

2010 Full Year Results European Roadshow

Paul Bulcke

Chief Executive Officer

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Chief Financial Officer



Nestlé

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.

The Reference for Financial Performance



James Singh
Chief Financial Officer

Agenda

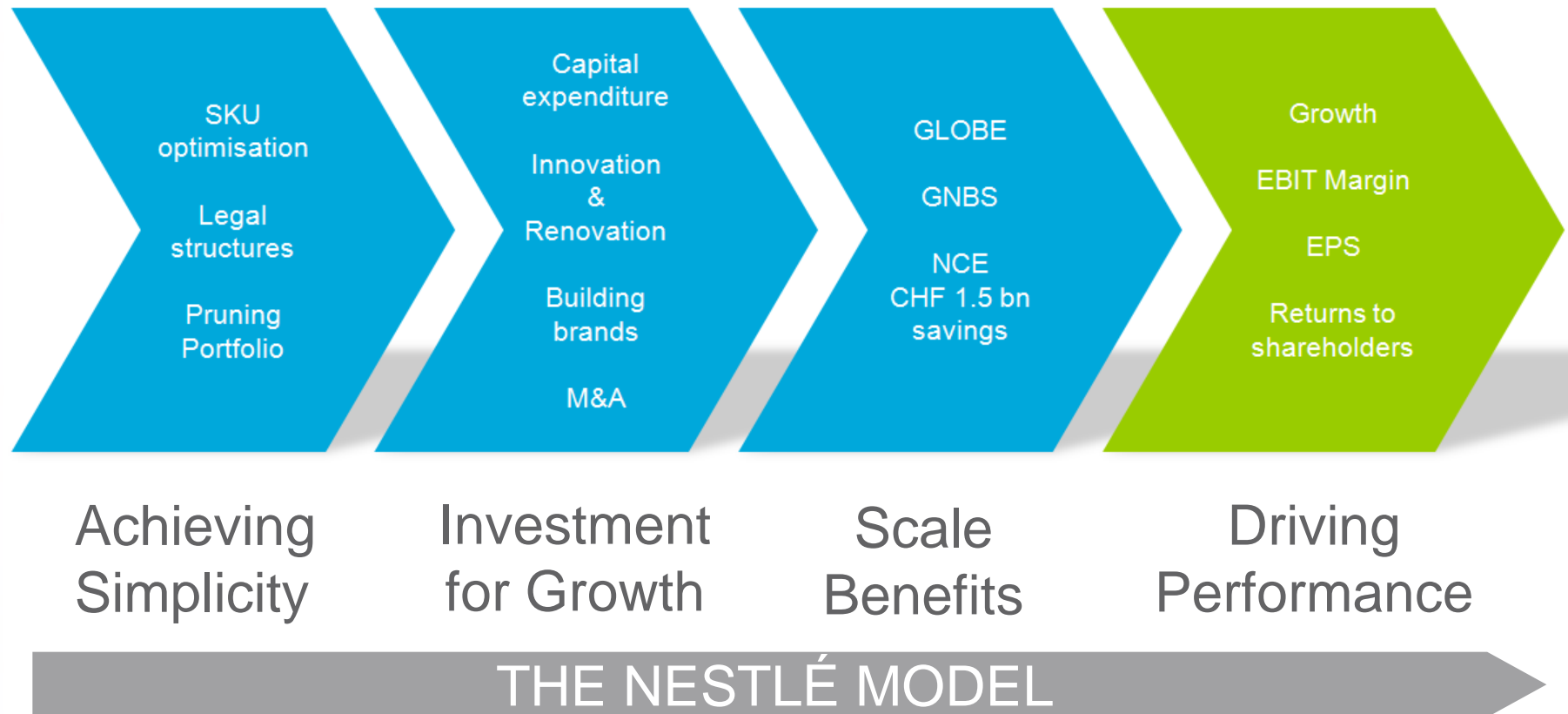
- **2010: improvements in organic growth, EBIT, EPS**
- **Reporting transparency & comparability**
- **High quality results: continuing peer outperformance**
- **Being the reference for financial performance**

2010 highlights: Strong Full Year 2010 Performance

Improvements in organic growth, EBIT, EPS

	Actuals CHF/%	
Sales (Group)	109.7 bn	+6.2% organic growth, net divestments -0.6%, FX -3.6%
Net Profit	34.2 bn	Includes 2010 profit on sale of Alcon
Underlying EPS	3.32	+7.4% improved operating performance +10.3% in constant currency
Operating Cash Flow	13.6 bn	Normalisation of working capital after 08/09 volatility
Return on Invested Capital	36.1% 15.5%	+100 bps excluding Goodwill -10 bps including Goodwill
Dividend	6.1 bn	+15.6% to CHF 1.85 per share
Sales (Continuing)	104.6 bn	+6.0% organic growth, net divestments +1.8%, FX -3.8%
EBIT	14.0 bn	+30 bps reported and constant currency
Trade Net Working Capital	7.8 bn	-40 bps to 7.5% of sales

Nestlé's Total Performance Framework



Securing progress today and ensuring success in the future

Outperformance is the keystone of our ambition



Outperformance is the keystone of our ambition



Being the reference for financial performance requires...

- **Consistent delivery: top & bottom line**
- **High quality results: consistent peer outperformance**
- **Financial performance aligned to strategy: credibility & trust**
- **Balance sheet management for long-term shareholder benefit**
- **Competitive shareholder returns**
- **Transparency and comparability of performance**

Reporting transparency & comparability

- **Effective 1st January 2011**
 - **Change to Net-Net sales recognition**
 - **From EBIT to Trading Operating Profit**
 - **Segment reporting changes in 2011**

Change to Net-Net sales recognition

- **Current revenue recognition policy is IAS compliant**
- **IAS18 allows a range of treatments**
- **New Net-Net model is also IAS compliant and makes Nestlé more comparable**
- **Current and new income statement models both IFRS compliant**

From EBIT to Trading Operating Profit

- **EBIT no longer reported; change to Trading Operating Profit**
- **Trading Operating Profit**
Is struck after COGs, Distribution, Marketing/Admin, R&D
BUT ALSO AFTER
Other trading income/expenses (restructuring charges, impairment of assets, result on disposal of assets)
- **Operating Profit**
Is then struck after Other income/expenses (impairment of goodwill, result on disposal of businesses)
- **Earnings per share & underlying earnings per share**
No change to calculations
- **Net-Net sales & Trading Operating Profit align us more closely with peers**

Consolidated income statement for the year ended 31 December 2010

In millions of CHF

	Continuing operations	Discontinued operations ^(a)	Total
Sales	87'906	5'109	93'015
Other revenue	109	-	109
Cost of goods sold	(44'775)	(1'074)	(45'849)
Distribution expenses	(7'953)	(125)	(8'078)
Marketing and administration expenses	(19'846)	(1'276)	(21'122)
Research and development costs	(1'403)	(478)	(1'881)
Other trading income	168	-	168
Other trading expenses	(1'530)	-	(1'530)
Trading operating profit	12'676	2'156	14'832
Other operating income	38	24'535	24'573
Other operating expenses	(571)	(14)	(585)
Operating profit	12'143	26'677	38'820
Financial income	72	22	94
Financial expense	(834)	(13)	(847)
Profit before taxes and associates	11'381	26'686	38'067
Taxes	(3'343)	(350)	(3'693)
Share of results of associates	1'010	-	1'010
Profit for the year	9'048	26'336	35'384
of which attributable to non-controlling interests	271	880	1'151
of which attributable to shareholders of the parent (Net profit)	8'777	25'456	34'233
As percentages of sales			
Trading operating profit	14.4%	42.2%	15.9%
Profit for the year attributable to shareholders of the parent (Net profit)			36.8%
Earnings per share (in CHF)			
Basic earnings per share	2.60	7.56	10.16
Fully diluted earnings per share	2.60	7.52	10.12

(a) Detailed information related to Alcon discontinued operations is disclosed in Note 2.4 of the 2010 Consolidated Financial statements.

