

2009 Full Year Results



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James Singh
Chief Financial Officer



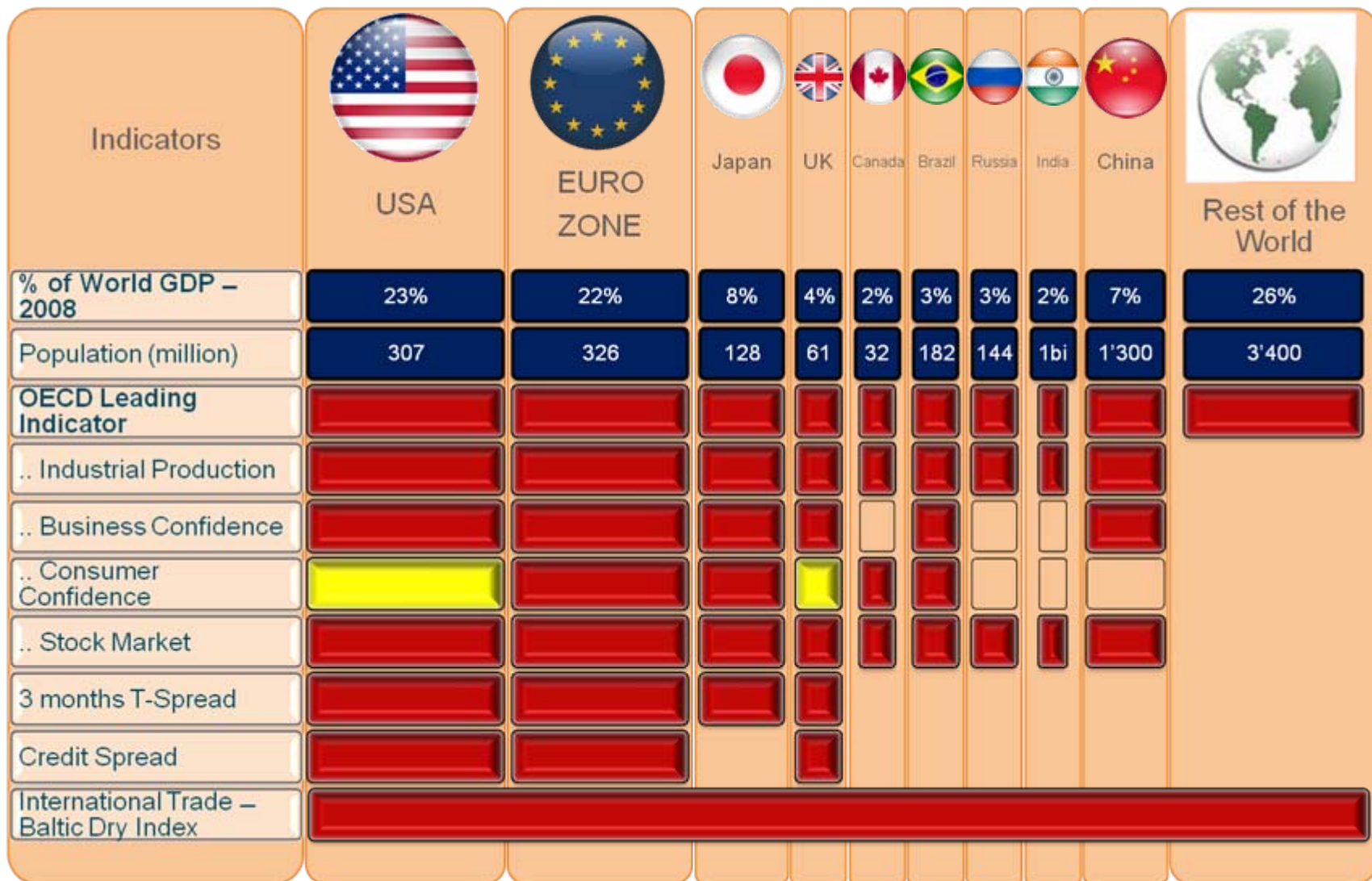
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This presentation contains forward looking statements which reflect Management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained 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

- **2009 Business Environment**
- **How we managed the business in 2009**
- **What we achieved in 2009**
- **2010 Business Environment**
- **Making progress in 2010**
- **M&A update**
- **Use of cash**

The Economic Dashboard as it looked going into 2009



Six Levers to Manage Downsides & Exploit Upsides

Managing the downsides

Market uncertainty

Access to capital

Sales volume and prices under pressure

Exploiting the upsides

Gaining market shares

Leverage market opportunities

Protect financial performance

Optimise business performance

Drive profitable growth

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SCENARIO PLANNING

Improved forecast accuracy
Manage risks to targets
Revisit major expenditures

CAPITAL DISCIPLINE

Tight cash flow management
Reduce trade net working capital
Maintain high credit quality

OPERATIONAL EXCELLENCE

NCE
Drive customer improvement
SKU reduction
Overhead growth below OG
Manage input cost volatility

PRODUCT OPTIMISATION

Accelerate: I&R process 60/40+ PPP
Consumer value-added: Premiumisation

R&D EXCELLENCE & MARKETING EFFECTIVENESS

Maximise marketing effectiveness – improve competitiveness
Enhance Consumer Comms with nutritional messaging

PORTFOLIO ENHANCEMENT

Geographic Product & Category
Optimise Product offering
Eliminate worst loss Makers
Bolt-on M&A

Protect financial performance

Optimise business performance

Drive profitable growth

2009 Full Year Highlights

- **4.1% OG outperformed industry: again an excellent broad-based performance building on momentum throughout the year**
- **EBIT margin increased 40 basis points (CC) whilst increasing investment in growth**
- **Nestlé Continuous Excellence: over CHF 1.5 billion efficiencies**
- **In an uncertain economic environment we propose a:
Dividend increase of 14.3% to CHF 1.60 per share
Dividend pay-out ratio up from 49.6% to 51.8% of underlying EPS
Dividend yield of 3.2% on 31.12.09 share price**
- **CHF 10 billion share buy-back in 2010
In the period 2005-'09 returned CHF 44 billion to shareholders through dividend and share buy-back**
- **Credit rating remains "Gold Standard" in the industry**

Total Performance Framework

DRIVING PERFORMANCE

- ▶ Organic Growth 4.1%; F&B 3.9%
- ▶ PPP: CHF 8.8 bn (OG +12.7%)
- ▶ Growth with Top Ten Customers
- ▶ Admin Costs: +30 bps (Pensions, FX)
- ▶ Net Trade Working Capital: -30 bps
- ▶ EBIT: Group and F&B up 40 bps CC
- ▶ Underlying EPS up 16.3% CC

ACHIEVING SIMPLICITY

- ▶ Divested businesses, annualised sales > CHF 0.8 bn
- ▶ SKU Rationalisation: reduced by -16%
- ▶ Factories: -7 from 456 to 449
- ▶ Legal entities: reduced by -4%

