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Good morning. Welcome to our Full Year Results conference call.

I will take the safe harbour as read and move to some introductory remarks.

2011 was a year of continued momentum in a particularly challenging environment. The focus of our discussion this morning will be on the continuing business which is indicative of our performance following the sale of Alcon in August last year.

Overall, our progress is aligned and coherent with the Nestlé Roadmap which we have shared with you many times: this demonstrates that our Roadmap is as relevant as ever in today's new reality to drive improved performance: Our growth drivers including:

Our products with Nutrition foundations and Nutritional competitive advantages, our Billionaire Brands, Premiumisation and Nestlé Professional and PPPs and emerging markets all delivered at or above Group average Organic Growth.

We continue to make significant capital investments on a global basis, satisfying the need for capacity, delivering value added innovations, improving quality and safety within our operations, enhancing our capabilities and advancing our creating shared value strategies.

Investments in emerging markets in 2011 were approximately 1.5 times the ratio to sales in developed markets. We have been scaling up in categories where we already have good positions and high returns and at the same time building capabilities for new categories, further enhancing our returns in the future.

2011 was another year of growth for Nestlé in developed markets. We have continued to invest there, in support of winning innovations and business models, to increase our presence in high value-added categories, also drivers of future returns.

We have used our capital strategically: via M&A, to accelerate the development of Nestlé Health Science through four investments in 2011, and to transform our business in China with two partnerships. Including Yinlu and Hsu FU Chi, our sales in China are now approaching CHF 5 billion.

Equally, we have used our working capital tactically, to drive growth in countries around the world, improving customer service to record levels globally, in spite of political turmoil, natural disasters in many parts of the world and disruption of global logistics. Our market positions globally are strong and improving, with about 65% of cells gaining share for our Billionaire Brands. This reflects also our continued investment in our brands and innovation capabilities. We are winning inside by driving out waste, improving operating efficiency, leveraging our scale and investing in our people. And our people have remained focused, committed in a year that had more than its fair share of turbulence and delivered on expected performance.
Let's now look at the results, starting with the highlights.

Sales were CHF 83.6 billion. The Organic Growth of 7.5% included RIG of 3.9%. This was growth on growth, upon 6% Organic Growth in 2010 for the continuing operations.

The trading operating profit was CHF 12.5 billion, with a margin of 15%, up 60 basis points, or 90 basis points in constant currencies. On the old EBIT basis, the margin was up 10 basis points in constant currencies.

The net profit was CHF 9.5 billion, up 8.1% compared to the 2010 continuing operations. The margin at 11.3% was up 130 basis points.

Our underlying earnings per share at CHF 3.08 were up 7.8% in constant currencies. We are proposing an increase in the dividend to CHF 1.95 per share, reflecting our confidence in the business to continue its performance trends.

On the next slide you can see the currency impact on sales, earnings, cash flow and the balance sheet. With double-digit increases in 2011 in the value of the Swiss franc against many currencies, there are some major impacts: 13.4% on sales, 15% on underlying earnings per share and a CHF1.6 billion impact on operational cash flow, as examples.

Next is our usual margin bridge. It was clear from the outset that the battle for 2011, in addition to currency effects was going to be about input cost recovery. Consequently, all levers of cost management had to be relied on to ensure compensating adjustments were made to make progress sustainably. As you can see, the cost of goods sold was up, 190 basis points, even after our savings programmes, growth leverage and pricing.

Administrative costs also benefited from efficiencies, as well as our on-going restructuring of post retirement plans. I'll look at marketing in a bit more detail on the next slide, but this is the overview of how we delivered the 60 basis points improvement, or 90 in constant currencies, at the trading operating profit.

The Group’s marketing spend was down by 100 basis points. There are a number of elements here.

First, we continue to take out costs that don’t touch consumers. Second, the consumer facing spend was slightly down in constant currencies, reflecting some good marketing/mix decisions, which drove better value and higher returns on our marketing investment. The obvious example of this is digital, which increased as a percentage of total media cost.

