. Otherwise it's just you know Operation Excellence and all that stuff. You know just focusing on efficiencies.

Question on:	**Performances of North and Latin America**

Arnaud Langlois, JP Morgan

Some of my questions have been answered but just one more on the Americas. Could you give us a breakdown in terms of like for like sales growth between North America and Latin America? Or give us more colour on the performance of the two regions?

Roddy Child-Villiers

Well they are both doing very well. North America, USA and Canada is slightly below the zone average of 7.2% and Latin America and the Caribbean are slightly above. In North America we're seeing much the same trends as we saw last year, that is the US performing very well, Purina PetCare also performing very strongly, albeit that it had a relatively soft first quarter last year. Dreyer's continuing to focus on a good balance between top line and bottom line so slower growth than the double digit growth that we used to see, but nonetheless - as I said in my speech - achieving market share gains.

In Latin America and the Caribbean all the markets are doing well either in high single digit or double digit organic growth. Clearly there is a stronger pricing element in Latin America and the Caribbean than in North America; it's a good 200 basis points higher in Latin America than in North America. But that's exactly in line with what I was saying about where the cost pressures are hitting us.

Questions on:	**Raw material cost pressure in 2007** **Improvements in Nutrition top line and its sustainability**

Alex Molloy, Credit Suisse

Two questions, the first one on raw materials again. In 2005 I think you said in your full year presentation that you'd had about 150 basis points of margin pressure from increases

in raw material costs. Would you say that 07 is looking to be around that number or higher or lower?

Roddy Child-Villiers

Well the milk cost alone is 150 basis points. So I think it's going to be higher, we're certainly looking higher at the moment.

Alex Molloy, Credit Suisse

The second question around Nutrition. Could you just elaborate on the improvement there, 10% organic growth for the first time, and also comment on why you think that may not be sustainable as I think you said earlier?

Roddy Child-Villiers

I think we were pleasantly surprised by the strength of the performance. As you know there's a slightly tougher comparison as the year goes on. We will have Jenny Craig coming in, in August but maybe that will help a little bit; it's a fast growth business. But the ten percent was a longer-term target rather than a short-term target. And also clearly going into next year we're going to have some pretty tough comparisons for next year's business to be up against as well.

So the message really is the ten and twenty targets, the ten percent organic growth, twenty percent margin from Nestlé Nutrition are longer-term targets and they remain longer-term targets. So we didn't want you thinking you've done it you're going to do it now forever. So I think a bit tougher this year then rather tougher in 2008 on the organic growth.

Questions on:	**Timing of price increases** **Milk costs** **Soluble Coffee prices**

Ian Kellett, Blue Oak Capital

On pricing, are you finding that you generally speaking put pricing up early given the indicators that you're getting on input prices, i.e. early meaning before the actual spike in costs is starting to hit your P&L? And secondly could you help us a little bit with that chart nine on milk prices, just to try and understand what's going on underneath the 2007 lines. I'm not quite sure whether it's the skim milk powder green line that's disappearing under the pink or what. But you've probably got some information that you can help us with. Because it looks rather that it's sweet butter milk powder that's heading up to sort of $5000 a tonne rather than skim milk powder.

Roddy Child-Villiers

Yes on your first question, for sure we try to price as early as we possibly can. And if that means we were able to price a little bit ahead of the impact hitting us, so much the better. That's part of what our hedging strategy where we can hedge is about, it's about having coverage across the period of time it takes us to price up with the retailers.

However, when you have pricing as dramatic as we're seeing in milk you simply can't do that. And that's really the issue that we're facing, is that we're going to lag these very significant increases. We need to play catch up. And even if you push through a ten percent price increase you're not catching up. So you know this is a challenge. And also, as I think you're aware, in some of these emerging markets the milk prices are government controlled. And so you need to go through a process of negotiation, which again slows down that ability to increase your prices.

Ian Kellett, Blue Oak Capital

And on soluble coffee have you, through the early part of Q1, been increasingly soluble coffee prices around Europe and other parts of the world, and chocolate prices?