Total Performance Framework

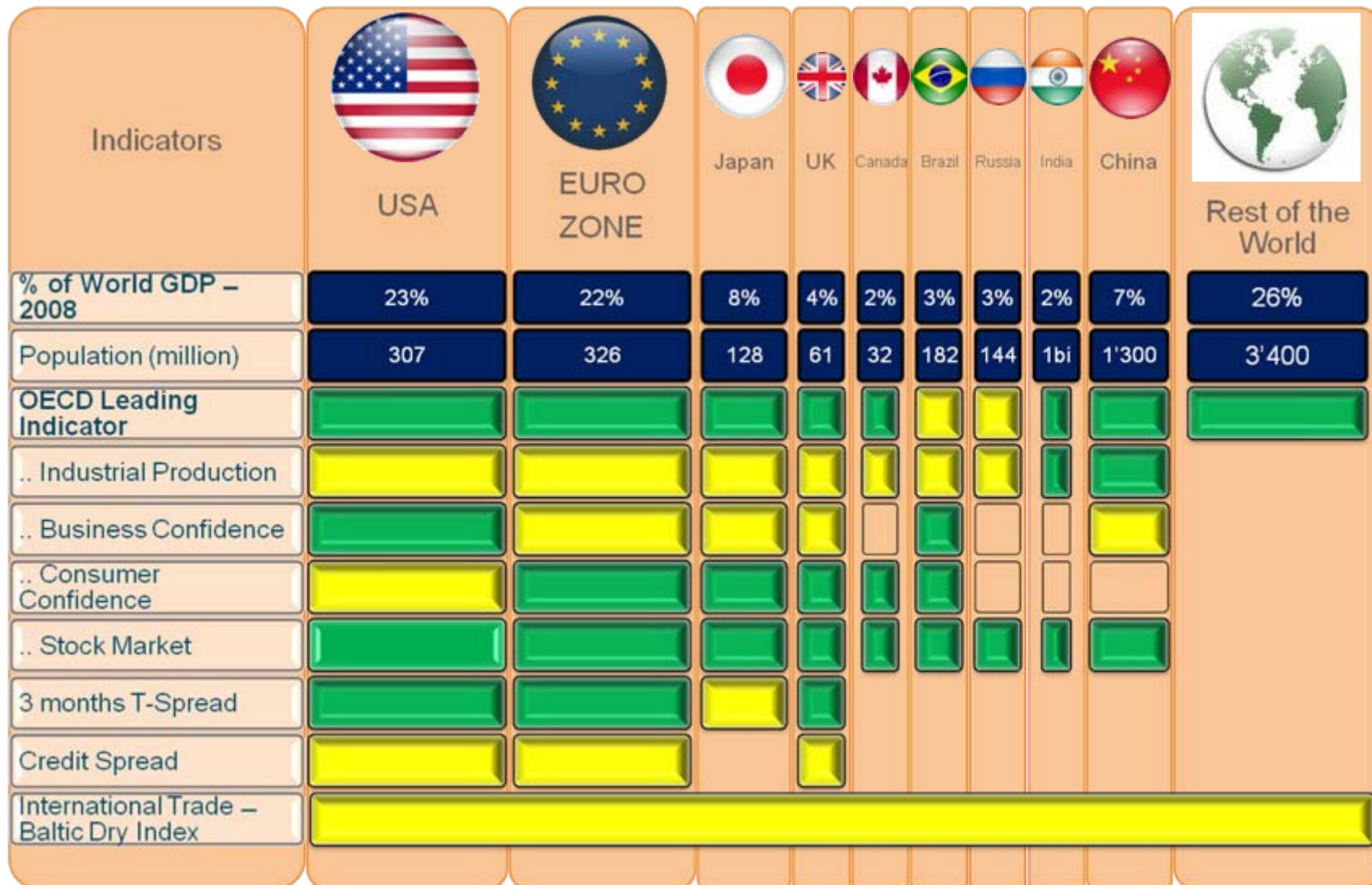
SCALE BENEFITS

- ▶ GLOBE enabling efficiencies, transparency, accelerated decision-making
- ▶ GNBS: significant improvements in Employee, Financial and Facilities Services. Strong contribution from Procurement
- ▶ NCE: driving operational performance along the value chain: Operational Efficiencies: CHF 1.5 bn

INVESTMENT FOR GROWTH

- ▶ Acquisitions of businesses with annualised sales > CHF 2.3 bn inc. Kraft Pizza
- ▶ Capital Expenditure: CHF 4.6 bn / 4.3%
- ▶ R&D expenses: CHF 2.0 bn / F&B. CHF 1.3 bn
- ▶ Consumer facing marketing: +10.1% constant currencies

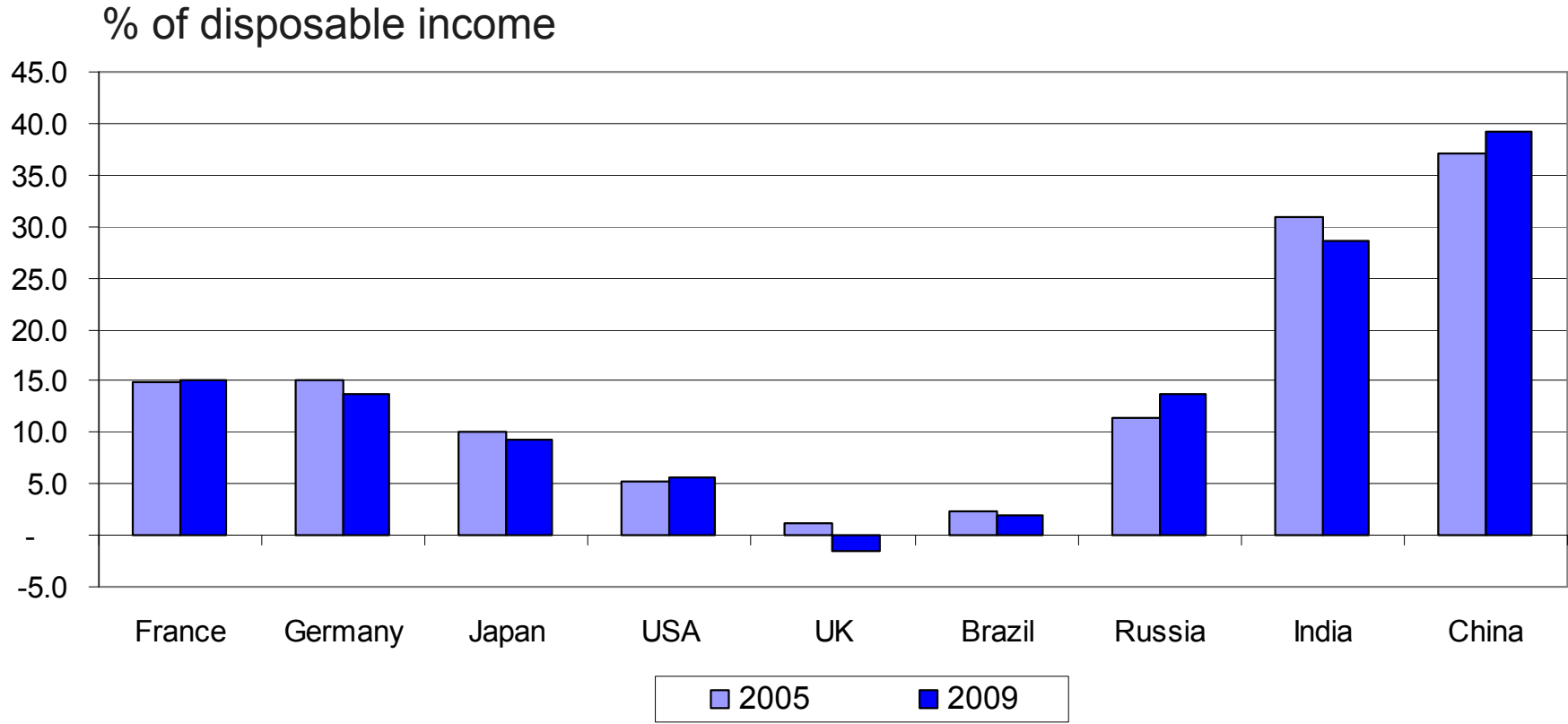
The Economic Dashboard at year-end 2009: composite leading indicators show signs of improvement in most OECD countries