Third, and perhaps most importantly, we continued to increase the sales generating power of our brand communication messages. Last year more than half of all Nestlé TV ads performed in the top quartile of the databases of our copy testing suppliers. This is up from 40% in 2010 and 30% in 2009. How much we spend in media of course matters, but what matters more is the ability of our advertising creative to drive sales, and get shared by consumers with other consumers, and on this basis
our performance is improving dramatically.

Another element is that a number of big innovations have now reached critical mass, such that their consumer facing spend is being leveraged as a percentage of sales. *Nescafé Dolce Gusto* is a good example, which grew over 60% in 2011 to have sales near CHF 600 million: obviously, the marketing spend is not also growing over 60%.

Some of you will remember that consumer facing spend was up in constant currencies at the first half. This has a lot to do with launch timings. Let me give you some examples:

As I mentioned on the first half call, Nespresso did its first ever global machine launch in the first half of 2011, for the hugely successful *Pixie*.

PetCare had some big launches in the first half both in North America and Central/Eastern Europe – you saw the growth momentum building in that business through the year, partly in response to those launches.

Brazil celebrated its 90th anniversary in the first half with a major corporate and brand-based marketing drive; so did Nestlé in the Philippines for 100 years. These are just three examples.

Paul Bulcke is going to talk about trends in our consumer communication and e-commerce activities in his roadshow presentation. It is clear that the way that we invest in our brands is changing, as is the way we measure the return on our investment.

Here I would like to draw your attention to the fact that our marketing strategies and their initiatives are delivering solid growth momentum. On this slide is an overview of the Group's growth in 2010 and 2011. As you can see, it has been a picture of consistent growth upon growth. The final quarter of 2011 was strong, with 3.5% RIG and 8.4% Organic Growth, demonstrating both the strength of our brands and how well our communication is engaging with consumers.

Coming back to the income statement for some comments on the net ‘other trading’ items. We benefited in this line from both lower restructuring charges and asset impairments in 2011; we remain at a normalised level of litigation and onerous contracts after a high level last year.

During 2011, focus has been on executing projects, for which provisions were made in 2010 and there was no need for further material fixed asset impairments.

On the next slide you have the rest of the income statement down to earnings per share.

As you have seen, the Trading Operating Profit increased to 15%, up 60 basis points, 90 bps in constant currencies.
The net financial income and expense shows a decrease in expenses of 40 basis points; this was due primarily to lower average debt levels and the funding structure weighted to short term debt.

Taxes have decreased by 10 basis points, due to changes in the business mix.

The share of results of Associates is down 20 basis points, mainly due to currency effects on the results of our associates.

The profit attributable to non-controlling interests increased by 10 basis points. The net profit margin is up 130 basis points, and the underlying earnings per share in constant currencies increased by 7.8%.

As you will recall, underlying earnings per share in constant currencies is now part of our enhanced Nestlé Model, and was discussed at our London roadshow in February last year. On this slide, you can see both the original Nestlé Model and the enhanced Model. In 2011, we delivered again the “former” version, on which we guided the Market in 2011.

As you have already seen our Organic Growth was 7.5% and we delivered improvement in both the underlying EBIT in constant currencies and Trading Operating Profit Margins.

In addition, with regard to capital efficiency, we have improved across the dynamics of the business. An example being ROIC on total invested capital was 14.1 % up 10 basis points, excluding the impact of Alcon, Hsu Fu Chi and Yinlu.

The transition year of 2011 has now firmly entrenched the enhanced Nestlé Model and the move to Net Net Sales has been implemented across the business.

The Group’s 2011 operating cash flow was CHF 9.8 billion. The big impacts relative to 2010’s cash flow of CHF 13.6 billion were a currency impact of CHF1.6 billion and the lack of any Alcon cash flow, CHF 1.9 billion.

