

Nestlé Investor Seminar 2008



Creating Value
from Investment
in Science and
Technology

Werner Bauer
Chief Technology Officer

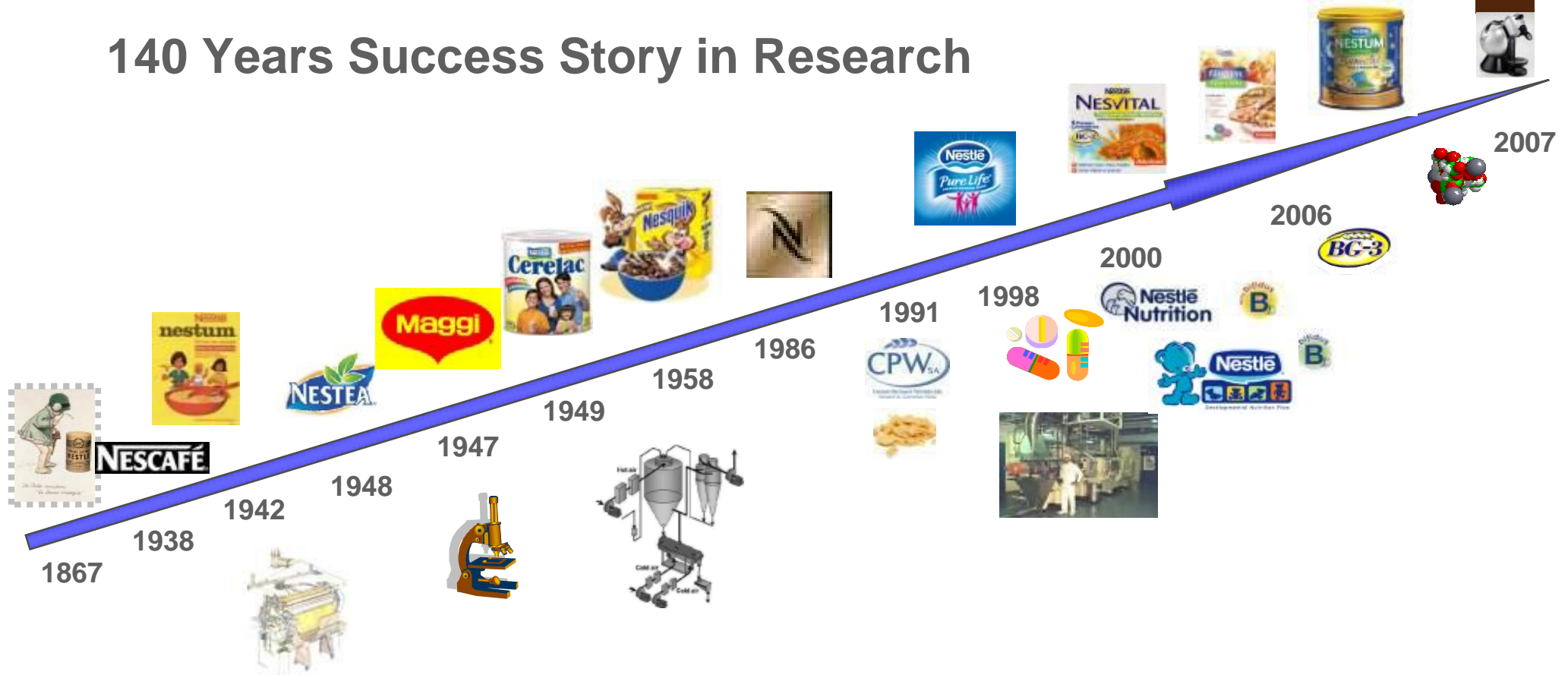
Disclaimer

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.