Big Government at centre stage

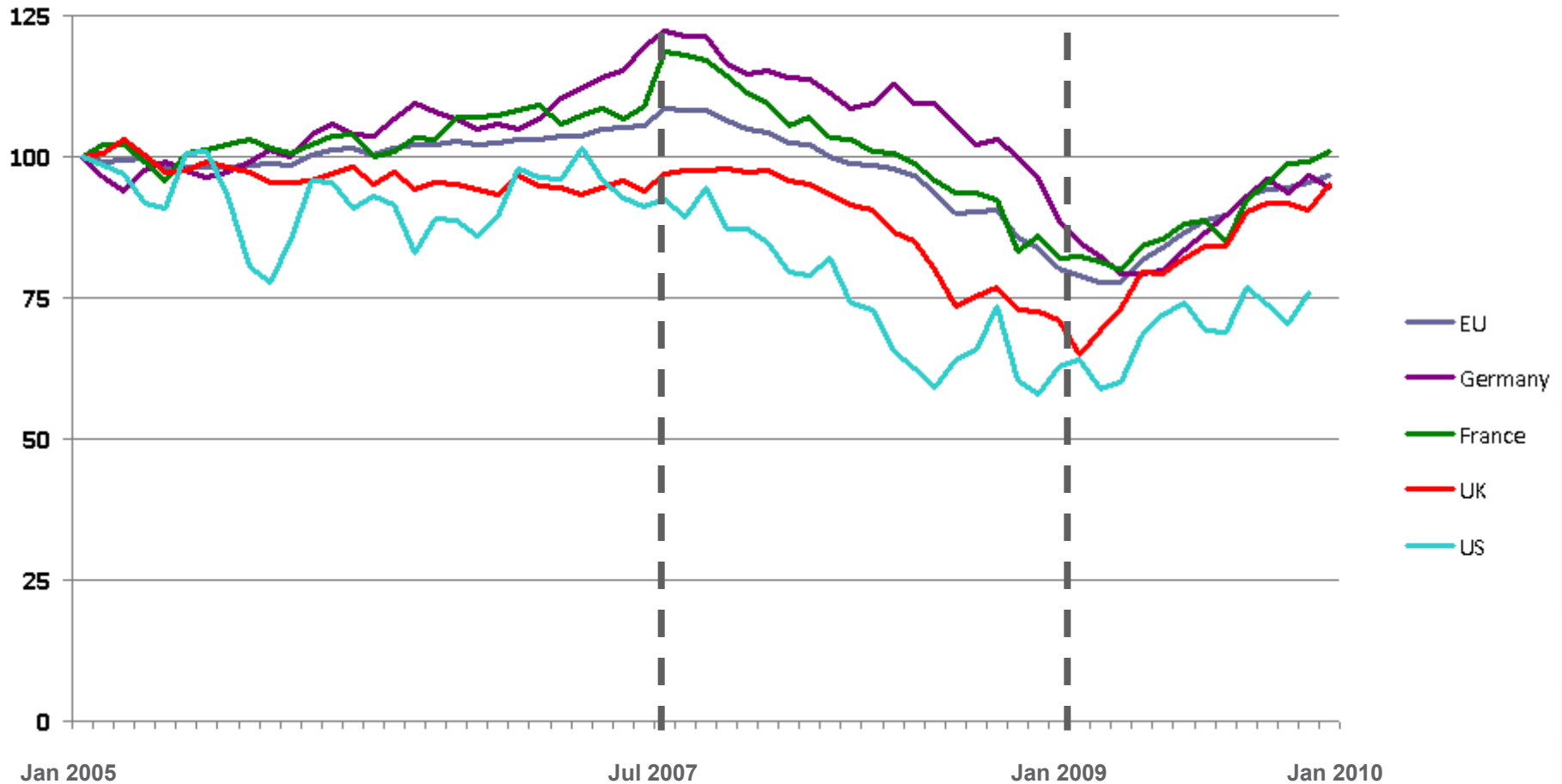
- **Regulations and regulatory environment**
- **Taxation and revenue sourcing**
- **International trade / protectionism**
- **Tensions between “Growth-haves” and “Growth-have-nots”**
- **Anti-trust**

Savings ratios remain mixed around the world but in reasonably good shape



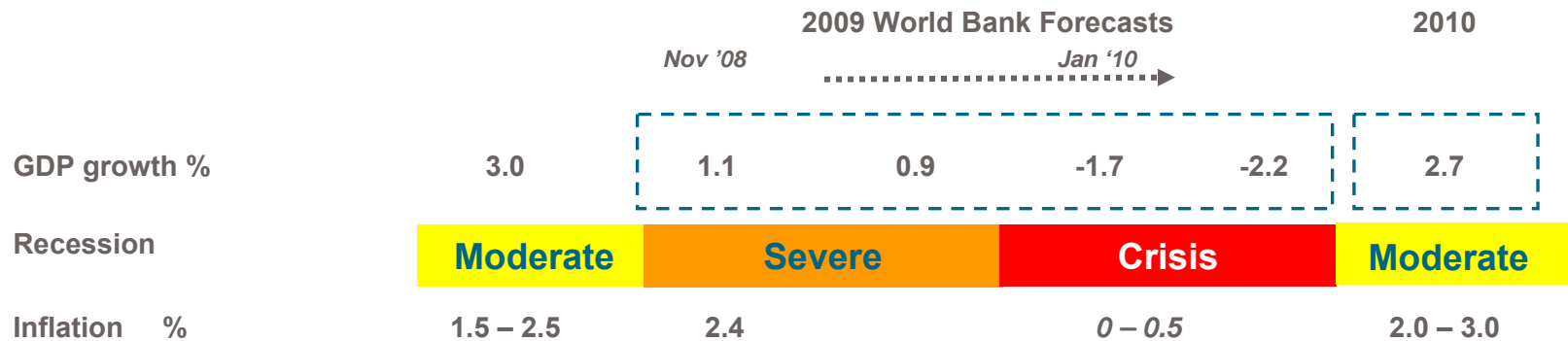
Consumer confidence is coming back but USA lagging other countries

Consumer confidence index (base 100: Jan 2005)