If you take out these two non-performance items, totalling CHF 3.5 billion, the comparable gap between the 2010 and 2011 operating cash flow is CHF 300 million, after considering an increase in working capital in 2011 of CHF 1.4 billion.

I’ll give you our perspective on working capital. Firstly, we can do better and are planning to do so!

We do tightly monitor our working capital, but we look at it in the context of our overall business performance, and we use it strategically to drive and protect performance.

For example, even in 2011, when conditions have been incredibly volatile, ranging from the Arab spring to the Japanese tsunami, political turmoil in Africa, earthquakes in New Zealand and floods in Australia and Thailand, we have averaged over 98% customer service levels for the group as a whole. And when all is said and done, that is what this business is about – having product on the shelf 24/7, making the sale 24/7. If it takes some additional working capital to achieve that in this environment, then in my mind that is capital put to good work.
Our 13.3% Organic Growth in emerging markets this year, stands out comparison with our peers – and demonstrates my point: we have used our working capital to drive growth above industry.

Nestlé does not have an ambition to have negative working capital. We do not believe this is in either our best interests or in the best interests of our business partners, but we will improve from current levels.

We will attack the growth in Working Capital sensibly, not by focusing on absolute value which last year was impacted by double-digit inflation, but by targeting days cover for inventories, accounts receivable and accounts payable.

On this slide you have our net debt bridge. As you can see we have closed the year with a Group Net Debt of CHF 14.3 bn and on target to meet our expectations of a net debt of CHF 15 to 18 bn by 2012/2013 in the normal course.

In 2011 we made investments in capital expenditure of 4.8 billion Swiss francs, around 50 percent of which was in emerging markets; 60% of our capital expenditures are for increasing capacity and new products. Spending in 2011 was slightly below our guidance at the beginning of the year.

That concludes my run through the group numbers. Let’s now do a quick business review.

Most of the trends were already well established and discussed at the 9 months, so I will do this quickly – you can always pick up on themes in the discussion afterwards.

Here you can see our growth by geographic region, including all our businesses. We have continued to deliver positive growth in all areas of the world, with slight accelerations in the last quarter in Europe and the Americas. I’ll go into the detail in my Zone review.

We have pulled out a few areas of specific interest for you. The emerging markets grew 13.3%, slightly up from the 9 months and I’d like to highlight that including our recent Chinese partnerships our emerging markets now represent 41% of sales. And we expect our emerging markets business to contribute 50% of sales by 2020.

The BRIC markets had Organic Growth of over 11%, developed markets over 4%, while Portugal, Italy, Greece and Spain combined were near 4%.

This broad-based geographic growth performance puts us in a good position to manage global risks.

The Billionaire Brands grew above the group average. Some highlights included Nespresso, Nescafé, Milo and Pure Life amongst beverages, Dog Chow and One in PetCare, Maggi and Herta in Culinary, the Nestlé brand in Dairy, and NAN in Nutrition. The great majority of the brands are delivering strong growth, aligned with our growth drivers. The performance of our brands in the Frozen Prepared Meals and Ice Cream in the US reflect the challenges in that category there.
Now, a quick look at the Zones, starting with Americas.

Latin America achieved double-digit growth, with good growth across the region and in most categories.

In North America trading conditions remained tough, but the final quarter saw improved RIG and increased pricing, with all key categories positive for the year. PetCare continued to pick up pace after a slow start to the year. Frozen Prepared Meals remained subdued, though Pizza is growing and gained share. Lean Cuisine held share. Ice Cream performed well in Cones, whilst Häagen Dazs bars grew 10%.

The Zone’s margin was down 30 basis points. It maintained a good level of brand investment, whilst driving efficiencies in all areas. Input cost pressure was severe, particularly in the large Latin American milk business.

In Europe, growth was evenly spread between West and Central/Eastern Europe, and the Zone finished the year ahead of the 9 month level. All major markets in Western Europe grew in 2011, reflecting the continued benefit of a strong series of innovations across the categories.