Our competitive advantage is our strong innovation heritage

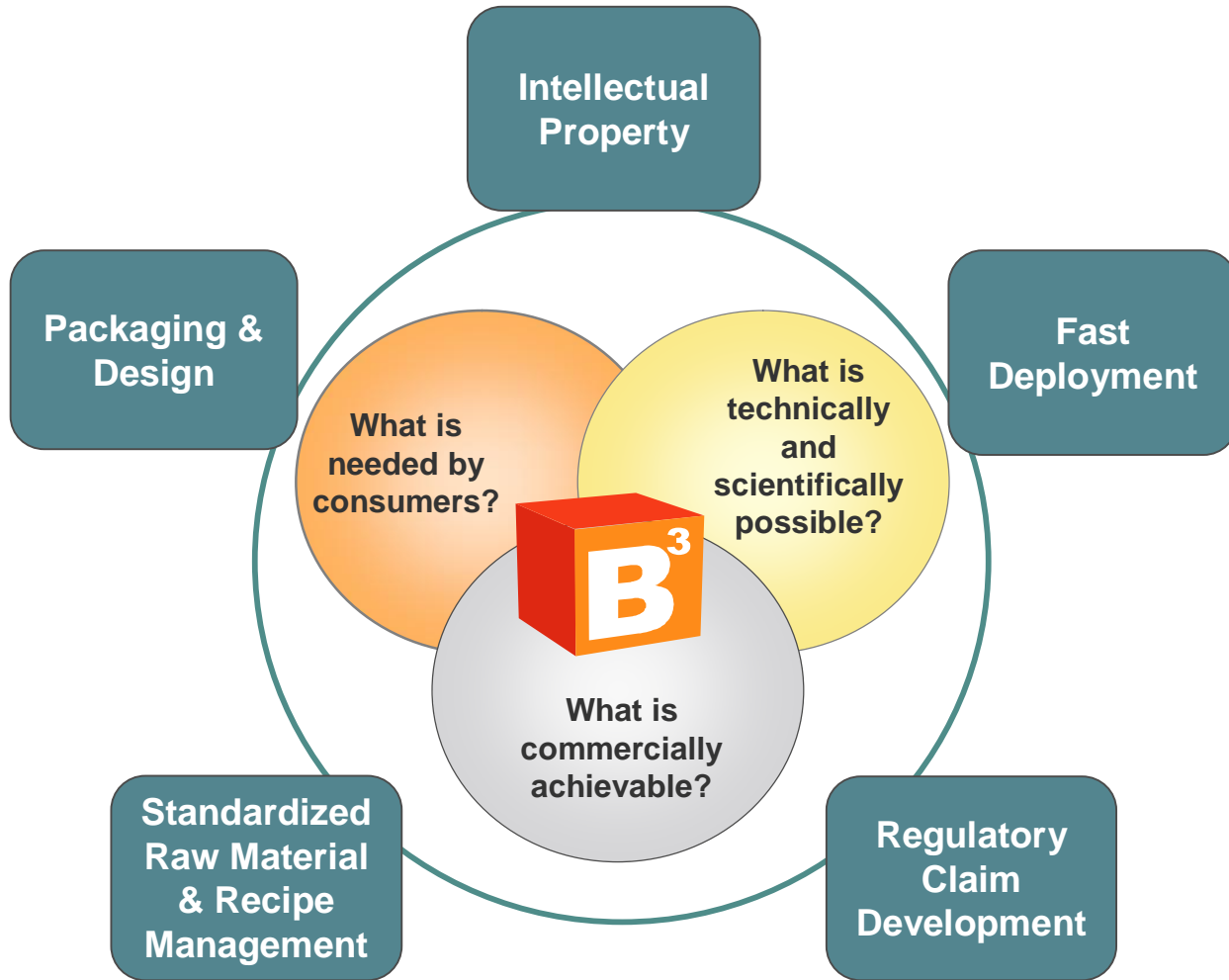


140 Years Success Story in Research



The world's leading Nutrition, Health and Wellness innovation network

Innovation is the driving force of the Nestlé business model



- 5-6% Organic Growth
- Sustainable increase in EBIT margin and ROIC

Bolder
initiatives

Bigger
opportunities

Better
execution

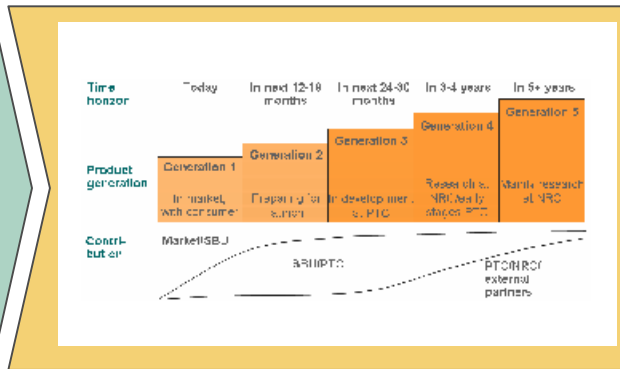
We drive innovations from consumer benefit platforms to fast deployment



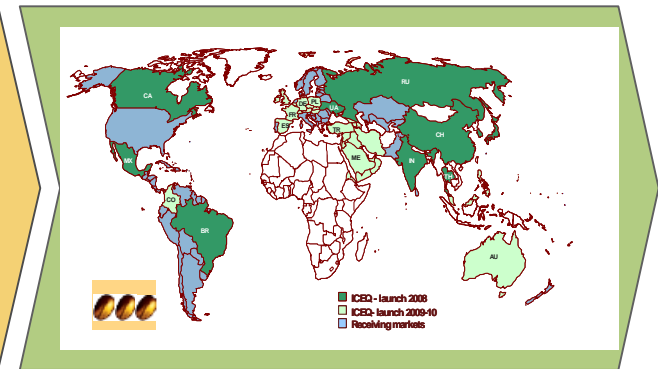
Consumer Benefit Platforms



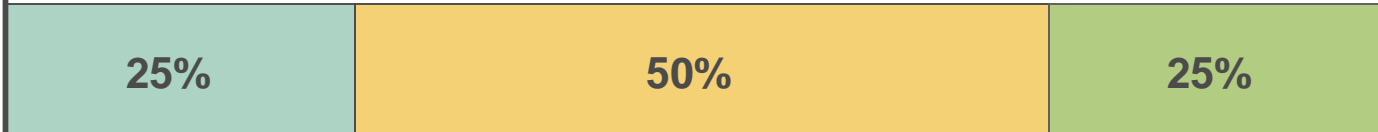
5-Generation Pipelines



Fast Deployment



Nestlé R&D resources



- Basic science and research
- Idea creation
- Conceptualization
- Competence building

- Product and process development

- Flawless industrialisation
- Fast deployment via the **Innovation Acceleration Team**

Consumer benefit platforms drive innovation for all businesses



Health

Protection



Skin Health & Beauty



Growth & Development



Weight Management



Performance



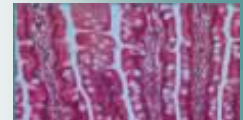
Healthy Recovery



Digestive Comfort



Healthy Ageing



Taste, Texture & Convenience

Consumer sensory & perception



Attractive product attributes



Quality & Safety

Product safety



Product compliance



Product consistency



Consumer benefit platforms leverage R&D across our businesses



Consumer benefit platforms leverage R&D across our businesses



Health

Protection



Skin Health &

Growth &

Weight

Optimizing the use of energy and body regeneration

Performance



HealthCare Nutrition

Balanced proteins, vitamins, minerals and Antioxidants for an energetic lifestyle

Performance Nutrition

A specialized carbohydrate blend for optimum and sustained energy delivery

Energy-releasing micronutrients

Water soluble B-vitamins, Vitamin C, Iron, Calcium, Magnesium, Phosphorus

Taste & Texture

Consumer performance

Quality & Safety

Product safety



C2-MAX



Consumer benefit platforms leverage R&D across our businesses



Health

<p>Protection</p>	<p>Skin Health & Beauty</p>	<p>Growth & Development</p>	<p>Weight Management</p>
<p>Performance</p>	<p>Healthy Recovery</p>	<p>Digestive Comfort</p>	<p>Healthy Ageing</p>