Full Year 2010 Trading Operating Profit

Consolidated income statement for the year ended 31 December 2010

In millions of CHF

	Continuing operations	Discontinued operations ^(a)	Total
Sales	87'906	5'109	93'015
Other revenue	109	-	109
Cost of goods sold	(44'775)	(1'074)	(45'849)
Distribution expenses	(7'953)	(125)	(8'078)
Marketing and administration expenses	(19'846)	(1'276)	(21'122)
Research and development costs	(1'403)	(478)	(1'881)
Other trading income	168	-	168
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Trading operating profit	12'676	2'156	14'832
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Other operating expenses	(571)	(14)	(585)
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(a) Detailed information related to Alcon discontinued operations is disclosed in Note 2.4 of the 2010 Consolidated Financial statements.

Agenda

- 2010: improvements in organic growth, EBIT, EPS
- Reporting transparency & comparability
 - Segment reporting changes in 2011
 - Relative weighting of businesses
- High quality results: continuing peer outperformance
- Being the reference for financial performance

Segment reporting changes from 1/01/11

■ Operating segments

No change to Zones, Nestlé Waters

"Other Food & Beverage" becomes "Other"

Healthcare Nutrition (CHF 1.7bn/1.6bn net-net sales) joins Nestlé Health Science

Nestlé Health Science reported in "Other", not Nestlé Nutrition

Galderma & Laboratoire innéov (CHF 0.9bn/0.8bn net-net sales) move to "Other"

Pharma discontinued

■ Product Groups

Nestlé Health Science and Galderma & Laboratoire innéov reported in "Nutrition & Health Care"

Pharma discontinued

Full Year 2010, Operating Segments

3. Analyses by segment

3.1 Operating segments

In millions of CHF	Zone Europe	Zone Americas	Zone Asia, Oceania and Africa	Nestlé Waters	Nestlé Nutrition (a)	Other (b)	Unallocated items (c)	Inter-segment eliminations	Total continuing operations	Pharma discontinued operations	Total
2010											
Revenues and results											
Sales	16'417	28'733	15'370	7'209	7'700	12'477			87'906	5'109	93'015
Trading operating profit	2'179	5'364	2'762	512	1'562	2'102	(1'805)		12'676	2'156	14'832
Impairment of goodwill	(4)	(4)	(18)	(204)	(105)	(2)	-		(337)	-	(337)
Net other operating income/(expenses) excluding impairment of goodwill									(196)	24'521	24'325
Operating profit									12'143	26'677	38'820
Net financing cost									(762)	9	(753)
Profit before taxes and associates									11'381	26'686	38'067
Net other trading income/(expenses) included in Trading operating profit	(544)	(287)	(179)	(157)	(80)	(93)	(22)		(1'362)	-	(1'362)
<i>of which Impairment of assets other than goodwill</i>	(86)	(17)	(21)	(31)	(9)	(30)	-		(194)	-	(194)
<i>of which Restructuring costs</i>	(245)	(72)	(14)	(83)	(16)	(33)	(6)		(469)	-	(469)
Assets											
Segment assets	10'935	22'312	8'765	6'596	12'006	8'887	10'924	(1'757)	78'668	-	78'668
Non-segment assets											32'973
Total assets											111'641
<i>of which goodwill and intangible assets</i>	2'453	9'862	1'862	1'665	6'395	3'461	9'061		34'759	-	34'759
(a) HealthCare Nutrition has been reclassified under "Other" as managed as from January 1, 2011 as part of Nestlé Health Science.											
(b) Mainly Nespresso, Nestlé Professional, Nestlé Health Science, Food and Beverages Joint Ventures and Pharma Joint Ventures managed on a worldwide basis.											
(c) Refer to the Segment reporting section of the Accounting policies of the 2010 Consolidated Financial statements for the definition of unallocated items.											

Full Year 2010, Products

3. Analyses by segment

3.2 Products

In millions of CHF	Powdered and Liquid Beverages	Water	Milk products and Ice cream	Nutrition & HealthCare (a)	Prepared dishes and cooking aids	Confectionery	PetCare	Unallocated items (b) and intra-group eliminations	Total continuing operations	Pharma discontinued operations	Total
2010											
Revenues and results											
Sales	18'114	7'215	17'202	10'098	14'899	9'735	10'643		87'906	5'109	93'015
Trading operating profit	4'150	513	2'409	1'906	1'884	1'443	2'176	(1'805)	12'676	2'156	14'832
Impairment of goodwill	(2)	(204)	(1)	(105)	(19)	(4)	(2)	-	(337)	-	(337)
Net other operating income/(expenses) excluding impairment of goodwill									(196)	24'521	24'325
Operating profit									12'143	26'677	38'820
Net financing cost									(762)	9	(753)
Profit before taxes and associates									11'381	26'686	38'067
Net other trading income/(expenses) included in Trading operating profit	(179)	(157)	(213)	(135)	(344)	(224)	(88)	(22)	(1'362)	-	(1'362)
<i>of which Impairment of assets other than goodwill</i>	(7)	(31)	(25)	(38)	(62)	(31)	-	-	(194)	-	(194)
<i>of which Restructuring costs</i>	(44)	(83)	(67)	(35)	(178)	(42)	(14)	(6)	(469)	-	(469)
Assets	9'219	7'477	13'333	16'669	12'995	6'112	14'510	974	81'289	4'370	85'659
<i>of which goodwill and intangible assets</i>	432	1'959	4'579	10'038	6'285	850	9'956	2'389	36'488	2'131	38'619
Liabilities	3'693	1'894	3'466	2'939	2'901	2'181	1'509	(2'388)	16'195	701	16'896
(a) Include Nutrition, HealthCare and Pharmaceutical products.											
(b) Refer to the Segment reporting section of the Accounting policies of the 2010 Consolidated Financial statements for the definition of unallocated items.											

Agenda

- 2010: improvements in organic growth, EBIT, EPS
- **Reporting transparency & comparability**
 - Segment reporting changes in 2011
 - **Relative weighting of businesses**
- High quality results: continuing peer outperformance
- Being the reference for financial performance

Relative weighting of businesses

	% of continuing Current	% of continuing Net Net	EBIT margin Current	Trading Operating Profit margin Net Net
By operating segment				
Continuing (*)	100%	100%	13.4%	14.4%
Zone Americas	33%	33%	16.5%	18.7%
Zone Europe	21%	19%	12.6%	13.3%
Zone AOA	17%	17%	16.9%	18.0%
Nestlé Waters	9%	8%	7.4%	7.2%
Nestlé Nutrition incl. NHS	10%		18.1%	
Nestlé Nutrition excl. NHS		9%		19.6%
Other F&B excl. NHS and JV Pharma	10%		16.4%	
Other F&B incl. NHS and JV Pharma		14%		17.3%
Pharma JV	1%			
By product				
Continuing (*)	100%	100%	13.4%	14.4%
Powdered and liquid beverages	20%	21%	21.0%	22.9%
Water	9%	8%	7.4%	7.2%
Milk products and ice cream	19%	20%	12.9%	14.0%
Nutrition incl NHS	10%		18.1%	
Nutrition and Health Care incl NHS and JV Pharma		11%		18.9%
Prepared dishes and cooking aids	17%	17%	12.3%	12.6%
Confectionery	12%	11%	13.8%	14.8%
PetCare	13%	12%	17.3%	20.4%
Pharma JV	1%			

(*) Margin after unallocated items

Agenda

- 2010: improvements in organic growth, EBIT, EPS
- Reporting transparency & comparability
- **High quality results: continuing peer outperformance**

The Nestlé Model

- Being the reference for financial performance

Enhancing The Nestlé Model

Current

5-6% Organic Growth

Annual improvement
EBIT margin

Improving Capital Efficiency

New

5-6% Organic Growth

Annual improvement
Trading Operating Profit margin
(constant currencies)

Annual improvement
underlying EPS
(constant currencies)

Improving Capital Efficiency

Agenda

- 2010: improvements in organic growth, EBIT, EPS
- Reporting transparency & comparability
- High quality results: continuing peer outperformance
- **Being the reference for financial performance**

Driving our ambition...