Source: Eurostat, Federal Reserve Bank of St. Louis

The World Economy is stabilising but recovery is expected to be slow

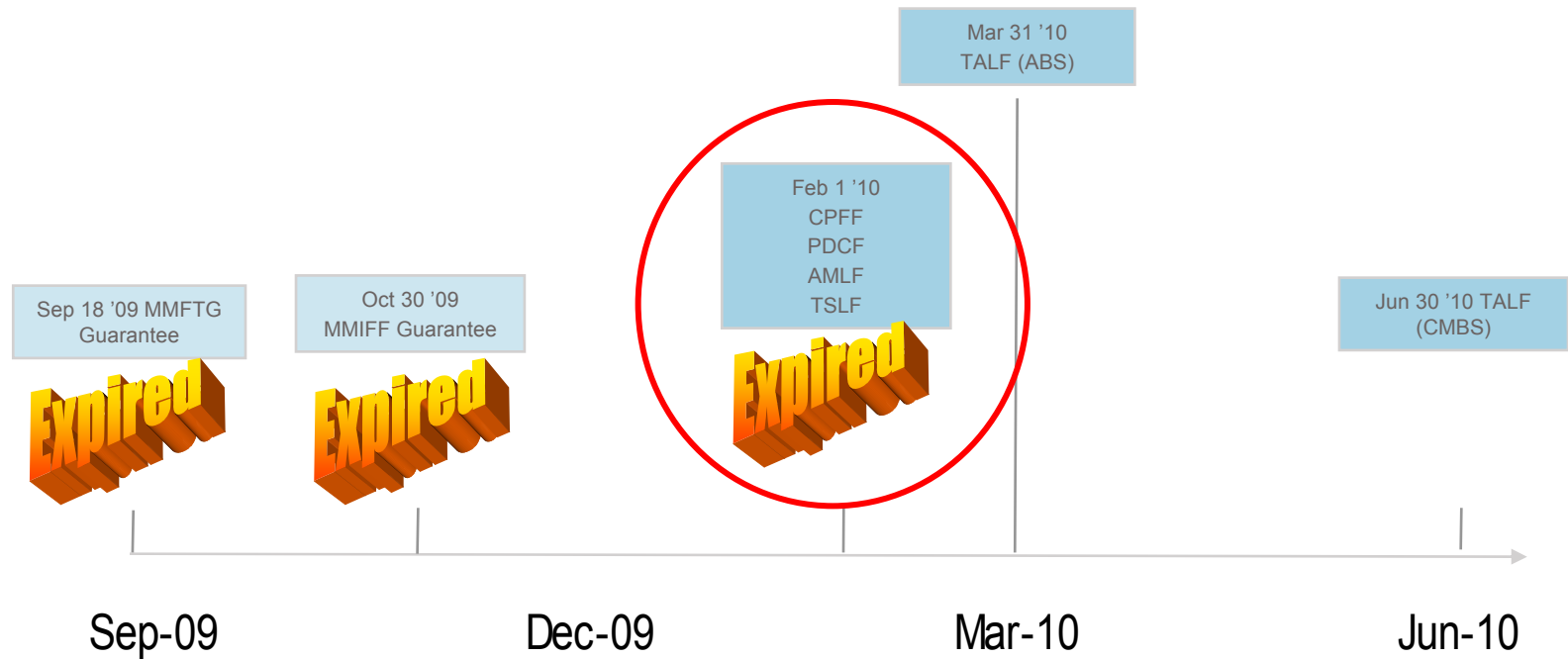


Source: World Bank

The outlook for GDP is positive but growth will be slow

- Underlying economic conditions remain weak
- High levels of unemployment
- Large fiscal deficits leading to emerging sovereign risk

Government support programs are expiring



MMIFF - Money Market Investor Funding Facility
 CPFF - Commercial Paper Funding Facility
 PDCF - Primary Dealer Credit Facility
 TSLF - Term Securities Lending Facility
 AMLF - Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility
 TALF - Term Asset-Backed Securities Loan Facility

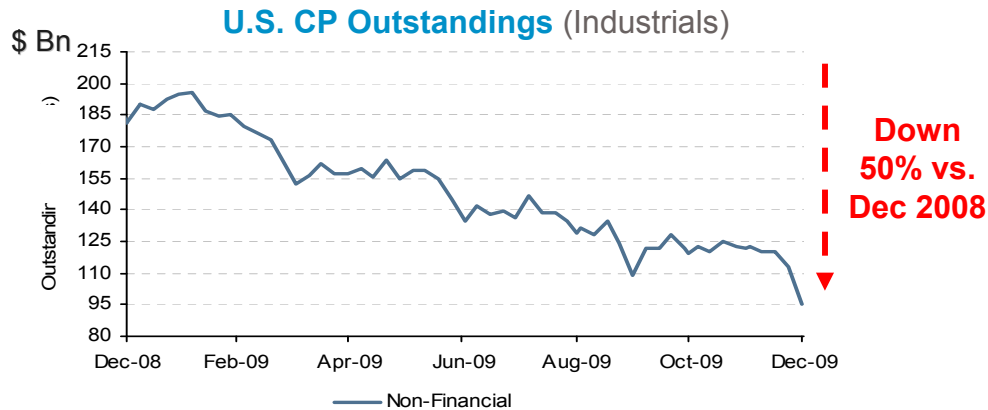
Jan 27 '10 Federal Reserve Meeting
 Mar 16 '10 Federal Reserve Meeting
 Apr 28 '10 Federal Reserve Meeting

Nestlé SA	% of total debt
Commercial Paper	45%

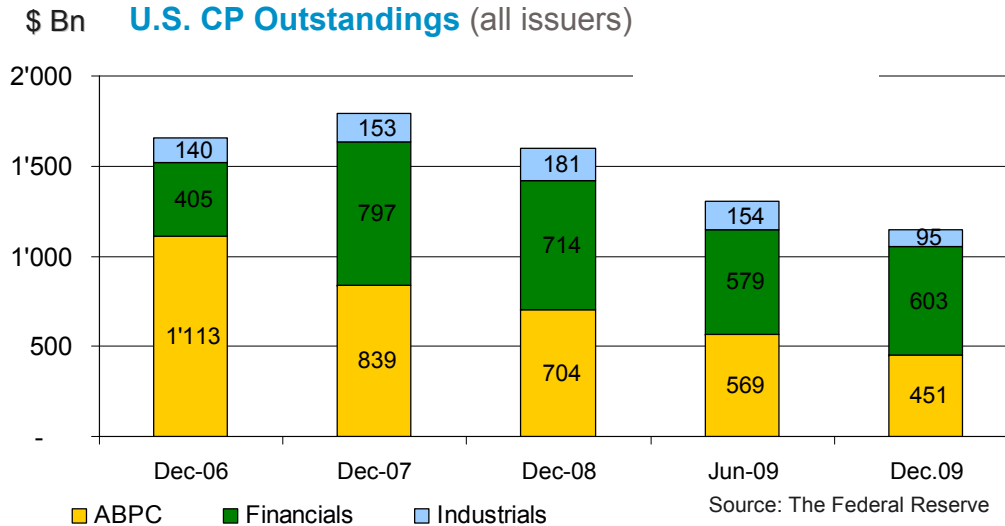
Source: Federal Reserve, as of 12/31/09

Industrial Segment Liquidity

Mix change in favour of longer term maturities



The Nestlé Group had \$9bn in USCP as at 31st Dec 2009 which represents **9.5%** of Non-Financial Issuers.



Most borrowers have reduced short term maturities in favour of longer term debt as a precautionary measure. Nestlé remains short term oriented; after Alcon, we will revisit our maturity mix.

Inflation is on the rise & will be difficult to suppress

- Input costs increase
 - Commodities that face limited supply are already contributing
 - Energy costs will be higher on average vs. last year
- Labour rates face increasing pressure
- Probability of increasing interest rates by end 2010

FOMC DATES	OUR VIEW FED FUNDS RATES	FUTURES MARKET IS PRICING (in % probability)						
		1.50%	1.25%	1.00%	0.75%	0.50%	0% to 0.25%	0.00%
16-Mar-10	0% to 0.25%	0%	0%	0%	0%	0%	67%	33%
28-Apr-10	0% to 0.25%	0%	0%	0%	0%	1%	66%	32%
23-Jun-10	0% to 0.25%	0%	0%	0%	0%	13%	60%	27%
10-Aug-10	0% to 0.25%	0%	0%	0%	2%	22%	54%	22%
21-Sep-10	0% to 0.25%	0%	0%	0%	10%	34%	42%	14%
3-Nov-10	0% to 0.25%	0%	0%	5%	20%	37%	30%	8%

Making Progress in 2010

Nestlé Food & Beverage Business

- **Organic Growth above 2009 level**
- **EBIT margin improvement in constant currencies**