← Digestion is central to the quality of life →

Taste, Texture & Convenience

Functional infant cereals to help solve slight digestive disturbances



Gentle, highly digestible nutrition for cats and dogs with slight gastrointestinal disorders



A combination of soluble fibers, antioxidants and calcium that supports regularity and immune function and reduces bloating & discomfort



Quality & Safety

Consumer benefit platforms leverage R&D into JVs



Health

Protection

Skin Health & Beauty



Growth & Development

Weight Management

← Nourish skin and hair from the inside →

Skin Anti Ageing



**Lacto-lycopene
Vitamin C
Soy Isoflavone**

Hair Quality



**Taurine
Catechins
Zinc**

Skin Balance



**Omega 3 & 6
Vitamins C & E
Lacto-lycopene**

UV Protection



**Skin probiotic (La1)
β-carotene
Lycopene**

Cellulite treatment



**Calcium
Green tea extract
Glucosamine
Pine bark extract**

TODAY

From Nestlé and L'Oréal proprietary research

Taste, Texture & Convenience

Quality & Safety

Health benefit platforms lead to new product generation

Health

Protection



Skin Health & Beauty



Growth & Development

Weight Management

Performance



Healthy Recovery



Health Care Nutrition

Clinutren Protect: First product to decrease side effects of chemo/radiotherapy:

- erosive and ulcerative lesions of oral and intestinal mucosa (Mucositis)



Taste, Texture & Convenience

Consumer sensory & perception



Quality & Safety

Product safety



Product compliance

Weight management platform leverages R&D into different business solutions



Health

Protection

Skin Health &

Growth &

Weight Management



Science-based concepts

Services

Dairy

Long-lasting satiety through a low-fat drinking yoghurt enriched with high amount of fibres



Beverage Partners Worldwide (BPW)

A low-calorie drink with green tea extract and caffeine to increase energy expenditure



Personalized nutrition concepts for overweight consumers based on personal advisory services addressing food, body and mind

R&D activities in packaging as a key driver to deliver attractive product attributes

Health

Consumer acceptance



- Icon jar Australia
+12% in premium coffee



- MÖVENPICK sales increase
+11% in CH
+30% international

Sustainability



- 0.5l water bottle in USA (Q4 2007)
Estimated reduction in 2008: 4'400 tns
Production: 25% less energy

Growth & Development



Weight Management



Restive Comfort



Healthy Ageing



Attractive product attributes



Taste & Quality

Quality & Safety

Product consistency



Product safety platform leverages R&D for all our businesses



Health

Protection



Performance



Skin Health &



Growth &

Weight

- ü **850 analytical standards** developed
- ü Our standards are used in our factories
 - ... **200'000 times per day** for product release
 - ... **10'000 times per day** to monitor materials and products

Taste, Texture & Convenience

Co
se
pe



Science helps to develop

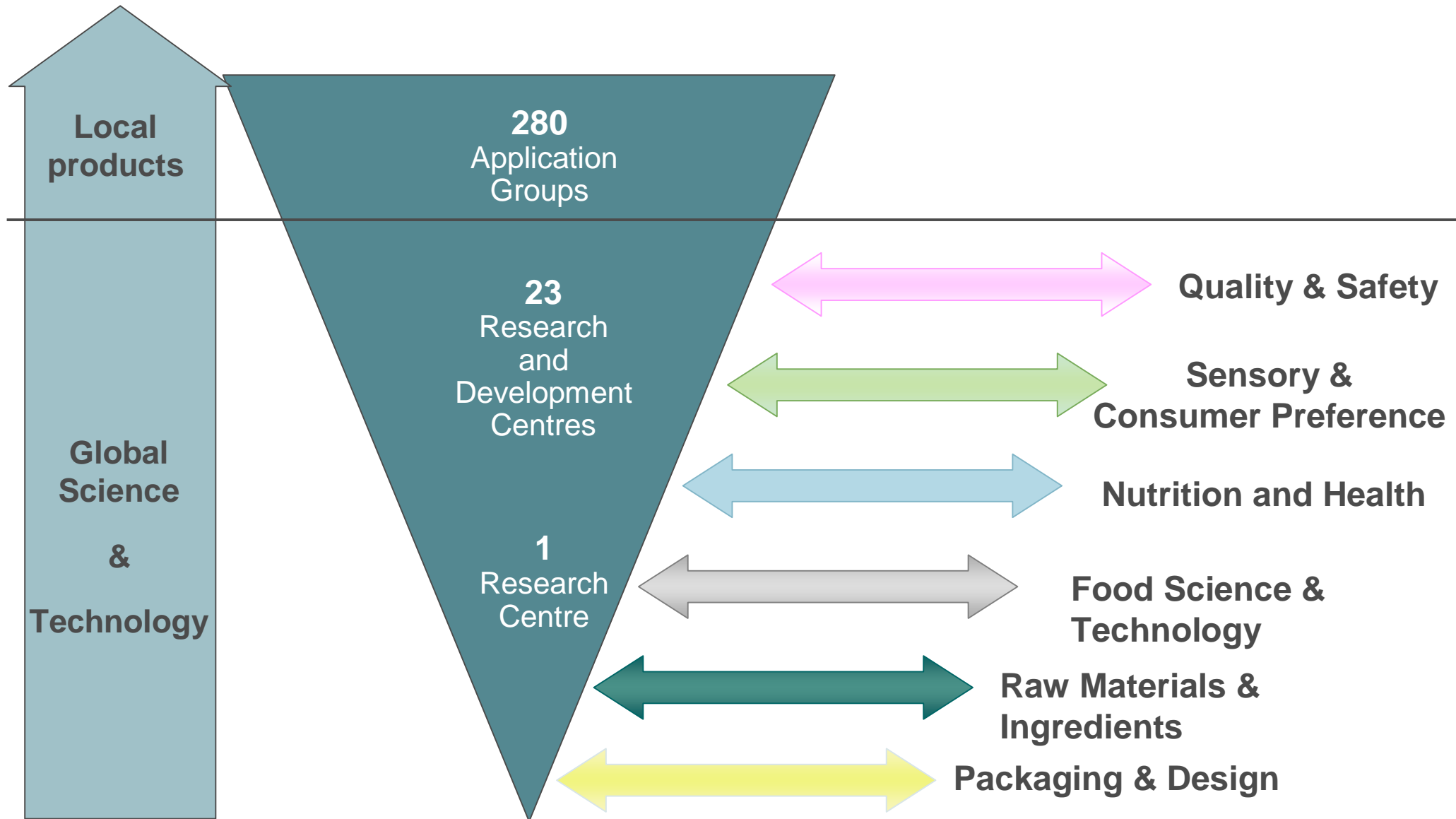
- faster release methods
- multiscreening methods: e.g. 300 pesticides in one test