Roddy Child-Villiers

Not significantly, no. On your second question I haven't got a colour copy of the slide in from of me I'm afraid. But if you look at it on the screen …

Ian Kellett, Blue Oak Capital

The sort of green line is disappearing under the pink and it looks as through the green line is coming to about 3000, I mean I suppose we can go and get this data for ourselves, but it seems to be the sweet buttermilk powder that's heading up to $5000 a tonne.

Roddy Child-Villiers

Well this is as you say it's all public data. But it's also all spot price stuff - and it's global markets. This is meant to be illustrative of what's going on in the market. It's not the cost to us, it's market price and so on and so forth. It's illustrating the trends; I don't think you need to get too buried in the minutiae of what's going on.

The fact is that in the last 12 months MSK (skimmed milk powder) has gone from $1800 to $4500 and that's a fact.

Ian Kellett, Blue Oak Capital

And skimmed milk powder is the main constituent of that four and a half billion Swiss franc cost for you from last year?

Roddy Child-Villiers

Yes

Ian Kellett, Blue Oak Capital

Sorry that's a question rather than a statement.

Roddy Child-Villiers

You're correct.

Question on:	Effects of forward purchasing and early Easter on Q1 results

Chris Wickham, MainFirst

Just two quick questions. One is if we just wanted to quantify the effect of people doing forward purchasing, can we just say that most of the recorded Q1 gain over and above the underlying or the guidance rate would be for those special effects? And secondly I was wondering if you could just quantify how strong the effect of the early Easter was on Confectionery? I mean how much of that as a portion of the 7.3% organic growth you had in the quarter was just to do with the timing of Easter?

Roddy Child-Villiers

The answer to your first question is no; and the answer to your second question is that I mean you can do the maths and it's about the Q1 2007 impact on sales of the Confectionery business it's about a 50 basis point benefit. But we would hope that wasn't just down to Easter. We would hope that there is also the fact that the Confectionery business is improving its performance. But you can do the maths yourself. You'll see there's about a 50 basis point impact on the growth number from Confectionery. But as I say that's hopefully not all just Easter.

Chris Wickham, MainFirst

But the 7.3% organic growth that you had in Chocolate, Confectionery and Biscuits?

Roddy Child-Villiers

Well if you look at last year's Q1 performance and this year's Q1 performance and you do the difference you get about 50 basis points on the group number.

Questions on:	Effect of input cost increases on margins Growth trends for billionaire brands

Xavier Croquez , Exane BNP Paribas

I have two questions the first one is a follow up and clarification on a previous question. The reference to 150 Bits of margin pressure in 2005 that was I remember I think net of pricing and I understood the 1.5 billion on milk was growth? So if you could just clarify that for me? And the second question is more on brands. The famous brands you showed us on a full year basis, I know it's only a quarter but can you give us kind of colour of what the growth trends were for these billionaire brands?

Roddy Child-Villiers

I'll do the second one first. The second one the answer is that generally the trends that you saw at the end of last year have continued into this year. The reason that we have not shown the chart is because we just don't think that the Q1 numbers on the brands are very representative of performance. And you get quite significant seasonal impacts. So for example, if we'd shown it, you would see the Nestlé Chocolate logo up very strongly, which is obviously a reflection of early Easter as against last year. And you would see

KitKat doing rather less well which is a reflection of Japan's seasonality around exams and all that sort of stuff. And KitKat has a very big - it's basically their prime season.

So you know we just thought it was not really very relevant at the first quarter but we will be showing it to you at the first half.

On your second question, you and Alex have got better memories than I have. But fundamentally you know all we're saying on this call is that if you have one and a half billion of incremental cost and you've got a hundred billion of sales, you know you can do the maths.

Now clearly we're going to be pricing, we're going to be doing other things to try and compensate that for sure.

Question on:	**Price increase in Nutrition**

Olivier Lebrun, Natexis.

I have a question about the pricing impact in the Nutrition division. Is the 3% price increase mainly due to the pressure on milk price or is it coming from other factors?

Roddy Child-Villiers

That's exactly what it is it's the milk impact.

Olivier Lebrun, Natexis

Mainly?