Six Levers to Manage Downsides & Exploit Upsides

Managing the downsides

Exploiting the upsides

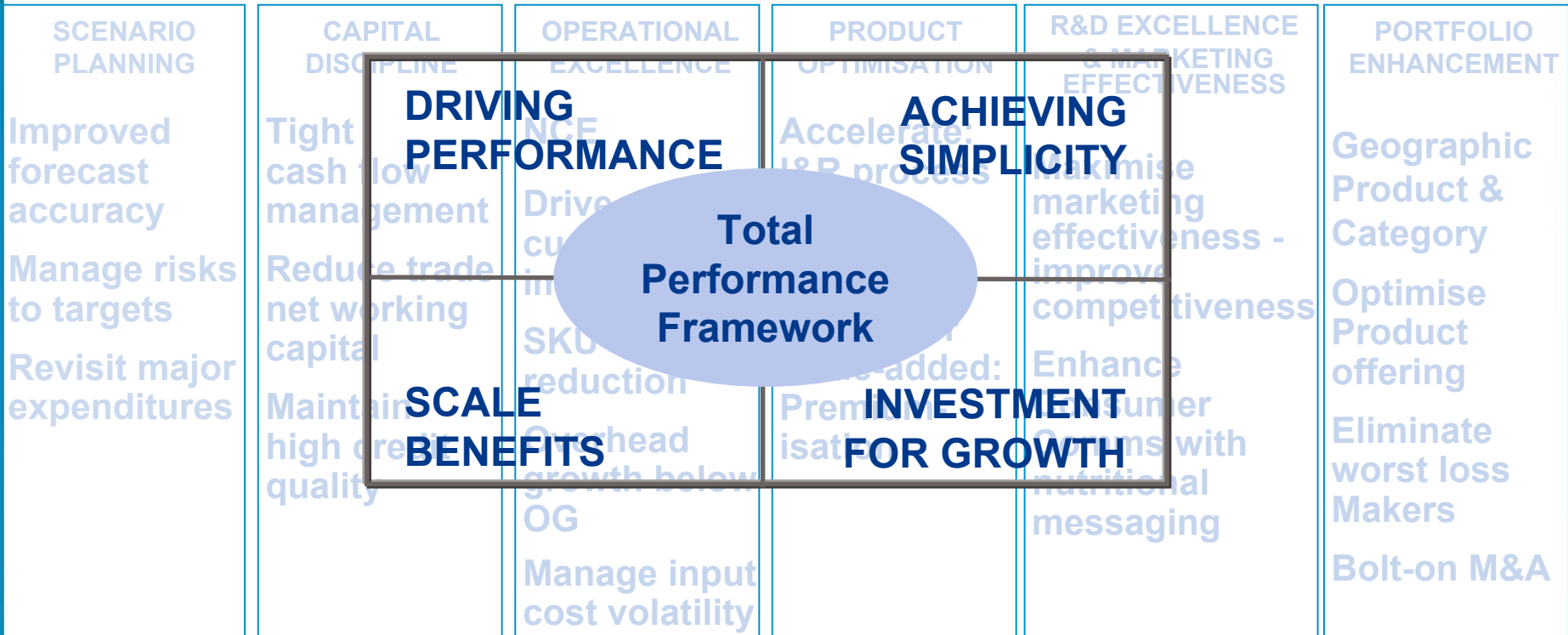
Market uncertainty

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Protect financial performance

Optimise business performance

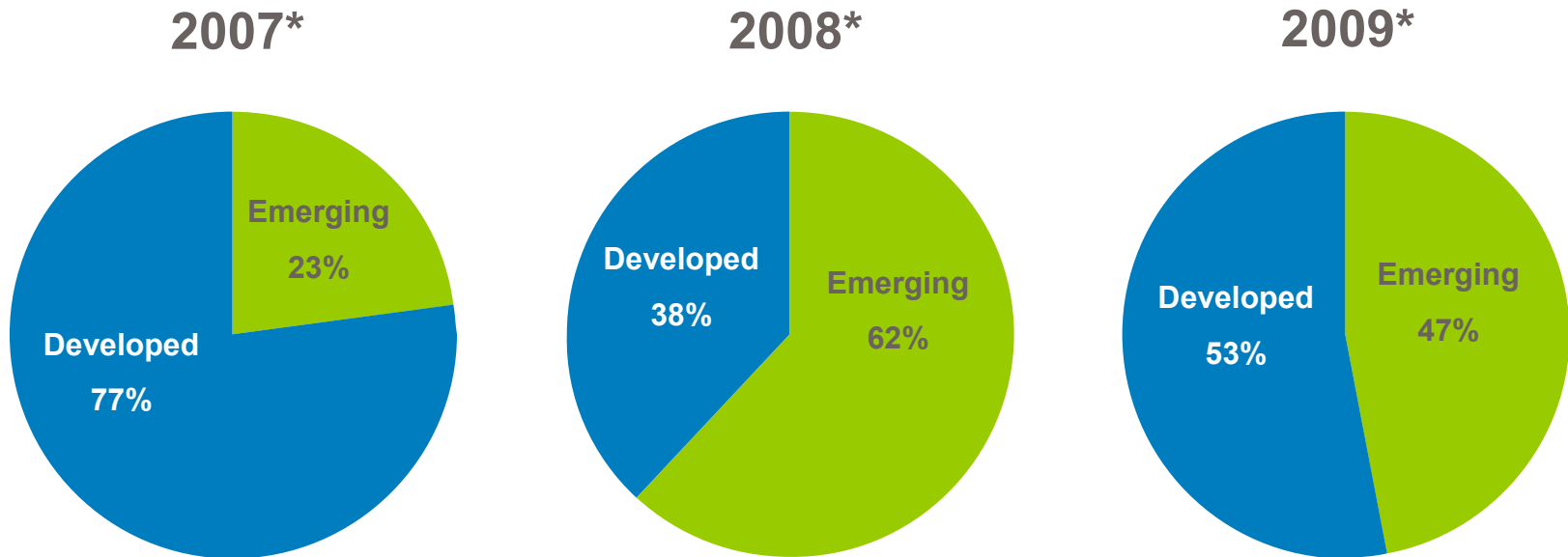
Drive profitable growth

Nestlé's M&A strategy

- **Clear strategic focus**
Food & Beverages
Nutrition, Health & Wellness
Adjacencies to existing businesses
- **Clear criteria for transactions**
Enhancing to key metrics
Strong market positions, brands, capabilities
Ease of integration (culture)
- **Global scope but focus on bolts-ons**
Both emerging & developed markets
- **M&A reinforces the Nestlé Roadmap:**
our strategy is in place and does not require transformational deals



Acquisitions have been in developed & emerging markets



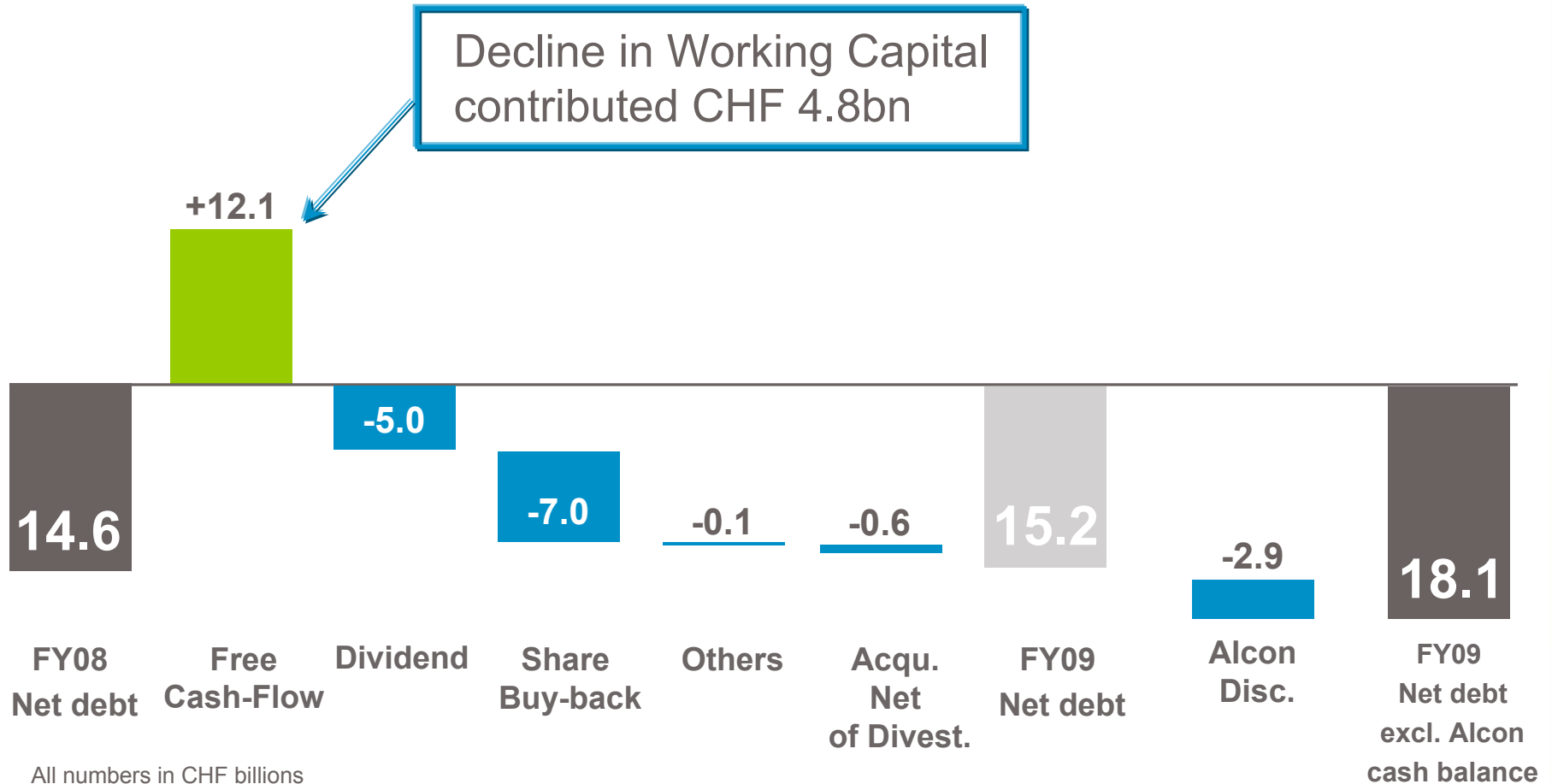
- Developed market transactions are often multi-market
- Emerging market deals are generally local and therefore smaller, but very quickly integrated into existing operations