Quality & Safety

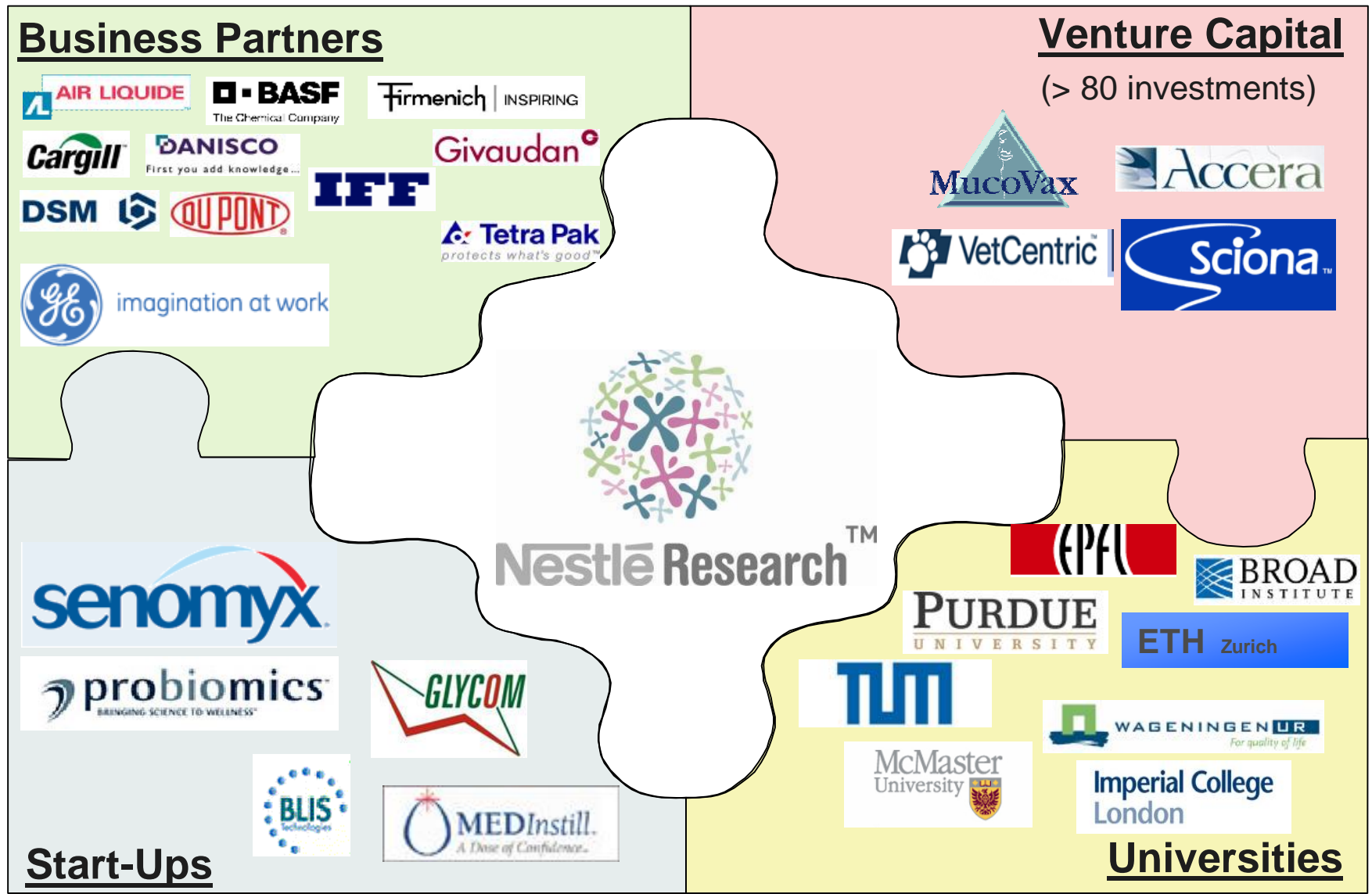
Product safety



We build our core technologies via expert networks across all our business categories



The Nestlé Innovation Network



The Nestlé Innovation Network



Business Partners



Nestlé Research and GE collaborate to explore new frontiers in diagnostics for health and nutrition

May 2008



Venture Capital

(> 80 investments)



Nestlé Research has formed an alliance with the brain mind institute of EPFL in the area of brain development and brain deterioration