- **The Nestlé Model now a tougher benchmark**
- **Internal targets set at Trading Operating Profit level**
 - Accountability for other operational costs
 - For 2011, current EBIT improvement also a KPI
- **Underlying EPS focus enhances drive for shareholder value creation**
- **Move to Net-Net increases comparability of performance versus peers**

...to be the reference for financial performance

Being the reference for financial performance requires...

- **Consistent delivery: top & bottom line**
- **High quality results: continuing peer outperformance**
- **Financial performance aligned to strategy: credibility & trust**
- **Balance sheet management for long-term shareholder benefit**
- **Competitive shareholder returns**
- **Transparency and comparability of performance**

Appendix

Consolidated income statement for the period ended 30 June 2010

In millions of CHF

	Continuing operations	Discontinued operations ^(a)	Total
Sales	43'174	3'915	47'089
Other revenue	58	-	58
Cost of goods sold	(21'725)	(816)	(22'541)
Distribution expenses	(3'962)	(93)	(4'055)
Marketing and administration expenses	(10'171)	(970)	(11'141)
Research and development costs	(669)	(357)	(1'026)
Other trading income	41	-	41
Other trading expenses	(302)	-	(302)
Trading operating profit	6'444	1'679	8'123
Other operating income	43	63	106
Other operating expenses	(83)	(31)	(114)
Operating profit	6'404	1'711	8'115
Financial income	34	16	50
Financial expense	(453)	(12)	(465)
Profit before taxes and associates	5'985	1'715	7'700
Taxes	(1'702)	(296)	(1'998)
Share of results of associates	599	-	599
Profit for the year	4'882	1'419	6'301
of which attributable to non-controlling interests	169	682	851
of which attributable to shareholders of the parent (Net profit)	4'713	737	5'450
As percentages of sales			
Trading operating profit	14.9%	42.9%	17.3%
Profit for the year attributable to shareholders of the parent (Net profit)			11.6%
Earnings per share (in CHF)			
Basic earnings per share	1.38	0.22	1.60
Fully diluted earnings per share	1.37	0.22	1.59

(a) Detailed information related to Alcon discontinued operations is disclosed in Note 9 of the 2010 Interim Financial statements.

Half Year 2010, Operating Segments

3. Analyses by segment

Operating segments

In millions of CHF	Zone Europe	Zone Americas	Zone Asia, Oceania and Africa	Nestlé Waters	Nestlé Nutrition (a)	Other (b)	Unallocated items (c)	Total continuing operations	Pharma discontinued operations	Total
January-June 2010										
Sales	8'132	13'633	7'587	3'738	3'931	6'153		43'174	3'915	47'089
Trading operating profit	1'169	2'374	1'438	372	865	1'160	(934)	6'444	1'679	8'123
Impairment of goodwill	-	(2)	-	-	-	-	-	(2)	-	(2)
Net other operating income/(expenses) excluding impairment of goodwill								(38)	32	(6)
Operating profit								6'404	1'711	8'115
Net financing cost								(419)	4	(415)
Profit before taxes and associates								5'985	1'715	7'700
Net other trading income/(expenses) included in Trading operating profit	(103)	(83)	(12)	(26)	(18)	(15)	(4)	(261)	-	(261)
of which Impairment of assets other than goodwill	(25)	-	(1)	(4)	(1)	(1)	-	(32)	-	(32)
of which Restructuring costs	(50)	(19)	(6)	(9)	(6)	(3)	-	(93)	(1)	(94)
(a) HealthCare Nutrition has been reclassified under "Other" as managed as from January 1, 2011 as part of Nestlé Health Science.										
(b) Mainly Nespresso, Nestlé Professional, Nestlé Health Science, Food and Beverages Joint Ventures and Pharma Joint Ventures managed on a worldwide basis.										
(c) Refer to the Segment reporting section of the Accounting policies of the 2010 Consolidated Financial statements for the definition of unallocated items.										

Half Year 2010, Products

3. Analyses by segment

Products

In millions of CHF	Powdered and Liquid Beverages	Water	Milk products and ice cream	Nutrition & HealthCare (a)	Prepared dishes and cooking aids	Confectionery	PetCare	Unallocated items (b) and intra-group eliminations	Total continuing operations	Pharma discontinued operations	Total
January-June 2010											
Sales	8'901	3'742	8'516	5'092	7'168	4'416	5'339		43'174	3'915	47'089
Trading operating profit	2'182	373	1'117	1'027	938	609	1'132	(934)	6'444	1'679	8'123
Impairment of goodwill	-	-	-	-	-	-	(2)	-	(2)	-	(2)
Net other operating income/(expenses) excluding impairment of goodwill									(38)	32	(6)
Operating profit									6'404	1'711	8'115
Net financing cost									(419)	4	(415)
Profit before taxes and associates									5'985	1'715	7'700
Net other trading income/(expenses) included in Trading operating profit	(41)	(26)	(51)	(23)	(49)	(49)	(18)	(4)	(261)	-	(261)
<i>of which Impairment of assets other than goodwill</i>	(1)	(4)	(2)	(2)	(7)	(16)	-	-	(32)	-	(32)
<i>of which Restructuring costs</i>	(13)	(9)	(23)	(7)	(20)	(19)	(2)	-	(93)	(1)	(94)
(a) Include Nutrition, HealthCare and Pharmaceutical products.											
(b) Refer to the Segment reporting section of the Accounting policies of the 2010 Consolidated Financial statements for the definition of unallocated items.											

1st Quarter 2010

Analyses by segment Operating segments

Q1
2010

In millions of CHF

January-March 2010

	Zone Europe	Zone Americas	Zone Asia, Oceania and Africa	Nestlé Waters	Nestlé Nutrition (a)	Other (b)	Unallocated items (c)	Inter-segment eliminations	Total continuing operations	Pharma discontinued operations	Total
Sales	4'045	6'378	3'644	1'607	1'882	2'959			20'515	1'822	22'337

(a) HealthCare Nutrition has been reclassified under "Other" as managed as from January 1, 2011 as part of Nestlé Health Science.

(b) Mainly Nespresso, Nestlé Professional, Nestlé Health Science, Food and Beverages Joint Ventures and Pharma Joint Ventures managed on a worldwide basis.

(c) Refer to the Segment reporting section of the Accounting policies of the 2010 Consolidated Financial statements for the definition of unallocated items.

Analyses by segment Products

Q1
2010

In millions of CHF

January-March 2010

	Powdered and Liquid Beverages	Water	Milk products and Ice cream	Nutrition & HealthCare (a)	Prepared dishes and cooking aids	Confectionery	PetCare	Unallocated items (b) and intra-group eliminations	Total continuing operations	Pharma discontinued operations	Total
Sales	4'284	1'609	3'828	2'416	3'361	2'392	2'625		20'515	1'822	22'337

(a) Include Nutrition, HealthCare and Pharmaceutical products.

(b) Refer to the Segment reporting section of the Accounting policies of the 2010 Consolidated Financial statements for the definition of unallocated items.

9 months 2010

Analyses by segment

Operating segments

9months

2010

In millions of CHF

January-September 2010

	Zone Europe	Zone Americas	Zone Asia, Oceania and Africa	Nestlé Waters	Nestlé Nutrition (a)	Other (b)	Unallocated items (c)	Inter-segment eliminations	Total continuing operations	Pharma discontinued operations	Total
Sales	12'156	20'951	11'437	5'759	5'851	9'146			65'300	5'109	70'409

(a) HealthCare Nutrition has been reclassified under "Other" as managed as from January 1, 2011 as part of Nestlé Health Science.

(b) Mainly Nespresso, Nestlé Professional, Nestlé Health Science, Food and Beverages Joint Ventures and Pharma Joint Ventures managed on a worldwide basis.

(c) Refer to the Segment reporting section of the Accounting policies of the 2010 Consolidated Financial statements for the definition of unallocated items.