*Number of deals

Alcon disposal:

- Likely deal closure end Q3 2010
- F&B will continue to deliver profitable growth
- Treasury management & performance
- Capital preservation: counter-party & instrument risks
- The Share buy-back to have a major positive incremental impact in 2010 and 2011
- Growth in underlying earnings – growth in dividend
- Increased flexibility and agility

Net debt increased by CHF 3.5bn, mostly due to exclusion of Alcon's Net position



Net Debt Outlook (CHF bn)

2009
with Alcon

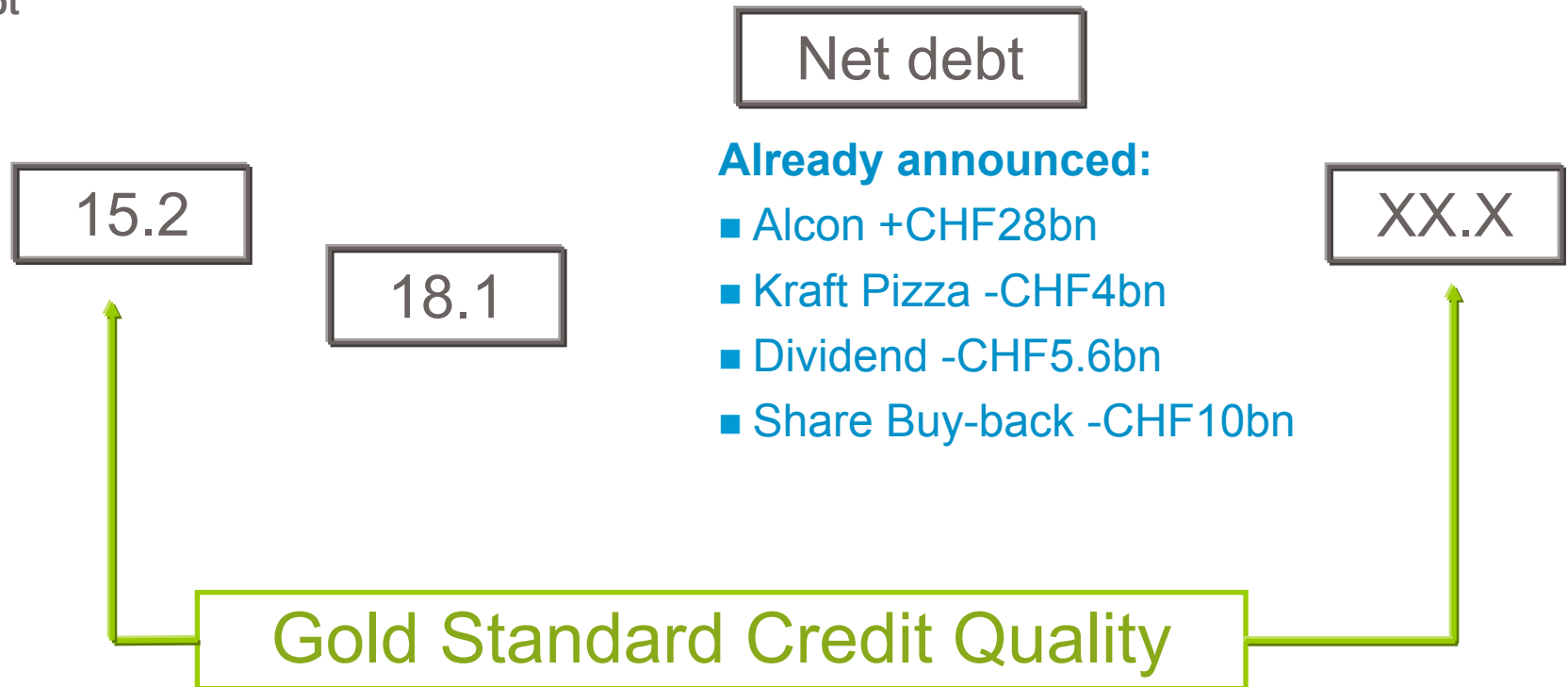
2009
Alcon
Discontinued

2010

2012/2013

Net Cash

Net debt



Priorities for use of cash

- Capital expenditure & support for RIG
- M&A
 - Kraft Pizza: CHF 4 billion
 - Bolt-ons
- Dividend
2010: CHF 5.6 billion
- Share buy-backs
CHF 10 billion 2010, CHF 5 billion 2011

Net debt could be 2009 level by end 2012

Dividends

- At 51.8% of underlying EPS, Nestlé is sharing a significant part of its returns from its progress with its shareholders
- This pattern is consistent:

CHF	2005	2006	2007	2008	2009
Underlying EPS	2.15	2.41	2.80	2.82	3.09
Dividend	0.90	1.04	1.22	1.40	1.60
Payout ratio	41.9%	43.2%	43.6%	49.6%	51.8%

- Principle: Dividends consistently distributed on the basis of the underlining performance of the business

Conclusion

2009

- **Broad-based performance**
 - All operating segments contributed
 - Nestlé continuous Excellence exceeds targets
- **Total Performance Framework**
 - EBIT margin improvement; increased brand investments
 - Underlying Net Profit, ROIC, CF improvement
- **Performance improvement shared with shareholders**
 - 14.3% dividend increase
 - CHF10bn of share buy-back

2010

- **Further improvement in performance**

Nestlé: Opportunities for growth for years to come

Paul Bulcke
Chief Executive Officer



The Nestlé Roadmap: driving profitable growth





Nestlé

Good Food, Good Life

... captures the very essence
of Nestlé and the promise
we commit ourselves to
everyday, everywhere
as the leading Nutrition, Health
and Wellness Company