May 2006



Start-Ups



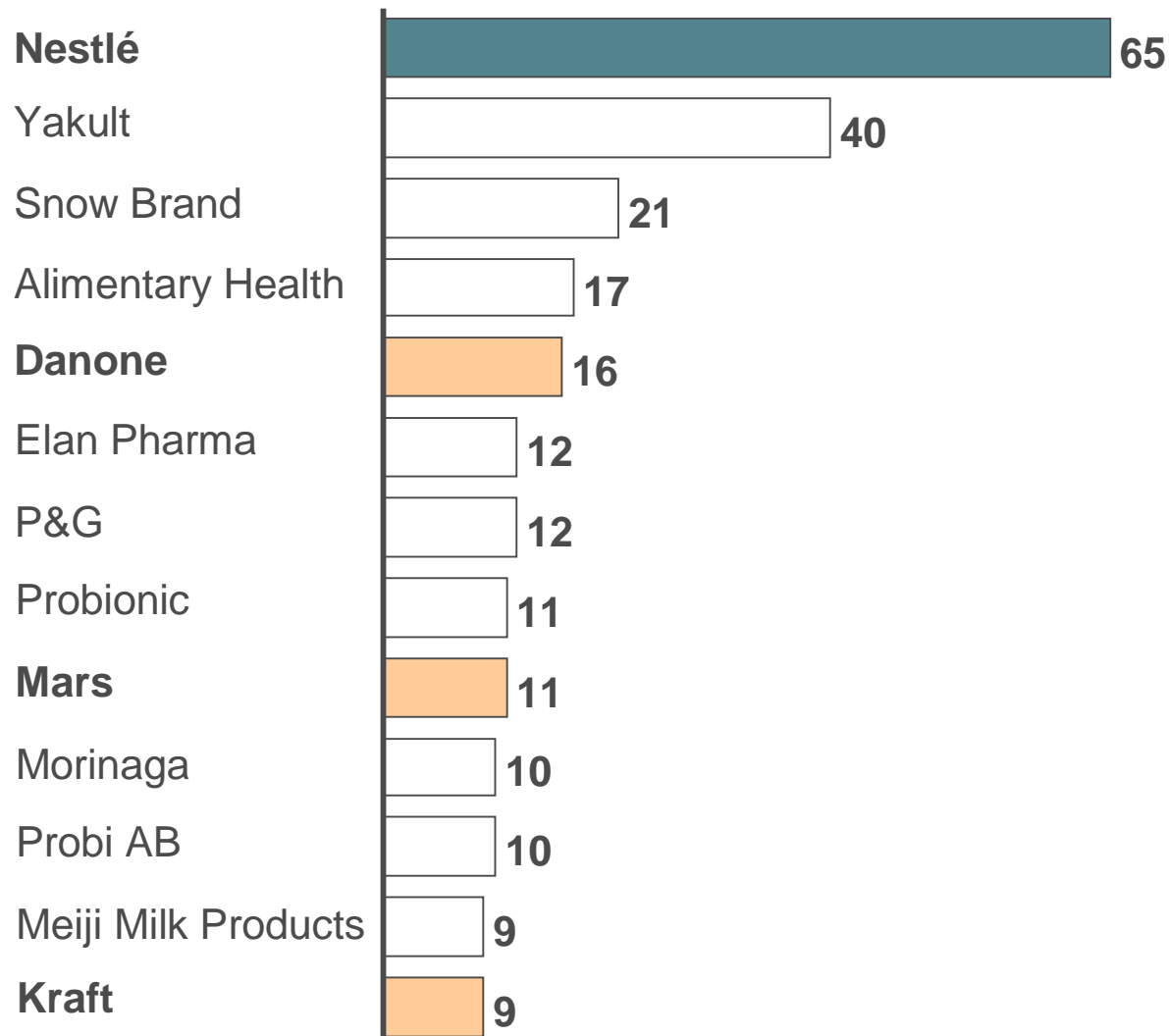
Universities



Patent Fortresses protect our core technologies

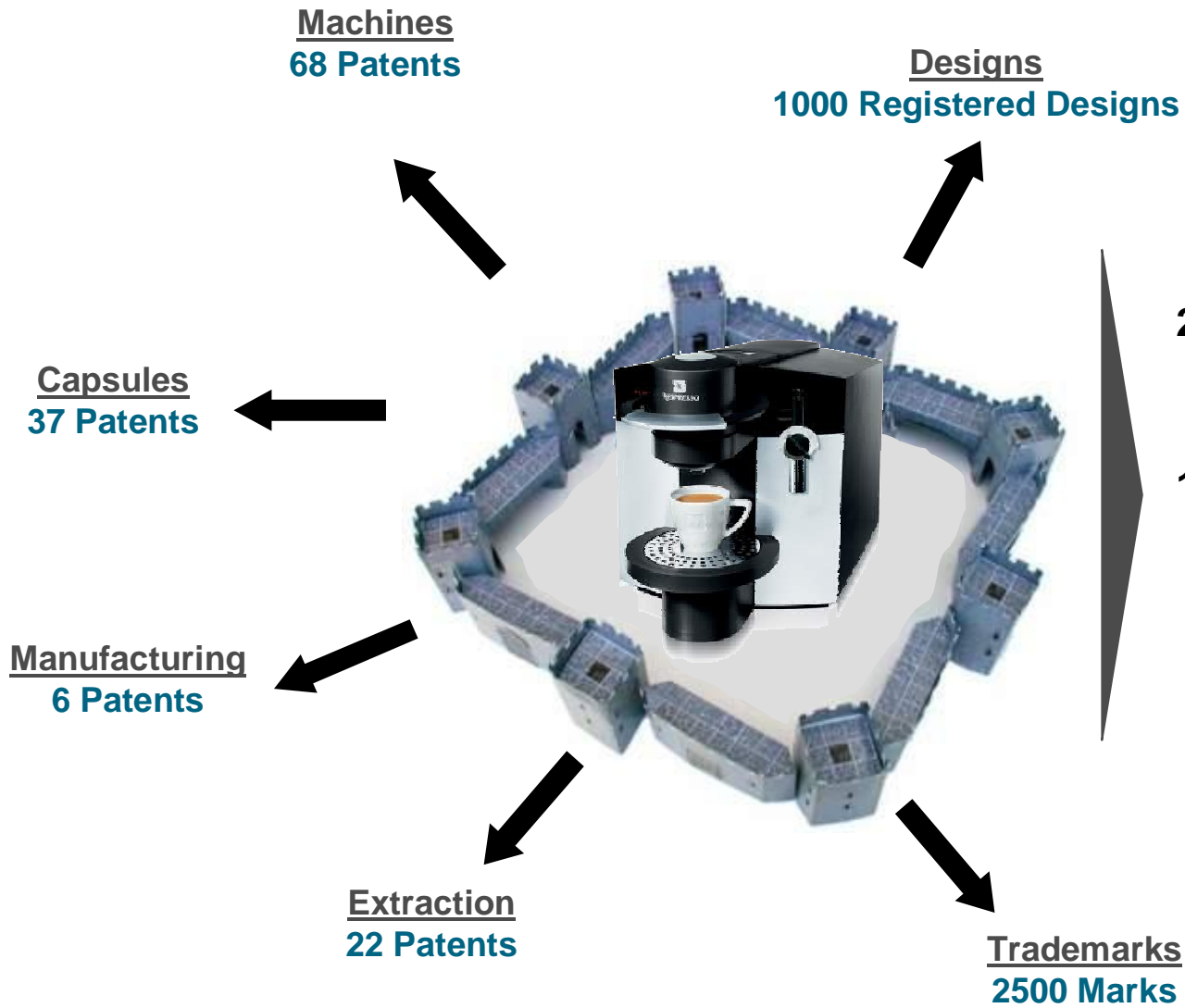


Published probiotics related patents 2000-2005 *

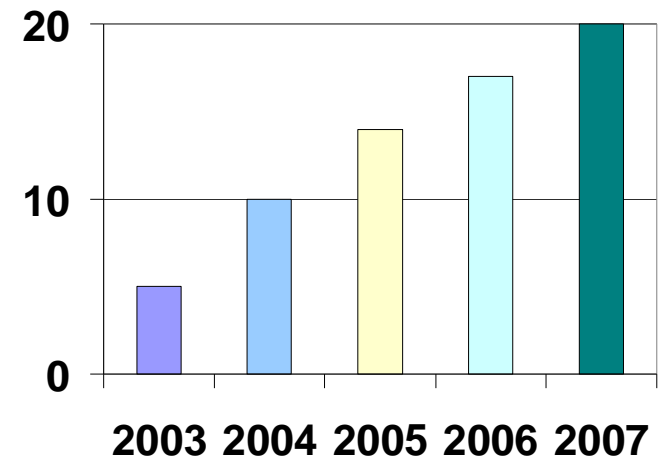


* - Extracted from Derwent worldwide patent database (includes Japan)

NESPRESSO Fortress with 105 patent families



NESPRESSO Patenting Activity



Increasing regulatory support for claims development



Since 2005:

- **Doubled** number of clinical trials
- **Doubled** number of projects with **Regulatory Affairs involvement**
- **Doubled** number of projects with **health claims**
- **Tripled** number of **Regulatory dossiers**

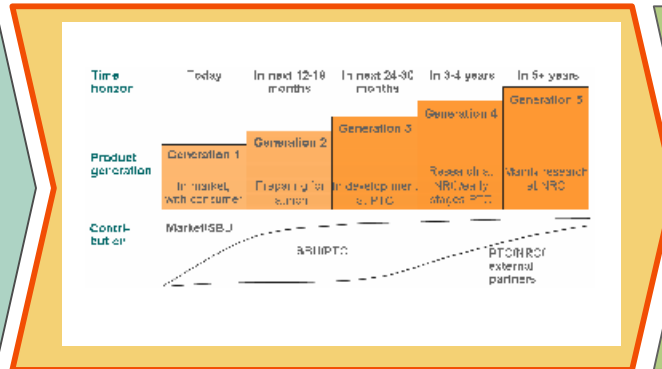
We drive innovations from consumer benefit platforms to market deployment