Central/Eastern Europe was more mixed, ranging from double-digit growth in the Ukraine to flat performances in Russia and Poland.

All categories contributed to the Zone’s growth, except Ice Cream which even despite the worst July in memory, was down only 1%. I would highlight Coffee, PetCare, Chilled food and frozen Pizza, amongst good performances.

The margin was up 230 basis points. Key impacts here were the benefit of growth leverage and pricing, focused marketing spend on high return launches and initiatives, returns from earlier restructuring and the impact of the on-going efforts to restructure post-retirement benefit plans, which had already benefited the first half.

Zone Asia, Oceania and Africa had a really good year. It overcame challenges including civil war in Cote d’Ivoire, the tsunami in Japan and recent floods in Thailand and Indochina, to deliver double-digit growth, at 11.9%, and a 90 basis points improvement in the margin. It achieved this whilst implementing record levels of capital investment to secure future growth opportunities in India, China and Africa among others, and signing two key partnerships in China. The partnerships with Yinlu and Hsu Fu Chi will transform our business there, to reach above CHF 5 billion in sales in 2012; their combined margin is below that of the Zone, 18.9%.

Most countries in the Zone continued to grow at levels seen earlier in the year, some even accelerating. Our biggest categories all performed well, with the four of them achieving double-digit growth.

The Zone’s margin was up largely due to innovation across all areas and initiatives such as distribution, manufacturing and procurement, supported by Nestlé Continuous Excellence.
Nestlé Nutrition’s growth driver was Infant Nutrition, which achieved double-digit growth and share gains globally in both Infant formula and Infant cereals. The meals and drinks business, more weighted to developed markets, also delivered growth. Jenny Craig remained under pressure in a highly competitive market in a tough economic situation in the US. Both it and Performance Nutrition had good growth internationally. The margin was down mainly due to weakness at the smaller divisions.

Nestlé Waters had a strong finish to the year, particularly in North America, where demand had been impacted earlier in the year by pricing. The European business had a good year, with share gains in the markets that returned to growth. Emerging markets, now over CHF 1 billion in sales, grew double digit. Perrier and Nestlé Pure Life grew double digit, and performance was also strong for San Pellegrino. The margin benefited from growth in Europe, pricing and efficiencies, as well as lower restructuring costs.

Nestlé Professional achieved high single digit growth, helped by double-digit growth in its emerging markets, as well as positive growth in Europe and North America. Innovations across Beverages and Food are driving the growth. Margins were down, reflecting high input costs and investment behind innovations focusing around added-value machines, such as Milano and Viaggi, all of which will, over time, distance the business from raw material volatility.

Nespresso achieved over 20% growth, continuing to grow double digit in well-established markets such as France, as well as in those it entered more recently. Margins recovered in the second half after the very first-half weighted media spend.

Nestlé Health Science had a very successful first year, laying down its strategic foundations, establishing its structures and making four investments, including three acquisitions. At the same time the business performed well, with a good growth and margin performance.

The Food and Beverage and Pharma joint ventures also delivered growth.

The product groups continued the trend seen at the nine months, all delivering positive growth. Let’s have a quick run through.

Powdered and Liquid Beverages had a really good 2011, with double-digit Organic Growth. All categories played their part. I’d highlight Nescafé: Soluble Coffee grew 12% off a base in excess of CHF 9 billion, whilst the ready-to-drink variant is also performing well, double digit in a host of emerging markets. It’s all about innovation – whether on the retail side with Green Blend, the relaunch of Nescafé Gold, the continuing expansion of Dolce Gusto, or the choice of RTD offerings, or on the B2B side, Viaggi and Nescafé Milano.

Growth in Milk products and Ice Cream was unchanged from the first 9 months. Milk continued to perform well, delivering double-digit growth, both in Ambient and Chilled Dairy.