Nutrition is about pleasure



Nutrition is about balance



Nutrition is about understanding



Nutrition: three dimensions

Pleasure



Balance

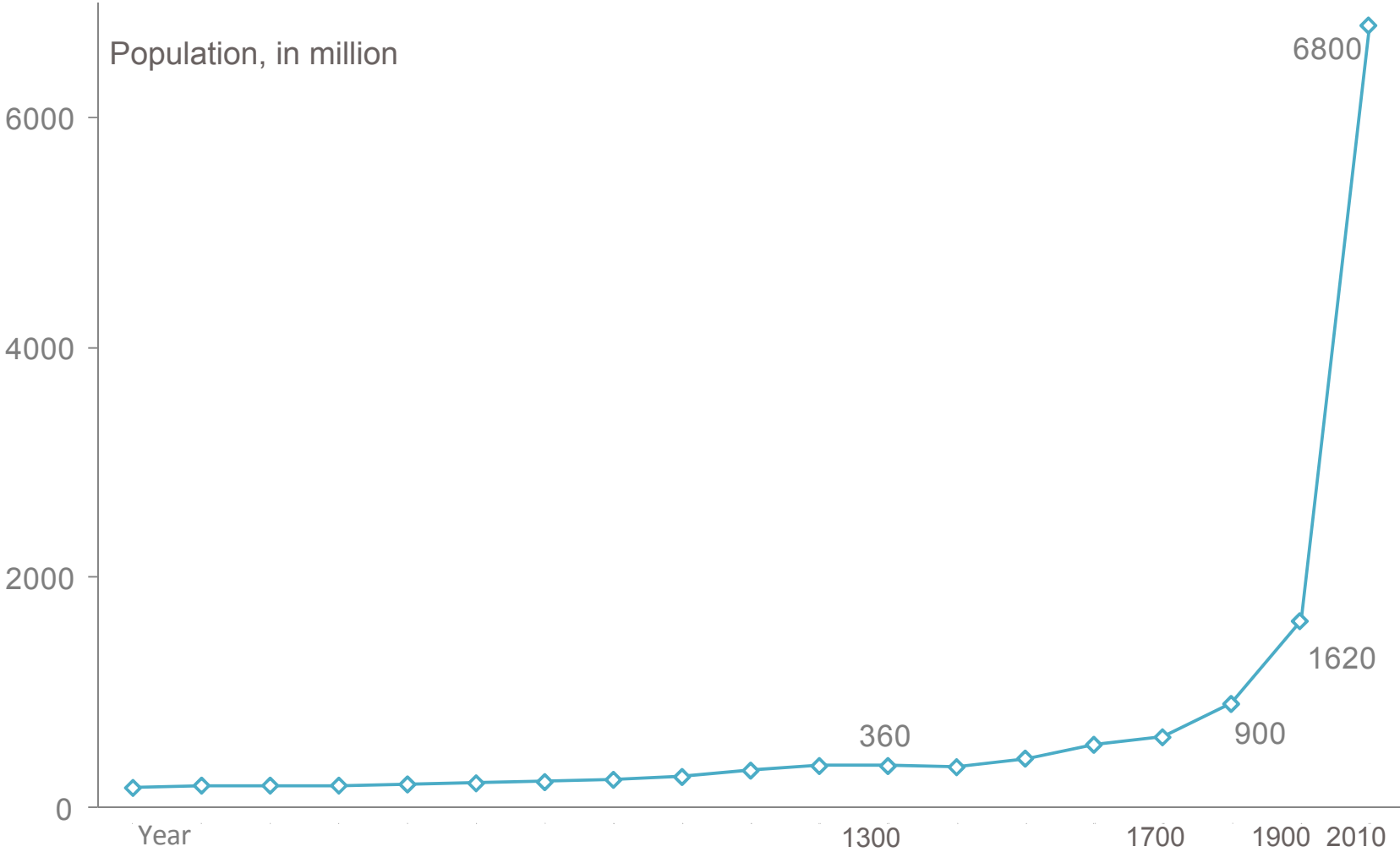
Understanding

Good Food, Good Life

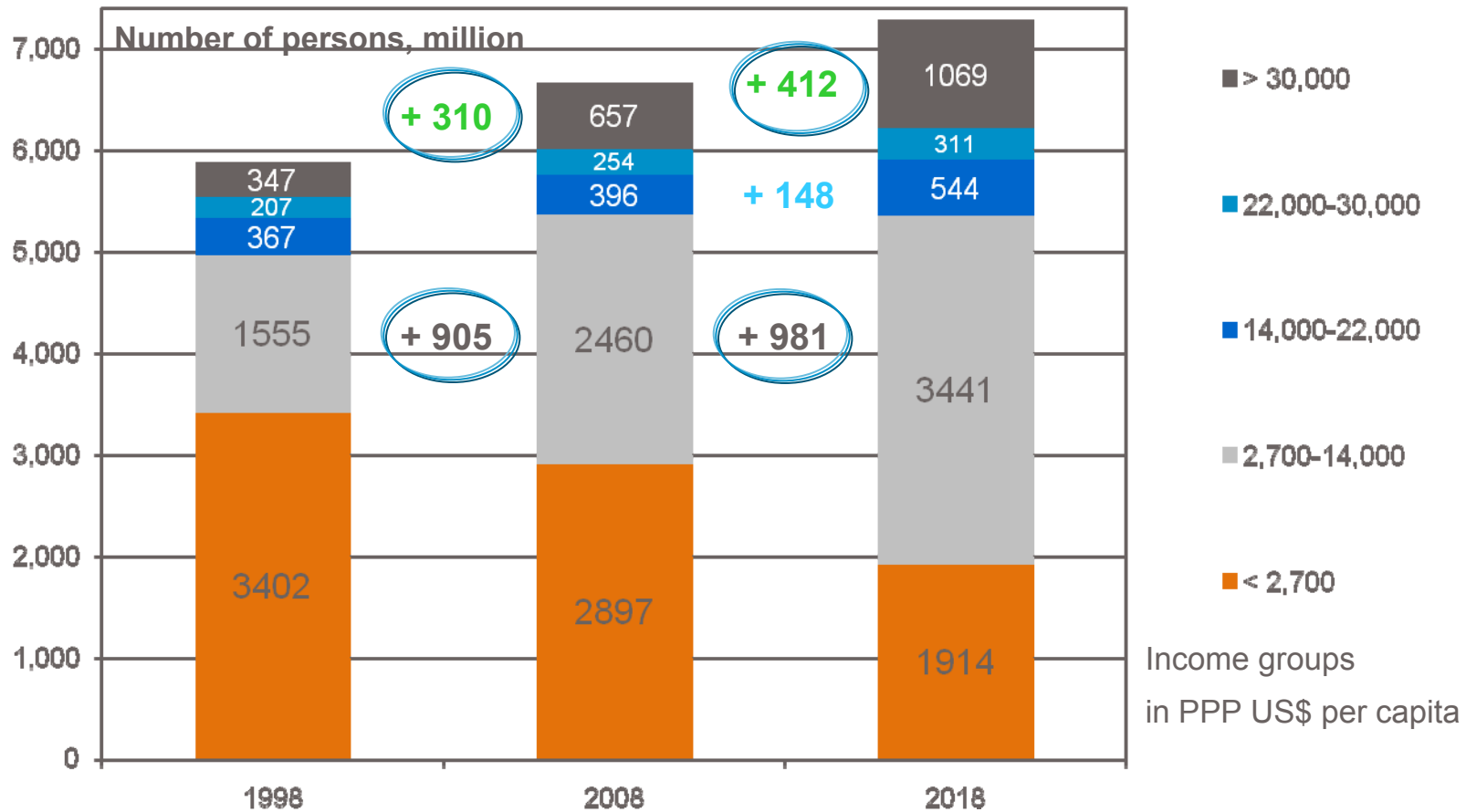
Across categories, with R&D driven innovation