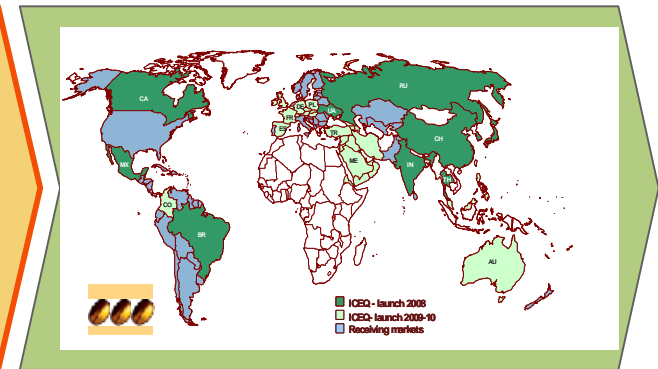
Consumer Benefit Platforms



5-Generation Pipelines



Fast Deployment



Nestlé R&D resources

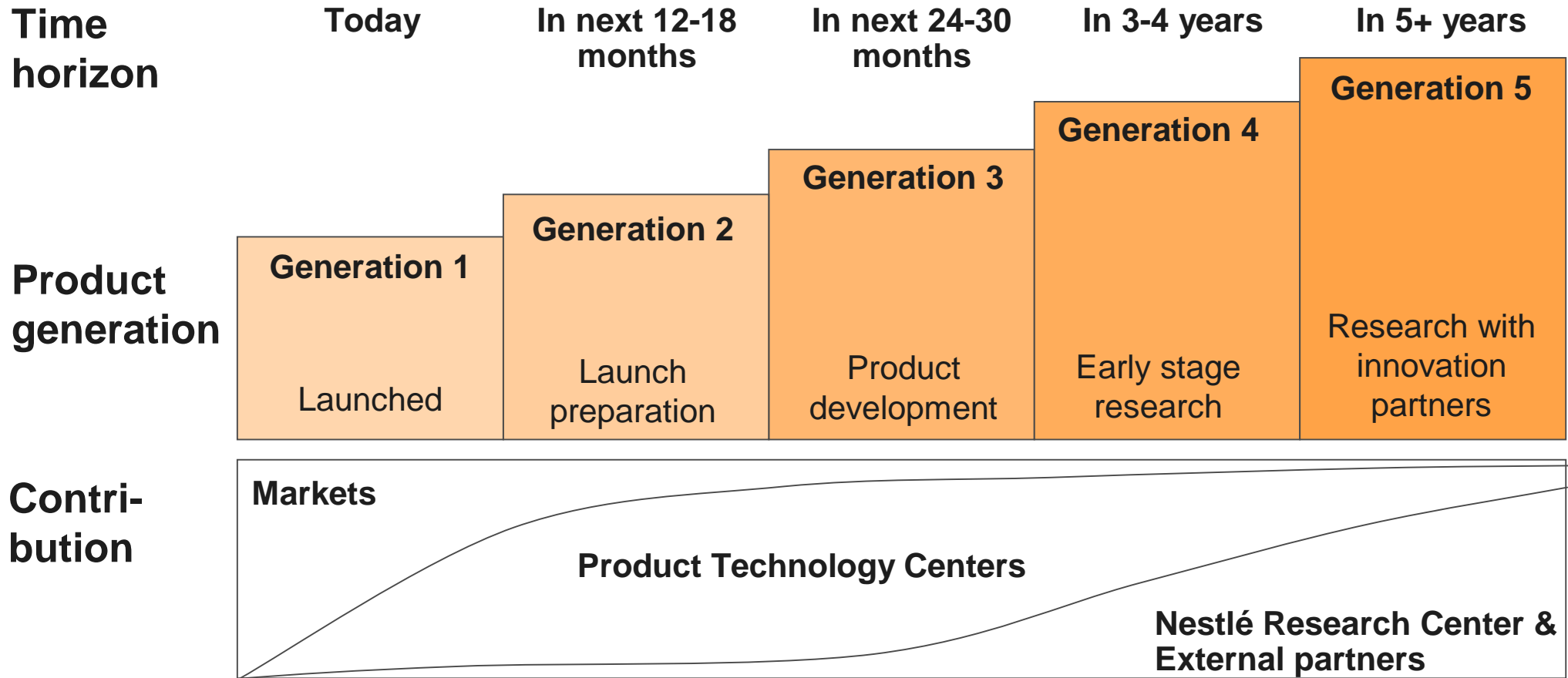


- Basic science and research
- Idea creation
- Conceptualization
- Competence building

- Product and process development

- Flawless industrialisation
- Fast deployment via the **Innovation Acceleration Team**

The "5-Generation" innovation pipeline continuously fed by R&D



Innovation pipelines are applied to all businesses

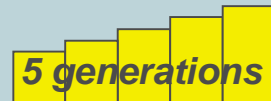


Global I&R pipeline

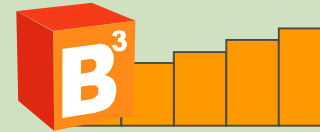
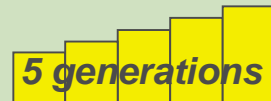
I&R pipeline aligned in cluster

Example

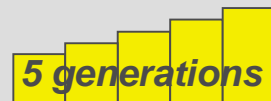
Clusters



Regional



Global



5-Generation pipelines are developed for all business models

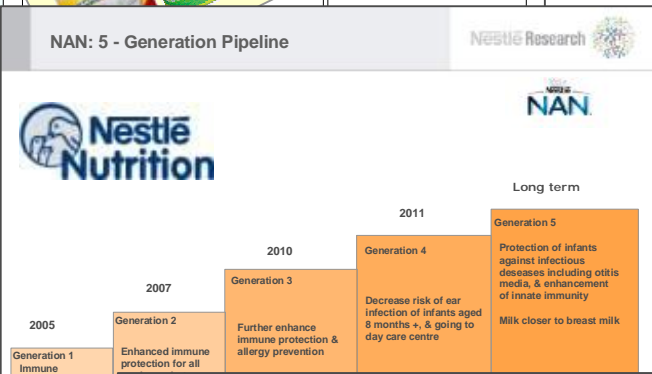


NIDO: 5 - Generation Pipeline

Benefit Platform	Gen 1 2004	Gen 2 2006	Gen 3 2008	Gen 5 2014
Consumer Benefit	Healthy digestive system	Strengthened child's natural defenses		
Product Attribute	PREBIO 1 soluble fibers			(inactivated) + ... under
R&D strategy PTC				Improvement of
NRC			Project MCA Project Ghost	Future routes via new clinical trials
IP strategy				