Ice Cream’s growth was positive for the year. Yinlu is part of the category from 2012.
In Prepared Dishes and Cooking Aids, Maggi delivered double-digit growth globally, a really strong performance from a business that has a significant proportion of its sales in Europe. Again, it’s about innovation, with Juicy delivering dynamic growth both in developed and emerging markets, whilst the Maggi “Flavour world” range benefited from locally tailored innovation, meeting particular cultural flavour preferences and addressing regional nutritional requirements, an example being the Juicy’s success. You know that the UK isn’t an established Maggi market, but Maggi Juicy is number one in its segment there despite competition from local brands.

The Frozen Prepared Meals segment continued subdued in North America. Pizza performed well both there and in Europe. In Chilled in Europe, I would highlight the high single-digit growth in Herta.

The Chocolate business achieved share gains in the UK, had a strong year in many countries including China, India, Brazil, Japan and France. As Hsu Fu Chi will be part of the category in 2012, the Confectionery business will have about 60% of its sales in emerging markets.

PetCare had a good final quarter, increasing its Organic Growth to 4.3%. Margins were 20 bps up, despite the more difficult raw material environment in 2011. Its share performance was good around the world with, for example, share gains in every category and channel in the US. The emerging market business grew double-digit, with Russia and Latin America as highlights.

To summarise, it was a good year for Nestlé, with good growth in all regions and all businesses.

We also improved our trading operating profit margin, by driving growth and achieving significant benefits from our savings programme and pulling all levers to create value.

In view of our earnings in 2011 and our confidence in the prospects for the future, we are proposing to the board and the general assembly a dividend of CHF 1.95 per share payable in April this year.

We believe we are well placed to build on this performance in 2012 and to deliver the enhanced Nestlé model.

This concludes my presentation. Let’s now open up to discussion, and Roddy will join the party.

**Q& A Session**

| Questions on; | Performance in Europe | Trending on COGS |

**Warren Ackerman, Société Générale:**
Two questions. The first question is just on your performance in Europe. I think Nestlé is one of the few consumer companies seeing an improved performance in
Europe in the fourth quarter by volume and pricing improving. And, Jim, you mentioned innovation in your speech, there's a big reason behind that. But I was wondering maybe, you can maybe just outline some of the trends that you're seeing in the Western European markets, the food retail trends, the promotional trends, some of the kind of the macro drivers behind that improved performance in Europe?

And then the second question, just looking at the cost of goods sold line, I was just wondering how you expect the COGS line to trend from here? And is it realistic to think it might be positive by the time we get to the second half of 2012? And as commodities stand today, what is your thought and guidance for 2012? Thank you.

James Singh:
First of all, in Europe in general, particularly in Western Europe, Western Europe last year, all our large markets had good Organic Growth and good Real Internal Growth performance. I think the key to our progress and our continued progress in Europe is innovations, smaller innovations, and large very impactful innovations. And over the last three years, we started about four years ago with an objective to have in Europe CHF 1 billion coming from innovations. And I could tell that the end of last year, that number was CHF 1.2 billion, and it is the innovation that is really driving our performance in Europe.

In addition, to continue innovating and renovating around established brands like Maggi, in terms of the core proposition of those brands. So our active innovation program, our efficiencies -- very active efficiencies across the value chain, are really helping us to manage commodity cost inflation and the general competitive trade environment.

Looking forward, I think innovation will continue to make a difference in Europe, but I don't necessarily see that the competitive trade environment will change materially. I think we will continue to see competitive intensity within the trade environment.

And in the cost of goods sold, I would say that 2011 was a difficult year because we had a severe volatility at the start of the year. And we talked about this in the first half with the results, where we had the impact of cost coming in immediately in January and our price realization during the course of the year. I think next year, we're not going to have the 10%, 11% inflation. I think we're looking at low single digit and there may be a correction at the gross margin. But as you know, we don't depend on gross margin as such. We have to manage our cost throughout the P&L to make sure that we don't rely only on pricing to deal with cost inflation and deliver margin growth.