World population

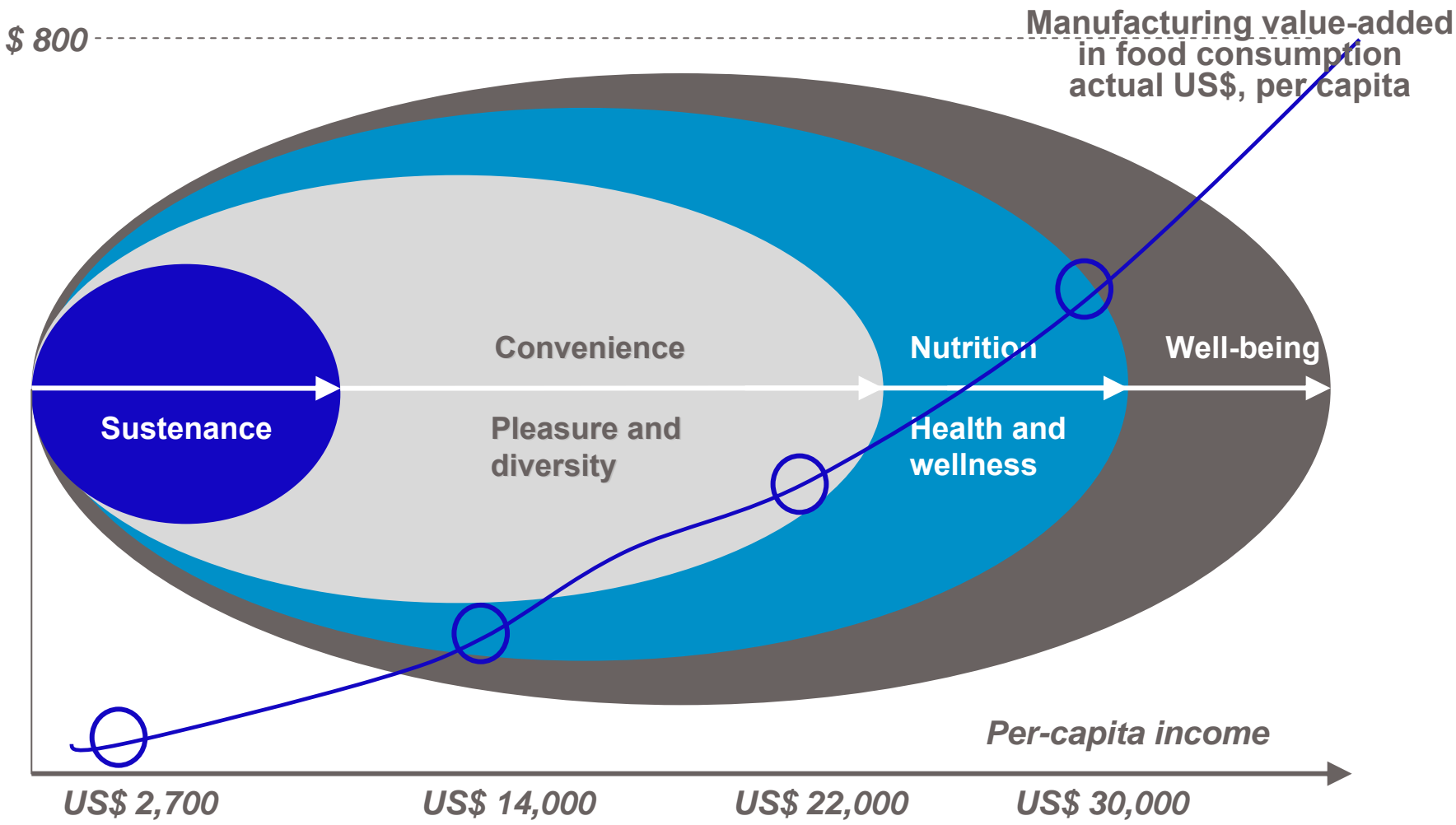


Growing prosperity: income groups in world population 1998 – 2008 – 2018



Sources: UN WIDER and World Bank (also for outlook on economic growth 2008-2018); analysis EIR

Higher incomes lead to higher added-value



Sources: UNIDO (value-added), World Bank; analysis Nestlé EIR

The trends are positive for Nestlé

- **Populations are growing**
 - more consumers, increased consumption
- **Incomes are growing**
 - greater potential from PPP to Premium
- **And people increasingly care about what they eat**
 - greater potential for added-value & Nutrition, Health & Wellness

**Nestlé's opportunity:
to grow by staying ahead of the trends**

The Developed World

Nestlé is accelerating its innovation

- **All markets have growth potential...**
 - ... through insightful **innovation** that excites consumers
 - ... through mastering **distribution & customer service**: traditional, discounters, speciality, OOH, on-line, ethnic...
- **Nutrition, Health & Wellness** is a proven growth driver – with great taste as the start point
- **Premiumisation** is key in all categories as higher incomes drive more sophisticated choices
- **PPP** is a huge opportunity... and can open up new consumer segments (Hispanic, Asian, African)

NHW: Specific need-state: *Resource Senior Activ*: helping older adults regain strength & stay active



- Addresses malnutrition amongst older adults
- The first nutritionally complete oral supplement of its kind

- Introduced in Switzerland and to be rolled-out in Key European countries



NHW: Taste & Pleasure: *The Skinny Cow*



NHW: Popularly Positioned Products in Europe: Targeted to specific consumer groups

Muslim & North African
4-5 million people

African
1 million people

Asian
0.7 million people



Ethnic Target Group
'Religious'

Ethnic Target Group
'Nostalgic'



NHW: Another breakthrough innovation in Soluble Coffee: *Nescafé Green Blend*

True innovation is big steps, game-changing

Its reward is profitable growth for years to come

Renovation is small steps, updating, adapting, extending

It enhances consumer relevance, sharpens competitive edge



Nescafé: an innovation in 1938, renovated ever since
4000 cups drunk every second – always the consumers' favourite

Nescafé: Three linked global priorities

Premiumisation

Nutrition, Health & Wellness

Popularly Positioned Products



Over CHF 10 billion of sales growing over 7%
Average consumption of coffee only a quarter a cup per day

The emerging markets

- Populations are growing, people are becoming wealthier, more health-conscious, more brand-aware
- We are well-established with tailored business models, deep distribution, strong market positions, great brand recognition
- We are building on those strengths, accelerating our initiatives to further extend our reach – geographically and demographically

Staying ahead of the trends in emerging markets: Increasing our R&D capabilities to drive growth

- 2008: China
- 2009: Côte d'Ivoire
- 2010: Chile
- 2012: India



Investing for growth in emerging markets through increased capital expenditure

Expected capital expenditure: 2010-2012

- BRIC: CHF 1.5 billion
- Asia: CHF 2 billion
- Africa: CHF 1 billion
- M&A also has a role to enhance growth

NHW: Energy, activity, Milo (Asia). Strong nutrition credentials & link to youth sports



- Contains ACTIGEN-E®, a unique combination of 8 vitamins and 4 minerals: high in magnesium with enriched levels of Vitamins B, Vitamin C & Calcium
- Helps optimise the conditions for the release of energy from Carbohydrate, Protein & Fat in a child's food

NHW: enhanced nutrition in traditional diets

Maggi (Africa)



2003-09: cubes sold doubled to 24 billion in Central/West region

10yr CAGR: 11.5%

Over 500,000 outlets in 2012
from 280,000 in 2009

Innovations to come – will
accelerate growth

NHW: balanced diets for low-income families: *Maggi Magic Sarap (Asia)*



2005 – 2009 The Philippines

Penetration from 10% – 70%

Market share from 12% – 46%

Volume from 400 tons to 10,000

Communication linked to recipes promoting balanced diets

NHW: *Nido*: enhanced milks for low-end consumers: International roll-out & driving deeper distribution



NHW: balanced diets for low-income consumers (Brazil) – driving deeper distribution, creating wealth

- 6,000 independent saleswomen selling in their own neighbourhoods
- Saleswomen sell mixed bags of product, often tailored to individual customers & linked to consumption moments:
 - Chilled dairy
 - Ambient dairy
 - Biscuits
 - Chocolate
 - Chocolate
 - Coffee
 - Beverages
 - Ambient culinary



Nestlé: Opportunities for growth for years to come

- Nestlé's presence all over the world is an unparalleled foundation for growth
- The Nestlé Roadmap has laid the building blocks for growth by category and country – global strategy, local execution
- We are aligned behind our Roadmap, focused on acceleration in everything that we do
- We are investing in R&D capabilities, infrastructure, people and brands to drive growth

The Nestlé Roadmap: driving profitable growth