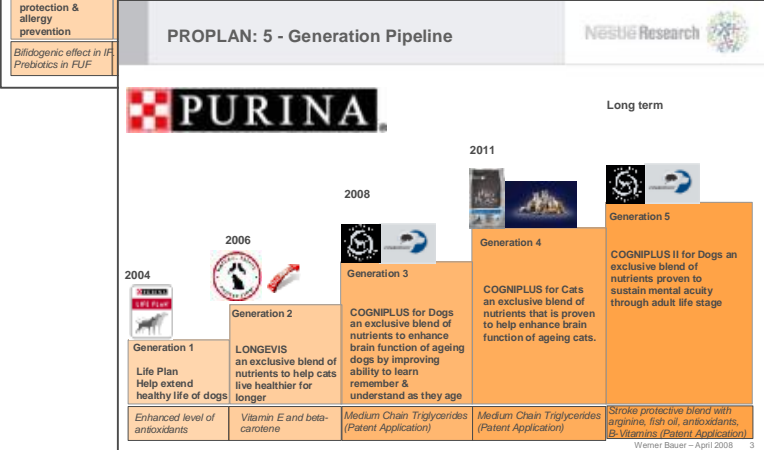
Consumer benefit

Nurturing – aspirational maternal love



Consumer benefit

Mothers want the best possible protection for their babies



Consumer need

Security and optimism for a long and rich life together

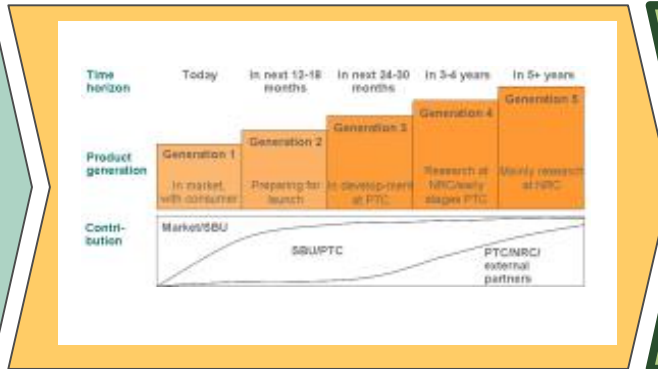
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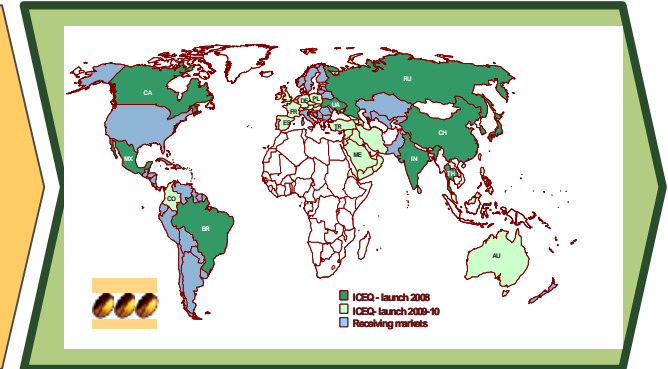
Consumer Benefit Platforms



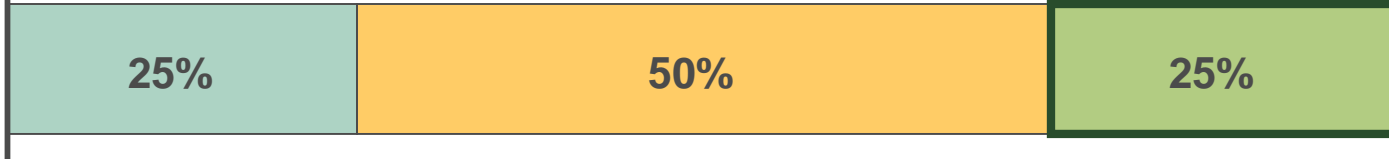
5-Generation Pipelines



Fast Deployment



Nestlé R&D resources



- Basic science and research
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- Product and process development

- Flawless industrialisation
- Fast deployment via the **Innovation Acceleration Team**

Innovation Acceleration Teams support top priority multi-market launches



Multi-discipline, multi-cultural, mobile teams:

- Accelerate roll-out of top priority multi-market innovations
- Ensure flawless execution
- Link global strategies to local deployment
- Transfer innovation insights
- Support local recruitment strategies and staff training



Baby Nutrition: Multi-market innovation and deployment

From emulating
home-made



To science-based
baby nutrition

- ... optimal development of body, mind & immune system
- ... superior natural taste
- ... convenient modern bowl



Roll-out phase in 2008:

- France
- Spain



IAT

innovation acceleration team

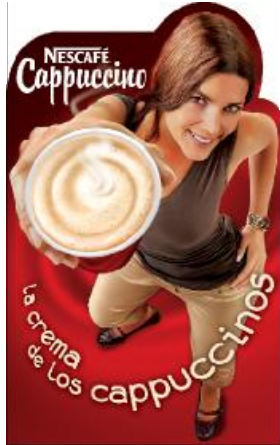
Leveraging Clusters to accelerate deployment – Nestlé Professional



Aligned roll-out

- 12 countries
- One business model
- One factory in Chile

Nestlé Professional created with NESCAFÉ the “Cappuccino” consumption moment in Latin America



2007
270 mio cups
CHF 95 mio Sales



■ Markets launched

Leveraging Clusters to accelerate innovations – NIDO



2007 Results:
Sales + 18%



2006-07: AOA



2008-09: AMS



Leveraging Clusters to accelerate innovations – DOLCE GUSTO



Launch 06

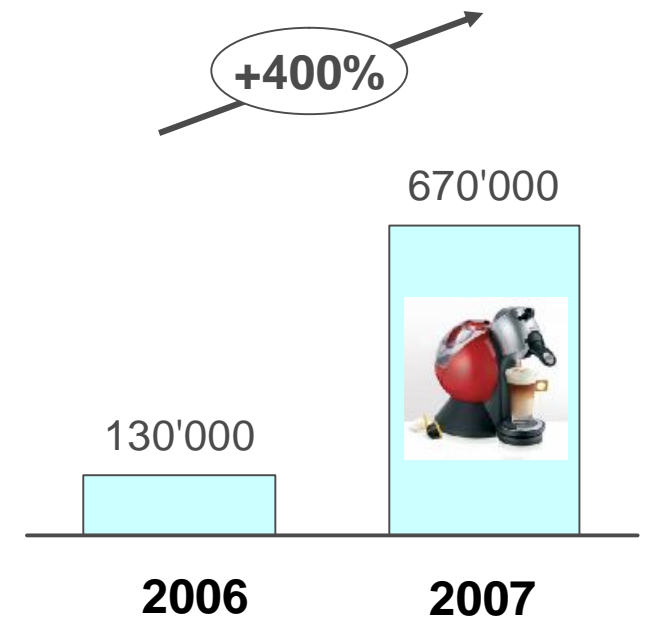
- Germany
- UK
- Switzerland



Roll-out 07

- France
- Spain
- Portugal
- Italy
- Austria
- Czech Republic
- Slovakia
- Japan

Sold machines



I) Projects aligned with consumer benefits

II) Category enhancing financials

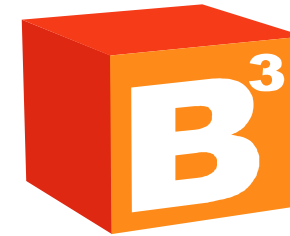
- Margin enhancing
- Maximum return on R&D investment
- Short payback period

III) Thorough project risk assessment

Bolder
initiatives

Bigger
opportunities

Better
execution



For sustainable
profitable growth

Nestlé Investor Seminar 2008