Analyses by segment

Products

9months

2010

In millions of CHF

January-September 2010

	Powdered and Liquid Beverages	Water	Milk products and Ice cream	Nutrition & HealthCare (a)	Prepared dishes and cooking aids	Confectionery	PetCare	Unallocated items (b) and intra-group eliminations	Total continuing operations	Pharma discontinued operations	Total
Sales	13'220	5'764	13'095	7'607	10'818	6'904	7'892		65'300	5'109	70'409

(a) Include Nutrition, HealthCare and Pharmaceutical products.

(b) Refer to the Segment reporting section of the Accounting policies of the 2010 Consolidated Financial statements for the definition of unallocated items.

2011: A Year with Challenges

Challenges:
Opportunities for Nestlé
to benefit from its
competitive advantages



Paul Bulcke
Chief Executive Officer

Agenda

- Overview of 2010, and into 2011...
- Perceived issue: consumer demand
Response:
Building our own growth in developed markets
Beating the growth benchmark in emerging markets
- Perceived issue: raw material pressure
Response:
Outperformance in procurement, operations, products
- Conclusion

Overview: Nestlé in 2010...

- **We built on our accelerating 2009 momentum**
- **We delivered a strong operating performance**
- **We invested for growth: in brands, capabilities, capital, M&A**
- **We laid foundations for future growth platforms**
Including Nestlé Health Science & Nestlé Institute of Health Science
- **We returned CHF 15.5 billion to shareholders**

...and into 2011

- **We outperformed our competition in 2010**
- **We carry strong momentum into 2011**
 - Top-line growth
 - Efficiencies and operating performance
- **We are well positioned to manage the challenges**
- **2011: another year of delivering the Nestlé Model**

Agenda

- Overview of 2010, and into 2011...
- **Perceived issue: consumer demand**
Response:
Building our own growth in developed markets
Beating the growth benchmark in emerging markets
- Perceived issue: raw material pressure
Response:
Outperformance in procurement, operations, products
- Conclusion

Nestlé's categories offer potential for growth

Category	Growth Rate
Beverages	6.6%
Dairy	5.8%
Food	5.0%
PetCare	6.3%
Confectionery	5.2%
Waters	8.2%
Ice cream	5.4%
Infant Formula	9.1%
Baby Food	5.6%
Weight Management	5.6%
Beverage systems, HCN...	+ +

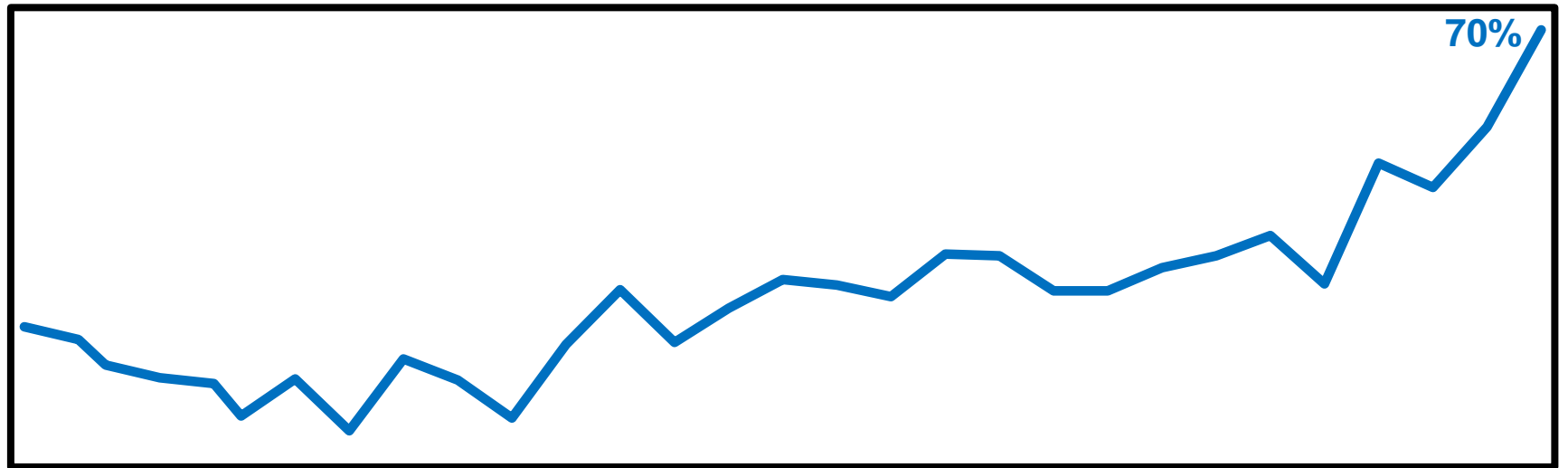
Source: Euromonitor global category annual growth 2009-2020

Outperformance is the keystone of our ambition



Nestlé has outperformed its competition

70% of business cells held or built share in 2010



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Our best performance since increased granularity of share info

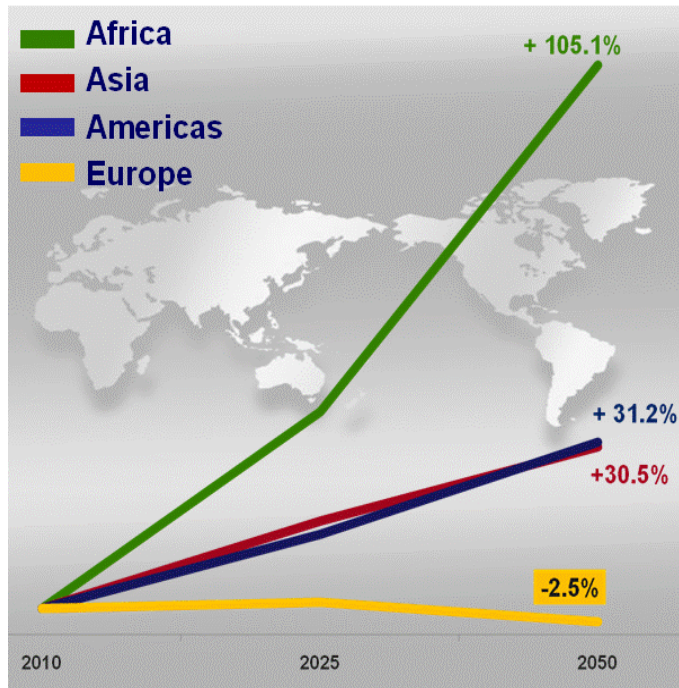
Nestlé in developed markets

- CHF 70 billion sales
- 3.3% organic growth
- 134,700 employees
- 233 factories
- 23 R&D centres
- CHF 3 billion Capex in 2011