Roddy Child-Villiers

Well almost entirely, if not entirely.

Question on:	**Effect of forward purchasing on Q1**

James Amoroso, Helvea

I'm not sure whether the question has been asked in this way before, so forgive me if it's a repeat. But what's Nestlé's best feel for the impact in Q1 of the buying ahead of price increases?

Roddy Child-Villiers

We haven't got an estimate on that, James. But I mean you can see that we've got strong RIG numbers in Nutrition, in AOA, Latin America, so you know that's where it's coming from in part.

But you know it's very, very difficult for us to try and work that one out.

James Amoroso, Helvea

No, I appreciate that, it's even more difficult for us.

Roddy Child-Villiers

That's why it's so much fun!

Questions on:	**Margin expansion for 2007 and savings** **Percentage of input costs hedged.**

Warren Ackerman, Citigroup

I just wanted to go back to your comment that you were comfortable with 30 basis point margin expansion for the year, i.e. consensus despite the input costs. And it sounded like on the call the confidence was driven by the strong top line momentum that you've seen. That's quite specific guidance on margins so early in the year. I was just wondering at what point would you start to get concerned about the 30 basis points? I'm trying to get some idea about the sensitivity around that number.

Roddy Child-Villiers

Well we would start to get concerned about it if our internal forecasting was suggesting that we were going awry. But as we stand at the moment we are comfortable that we can do it; though as I say I think if you were to go back, as you guys generally do, and look at the minutiae of what we say you know we were saying on the Roadshows that we were comfortable with consensus and now we're saying we're comfortable with it, but it's going to be tough because of the increasing cost pressures that we face.

However because of the growth, because of the economies that we get from growth and that you saw last year when we had very strong volume growth, we believe we can get there. That and also - I mean I didn't mention it - but you know that we're still doing our Operation Excellence savings programme of a billion of savings targeted and other initiatives. And you know those all help us to compensate.

Warren Ackerman, Citigroup

I mean would you expect any incremental savings from the rollout of Shared Services for example?

Roddy Child-Villiers

Well you know it's a bit early for that to make a significant difference but there I mean - when we talk our savings targets they obviously include the various initiatives that we're running.

But I think we just didn't want you all to see the top line number and then get carried away on the bottom line number, because it's a very particular year with these cost pressures.

Warren Ackerman, Citigroup

The only I'd say, Roddy, I mean obviously you've been cautioning on input costs. I mean if you go back to 2006, I think the first quarter of 06 you were also cautioning on input costs and then obviously margins surprised on the up side at the half year stage. And I think you were cautioning in the second half of 06 and margin surprised on the up side at the full year stage. So it seems like yes input costs are going up but certainly through 2006 you've certainly had the power to offset those through improved cost savings. I mean would you say that's still the case for this year?

Roddy Child-Villiers

You're right we've been cautioning and we've been right to have been cautioning. I think one of the reasons we have been able to deliver is 'because we were very early on to this issue. We were the first in the industry to be out there saying to you guys it's going to be tough. And we were doing the right things in our business at that time to prepare ourselves for these challenges. And you know we're not just talking a tough story we're managing for a tough story. And I think that is still true today. But the message is that it's got tougher. And we need to continue to work hard at that.

Warren Ackerman, Citigroup

Paul Polman said at the full year stage that you were you know this time genuinely quite short of inputs. Could you give us some sort of perhaps aggregate number of what percentage - I know it's difficult to sort of work it out across the piece, but what percentage you would be hedged across your various inputs?

Roddy Child-Villiers

No I can't but I mean he was right. You know we have - we had good hedging in place and that was clearly a help. But as time as gone on the effectiveness of that has clearly been reduced.

Slide 13 – Closing words

Roddy Child-Villiers

Great; thank you very much for your questions - an interesting session.

Just to finish off I'd like to remind you that we remain committed to achieving the Nestlé model, strong organic growth of between five and six percent as well as a sustainable improvement in the EBIT margin, which we believe will lead to an improving return on invested capital. And we believe that we will be able to deliver the Nestlé model at least for the next ten years.

Thanks for your attention today and your support; good-bye

END OF SPEECH