So I think we have a more moderate view in terms of what inflation commodities or input cost basket will be. I think there is going to be some volatility continuing. We started to see it already. But at peaks and the lows maybe lower, so we will have volatility, which will also help us to be better able to predict the trend of commodities during the course of the year.
Roddy Child-Villiers, Nestlé SA, Head of Investor Relations:
I think also in terms of the Q4 trend in Europe, a lot of the improvement was down to the increased pricing particularly Soluble Coffee, so again picking up on Jim's comment about raw material cost pressure, a lot of the improvement was down to pricing.

Warren Ackerman, Société Générale:
What kind of pricing have you taken, Roddy, in Coffee in Europe?

Roddy Child-Villiers:
I haven't got the precise percentage.

Warren Ackerman, Société Générale:
Right.

Roddy Child-Villiers:
But I mean we are up quite significantly

Warren Ackerman, Société Générale:
Quite significantly.

Roddy Child-Villiers:
Yes.

| Questions on | Environment in North America | Net Debt figure |

Jon Cox, Kepler:
Congratulations. I think the top line took some of us by surprise there, that Organic Growth acceleration in Q4. I had a question on that. Basically, in the Americas, you alluded to it somewhat, but there it appears that you accelerated by a couple of points in Q4. And I'm just wondering on the environment in North America specifically, are you seeing signs of an improvement there? That's my first question.

Now, second question, just on this net debt getting to 15 to 18 by 2012, 2013, when I do the numbers excluding any M&A, you should just basically maintain in that level. Just wondering what I'm missing, particularly if you're looking to actually cap working capital as a proportion of sales. I'm wondering if you just give us a bit more clarity on that or are you including some maybe bolt-ons in that figure? Thank you.

James Singh:
Thanks, Jon. First of all in North America, I think the business picked up in the fourth quarter. We have seen coming into the fourth quarter some expectation that the consumer was becoming a little more confident towards the end of the year with the festivities, Thanksgiving and Christmas and so on.

But putting that aside, I would say that the innovations in PetCare -- PetCare had a very strong quarter based on the innovations that were launched during the first half.
We also had reasonably good performance in Water. Nestlé Waters did fairly well, whereas the other businesses were more or less flat during the course of the year.

So I would say that there are some bright spots in the U.S., but generally the North American economic environment will remain subdued for this year. That's way we are seeing yet, with some slight improvement. I think the macroeconomic numbers seem to point to a slow but gradual improvement rather than more of the downside. So we are hopeful that this year, we will see a better performance in that part of the world.

On the net debt, we do include some bolt-on. But we have talked about this before. I'm not going to give you a number because we'd respond to the opportunities in the marketplace. But in the normal course, I would say that our targets of CHF 15 billion to CHF 18 billion 2012, 2013, we're on track to achieve that. Last year, of course, we had the significant impact on our cash flows because of foreign exchange. I do not think that we're going to see the same depths. You will note that since the Swiss Bank took action relative to the Euro in August last year, the Swiss franc has weakened considerably against many of the currencies around the world. So we hopefully will avoid that significant impact on currencies and our cash flow in 2012. So we feel very confident, that what we told you about 18 months ago, that we are on track to deliver those numbers.

Roddy Child-Villiers:
In North America, it's worth pointing out that the non-Zone businesses – most of the non-Zone businesses, Waters, Professional, Nestlé Health Science and Nespresso were all accretive, all performed at a higher level than the Zone North America businesses. So the overall Nestlé North America business was quite strong.

And just a reminder on this expectation on net debt, this is not supposed to be some firm guidance number, it's just the expectations that we gave you when we got all the Alcon cash in. So don't worry about if you can't get it to the nearest billion, it's only an expectation.