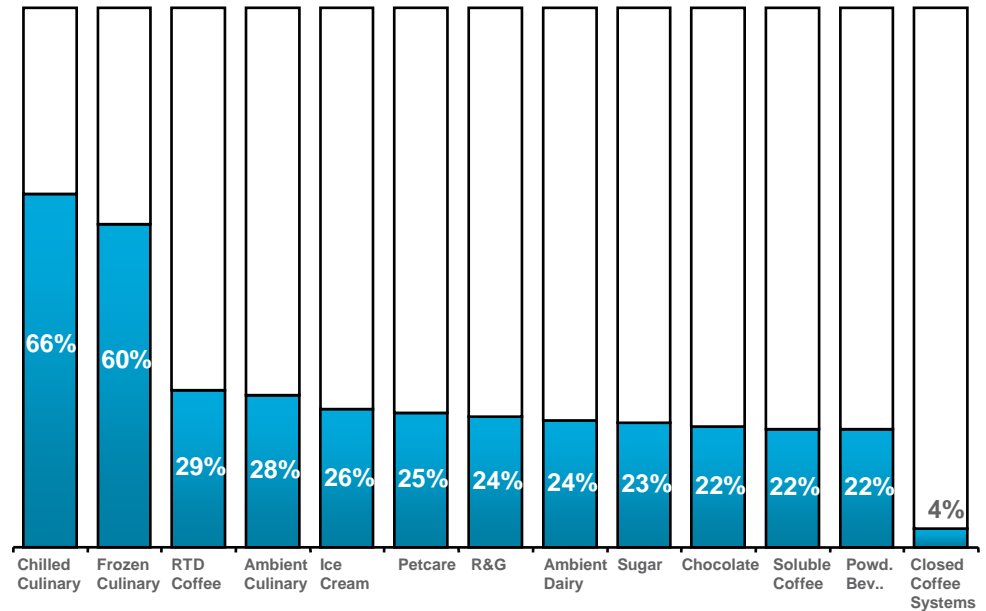


Europe: the market realities

Population shrinking

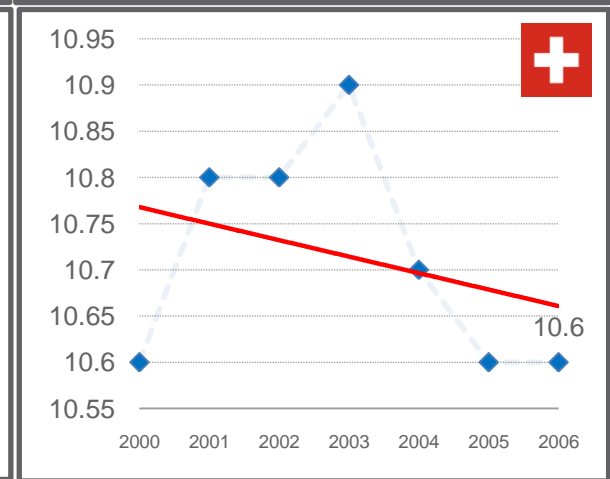
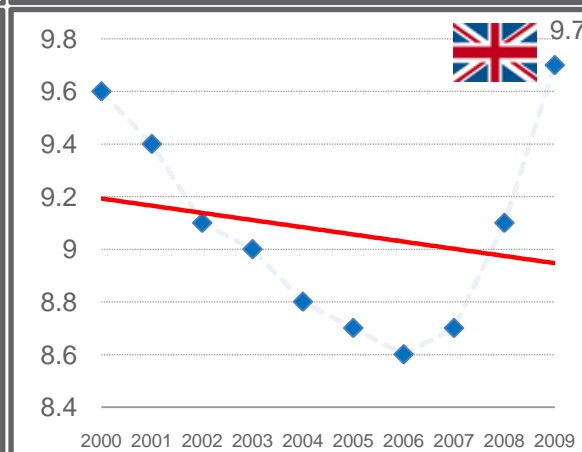
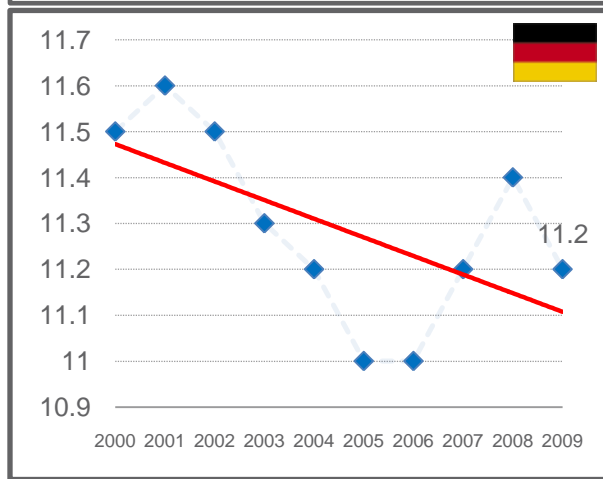
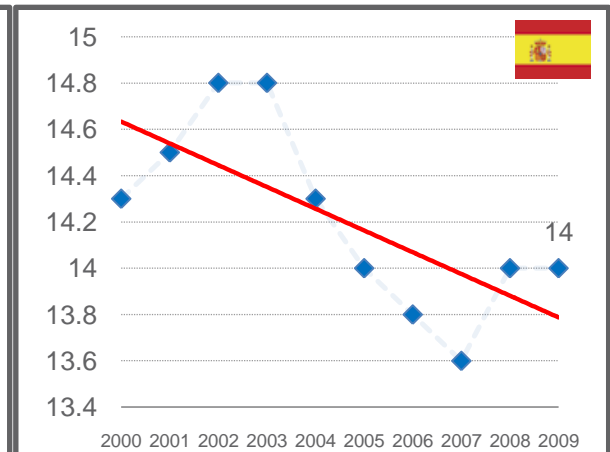
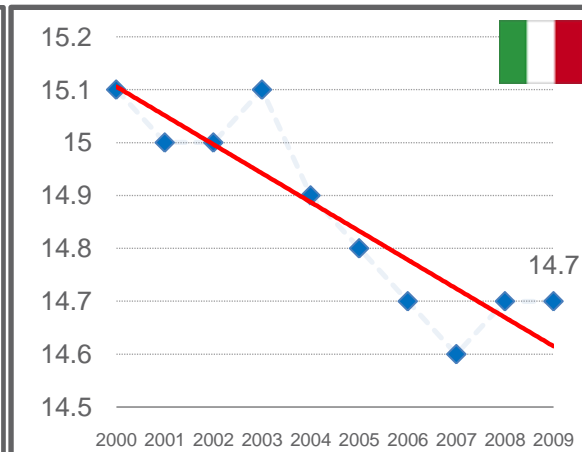
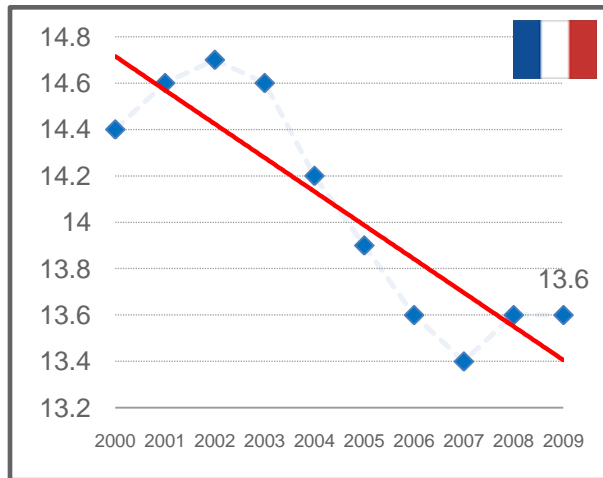


Private Label in our categories



No natural growth: We need to create our own growth

F&B spend: av. 13.1% EU household income



Europe: outperformance is key to growth



Europe: outperformance is key to growth

Innovation & Renovation is a key growth driver



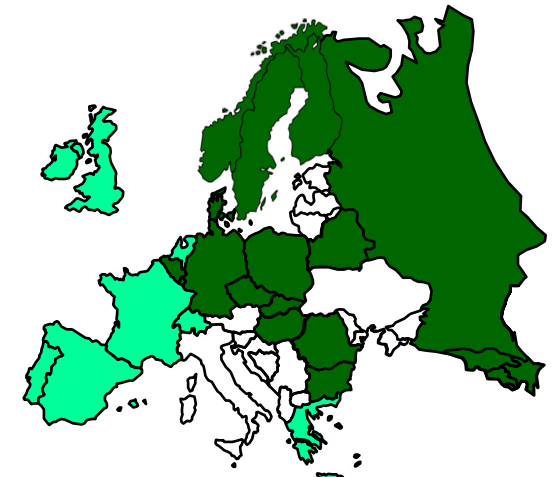
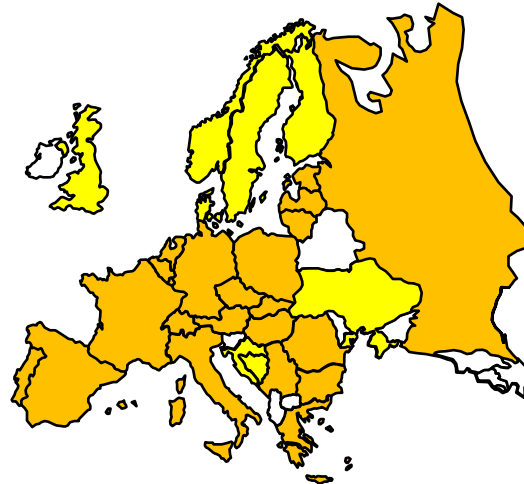
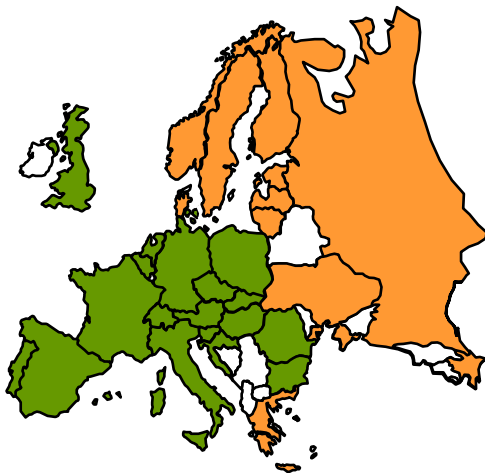
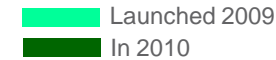
NESCAFÉ Dolce Gusto



Juicy Roasting



NESCAFÉ Green Blend

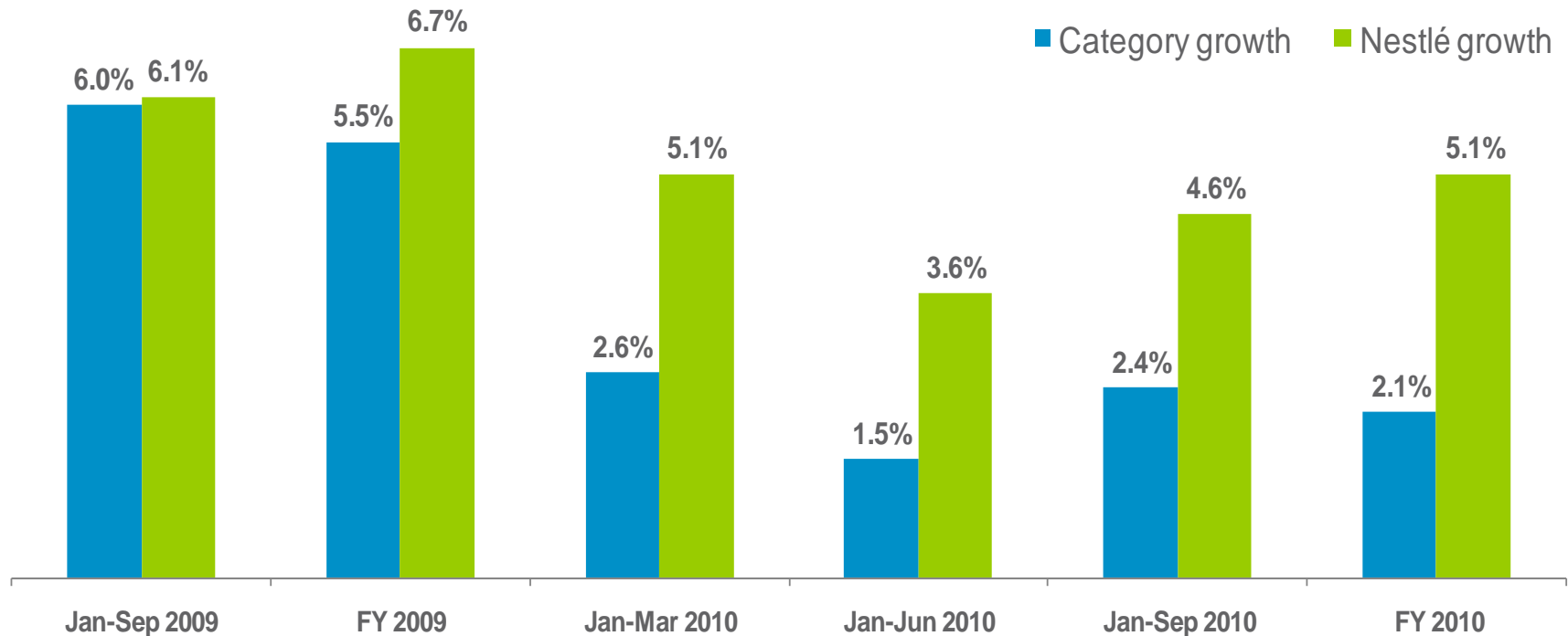


Innovation in Europe



Europe: outperformance is key to growth

Nestlé is consistently growing faster than its categories



Growth of category & Nestlé In Nestlé's top 10 customers

Europe: outperformance is key to growth

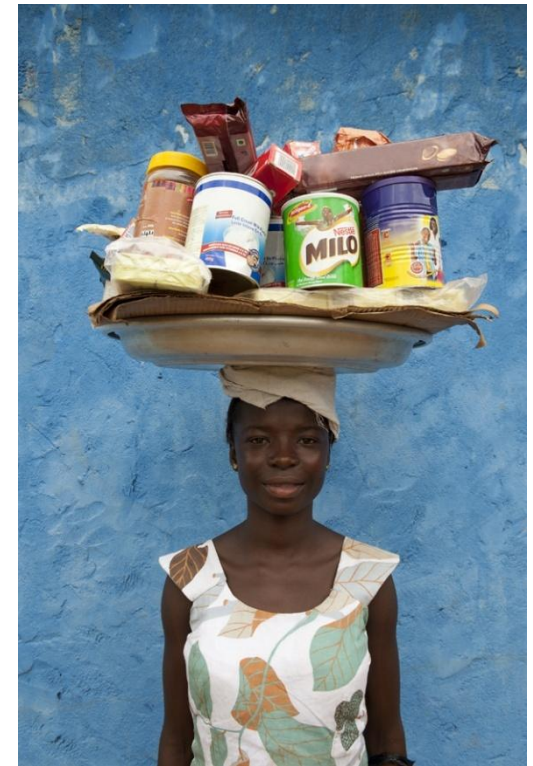
To outperform, we need

- To serve different consumer groups (not all are shrinking)
- To deliver best-in-class service from a best-in-class cost base
- To offer distinctive brand-differentiation
- To drive consumers to higher-value products
- To gain market share

To outperform, we need to create value

Nestlé in emerging markets

- CHF 39 billion of sales
- 11.5% organic growth
- 13 countries with sales CHF 1bn+



- 146,300 employees
- 210 factories
- 6 R&D centres
- CHF 2.5bn Capex in 2011

AOA: the market realities

AOA:

76% of world's population

83% of world's babies

16 of the world's 26 megacities

1 bn new \$3-15k consumers
2005-2015

Asia:

34% of global GDP

55% of global wealth by 2030

China:

2nd largest economy

India:

Most populated nation by 2030

Africa:

1 bn population:

60% below 25 years old

Many growth-drivers: to win is to grow even faster

AOA: expanding presence is key to winning



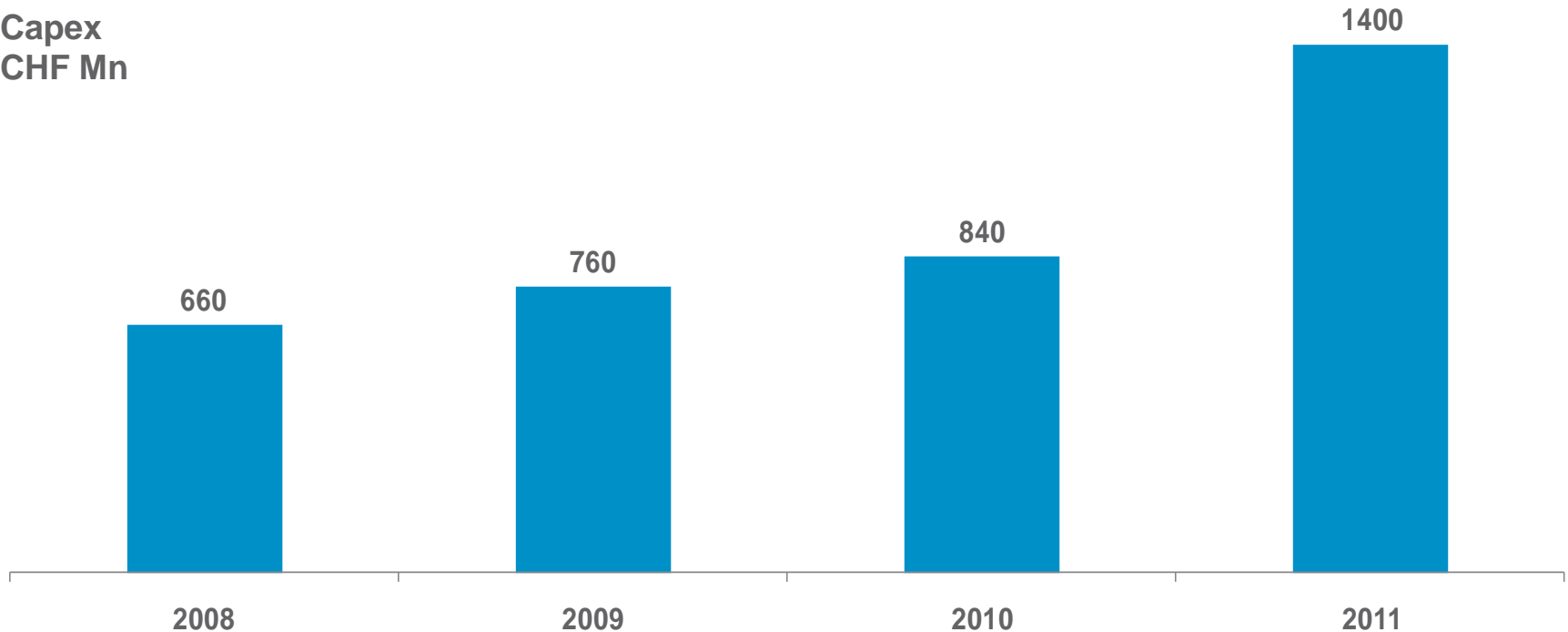
AOA: expanding presence is key to winning

- **Strong brands with local heritage**
- **Differentiated multi-tier strategy & price-point management**
- **PPP & Premium are at extremes: mindsets & business-models**
We have proven expertise in both
- **Distribute deeper/wider**
1 million more outlets by 2012
- **Local ingredients, packaging, services & indirect materials**
Secure supply, development & support for suppliers



AOA: expanding presence is key to winning

Capex
CHF Mn



**We are investing ahead of demand
in a fast growth environment**

AOA: expanding presence is key to winning

To win we need...

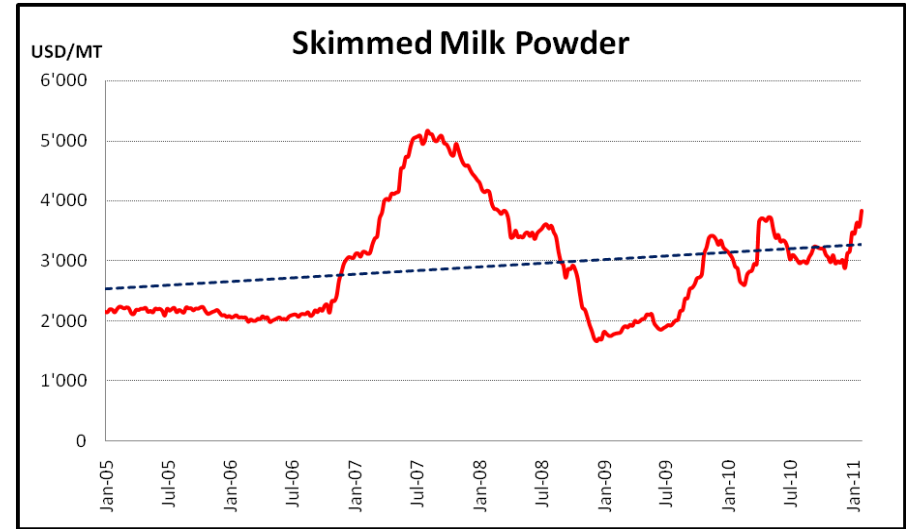
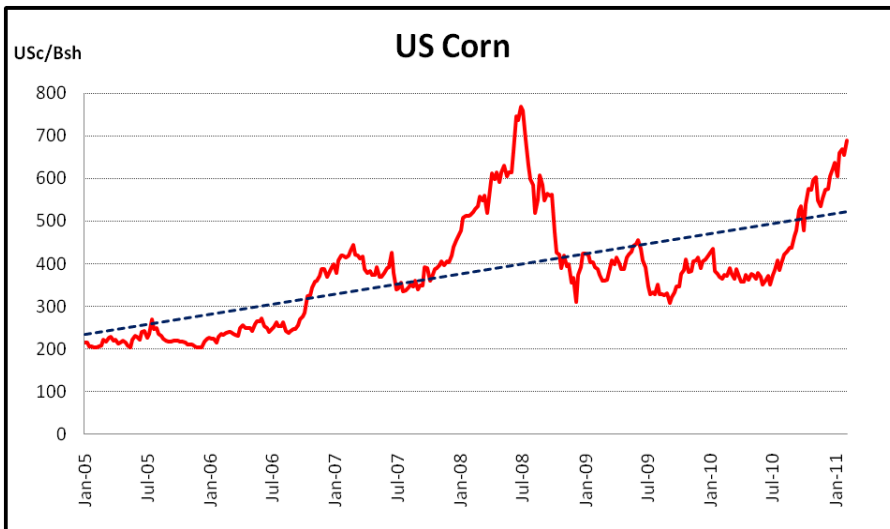
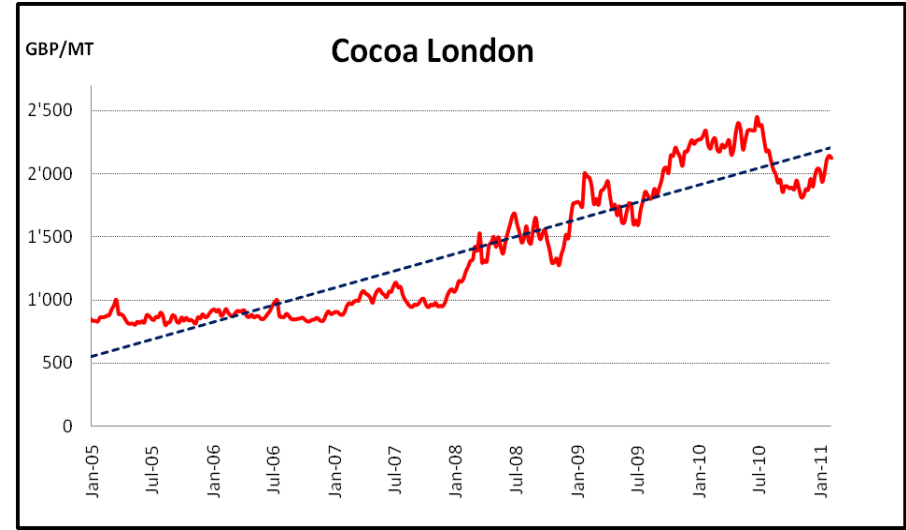
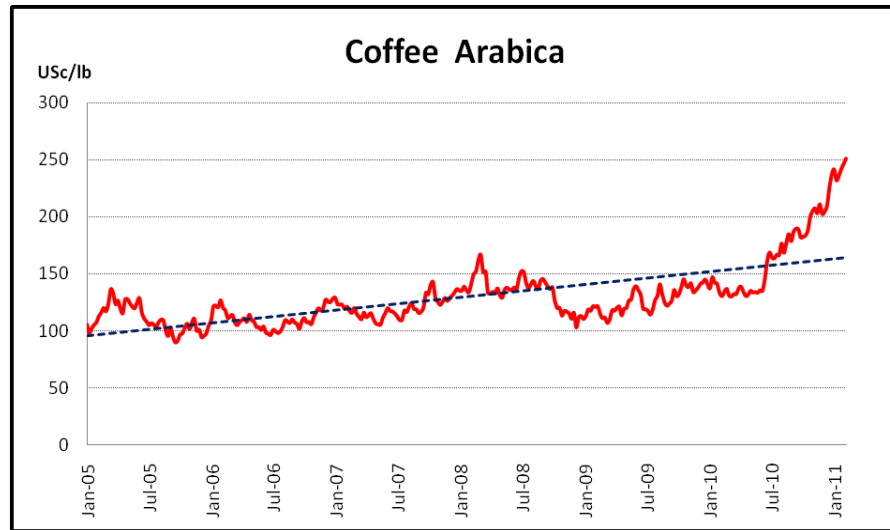
- **To build capacity**
Not just traditional, but also local finishing plants for PPP
- **To further expand our distribution**
Direct & indirect; urban & rural
- **To have highly-efficient operations & procurement**
- **To continue to develop our capabilities**
Human, local insights, technical, R&D, agricultural assistance and sourcing
- **To have a strong presence, right values, deep understanding of local cultures, consumer insights, stakeholder relationships**



Agenda

- Overview of 2010, and into 2011...
- Perceived issue: consumer demand
Response:
Building our own growth in developed markets
Beating the growth benchmark in emerging markets
- **Perceived issue: raw material pressure**
Response:
Outperformance in procurement, operations, products
- Conclusion

Costs: volatility is an issue; trends are the key



Managing raw material costs: an opportunity for competitive advantage in the market place

- Use local expertise & hedges
- Waste out – efficiencies and effectiveness
- Create value – innovation and renovation
- Drive operating performance
- Pricing



**If we excel along the value chain, we need less price:
A competitive advantage in the market place**

Procurement: helping our markets win

- **Leveraging our scale and best practices**
Aligned strategies with one Nestlé voice to suppliers/the market
- **Providing forward looking information by business & commodity**
We began managing 2011 in 2010
- **Enabling accelerated decision-making by our markets**
Innovation, promotional activity, pricing, savings...
- **Working across centres of expertise**
Procurement + Technical + R&D: specs, yields, recipes

**Our objective is to anticipate raw material markets
Not to respond to them**

Procurement: helping Nestlé win

- **Farm-to-Fork approach creates value (& not just for Nestlé)**
 - **Multi-sourcing**
 - Reduces exposure to volatility
 - Streamlines supply chain & helps assures supply
 - Improves raw materials quality, reduces waste
 - Increases farmers' skills, yields & incomes
 - Enhances Nestlé's reputation in sourcing countries
 - Increasingly a differentiator in consumer communication
 - **The Coffee Plan; The Cocoa Plan**
 - Long-term approach to secure supply, build farm productivity
- Increased direct sourcing enhances security, safety, quality, cost, societal value & brand benefit**



Procurement: helping Nestlé win

- Procurement has consistently created value
- Its performance was improving due to GLOBE before NCE
- GLOBE + NCE = a new level of value-creation
- Today, Procurement is:
a dynamic enterprise closely aligned with business needs
equipped with new capabilities to accelerate value-creation

**2011 experience can only benefit
future performance**

Outperformance: it goes beyond operations

From
2000 to 2010

GLOBAL BUSINESS EXCELLENCE

GLOBE

UNLOCKING OUR POTENTIAL



Nestlé

From 2010



Nestlé

GLOBE

ONE STEP AHEAD

GLOBE & Nestlé Continuous Excellence

NCE touches all Nestlé



A consumer-driven war on waste

A lean enterprise – the Nestlé way

- First, we understand what customers & consumers ‘value’
- And we evaluate which activities add that ‘value’.
- Then we eliminate other activities, and thereby
- Free up resources for value-adding activities.
- Finally, we relentlessly optimise value-adding activities

Driving efficiencies and effectiveness

Cost & productivity

Output per factory	+5%
Distribution costs	-20 bps

Safety

Lost time injuries	-10%
Recordable injuries	-18%

Environment

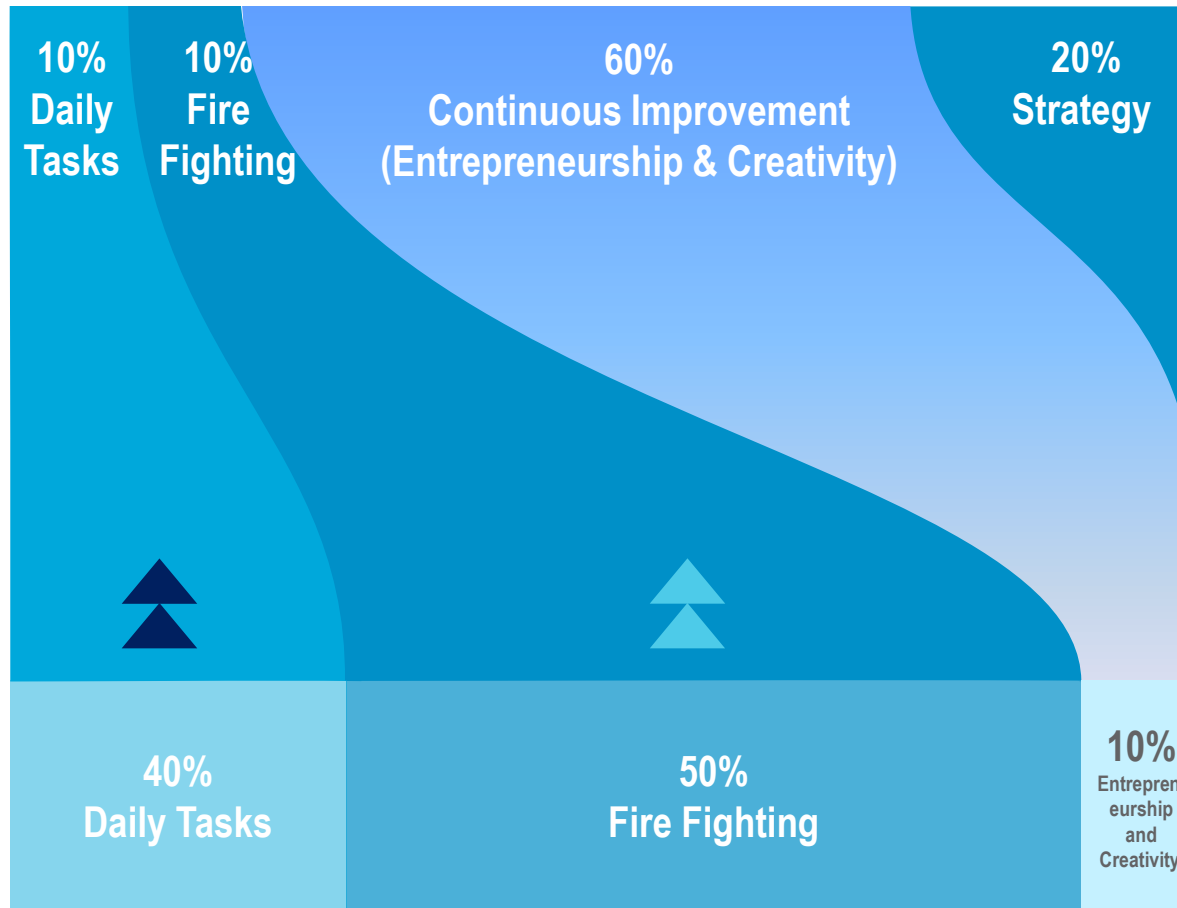
Energy consumption	-2%
Water consumption	-5%

Supply chain

Case fill rate	+30 bps
Freshness at shipment	+70 bps
Customer survey	+3 places
Average working cap	-110 bps
Bad goods	-21%
Stock cover (Raw)	-14%
Stock cover (Finished)	-3%

Process improvements of up to 20% in quality, supply chain, customer service, production, engineering & IT

Reduction of waste a key factor but...



...the real win is improved entrepreneurship & creativity

Agenda

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Outperformance in procurement, operations, products
- **Conclusion**

Conclusion

- Strong alignment behind the Nestlé Roadmap
- Anticipating downsides & risks; optimising upsides
- Nestlé is building competitive advantage all along the value chain
- We have strong growth momentum with positive mix
- Our market share performance is strong
- Our innovation pipeline is rich – differentiation /added-value

Long-term inspiration; short-term delivery

2011: A Year with Challenges

Challenges:
Opportunities for Nestlé
to benefit from its
competitive advantages



Discussion