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David Hayes, Nomura:
On the marketing spend, you talked about the improvement in efficiency allowing you to be slightly down on consumer-facing spend. I just wonder whether you could give a little bit of detail where there's an element of phasing or timing in that and that you get you a bit of catch up in the first half 2012 or whether those efficiencies will continue and therefore, this is a new trend, a new theme, a new benefit for the numbers moving forward.

Secondly, just on the cash flow, you talked about the working capital in detail, but the variation and other assets and liabilities line, I see you've still a big outflow relative to history, about CHF 1.2 billion. I just wonder whether you can talk about the drivers there and whether again in 2012 that could reverse quite substantially.
And then also a cheeky third because I suspect there's a no comment, but obviously, there's also reports about the Pfizer, the situation and you being at the table for that situation. I just wonder whether you can confirm that you have got interest and what that might be and then if there's any timing outlook in terms of that deal potential coming to a head. Thank you very much.

**James Singh:**
Thanks, David. Well, I'll start with your last question because that's easy. I think you're absolutely right. We would not comment on what's happening at Pfizer. On the marketing spend efficiencies, I do not want to discuss this in great detail because Paul is going to talk about this in London in a very focused way but essentially, what we are trying to do is to make sure that the money we spend has a greater impact directly with the consumer. And we are taking a very critical view of those expenses that don't.

The other area is that we are changing the way we spend our marketing or media money with respect to the choice of media. And Paul, again, will talk about it. As you see our digital has gone up – it is now double-digit percentage of our total media spent and in itself, has increased double digit.

In addition to that, media spending, like every other area of operation is subject to NCE and we are looking at areas where we can get the greatest productivity of our spend. So, that is something that is going to continue. There is no need to change direction there because within Nestlé we are looking to eliminate waste. It's one of the central features of Nestlé Continuous Excellence.

On the cash flow, on the other assets and liabilities, I think these are basically the changes and provisions. Last year, we've made a fair amount of provisions and this year, we spent a fair amount of that. So, essentially those are numbers, net of spending, I think the base, the comparable base was high, I think will be back to more normal levels during the course of 2012. Does that answer your question, David?

**David Hayes, Nomura:**
Yes. It's just flatter than a reversal then, on that last point, that should be the assumption.

**James Singh:**
The base in 2011 is more or less a normalized base. We will have to see as the year progresses.

**Question on; Machine based offerings**

**Simon Marshall-Lockyer, Jefferies:**
Just a quick question on the machine-based offer, could you give us some sort of update on *Special.T, BabyNes*, some of the smaller offers at this point, the *Viaggi* machine and the non-*Nespresso* machine based offer at this point?
Roddy Child-Villiers:
Well, I'll start with the big one I think. I can't ignore it. And Nespresso as we've said, has continued to perform very well, still double digit in its early markets and making great progress internationally. 2011 is the first year where we've gone over 15% of our Nespresso sales outside of Europe. So international business is really building in emphasis. Now, going down in order of sales, Nestlé Dolce Gusto over 60% Organic Growth. It's in over 50 markets and continuing to take share. I think it's -- I think from memory, 360 basis points of share gain in 2011, performing very well.

Then we have professional machines. The premium machine is Milano. That's now in several thousand restaurants, so it's really starting to build some critical mass. Viaggi, obviously, as super premium is as you would expect having a slower build, but it's also meeting -- or even beating our expectations.

Then Special.T, we are planning to increase number of markets. At present is doing very well. It did very well in 2011. BabyNes, it's still very, very early days, it's only effectively six months on the market. But again, we're looking at opportunities for international expansion. It has been received extremely well by the mums and dads. So we're very pleased with that too. But I think you have to think about Viaggi and BabyNes as very much more niche offerings than the Nespresso or Special.T.

Simon Marshall-Lockyer, Jefferies:
Can you give any guidance on Special.T in terms of size of business at this point and number of markets it's in?

Roddy Child-Villiers:
Well, it's a very long way from being material. But I mean the growth is ahead of our expectations. But it is not a number we're going to disclose. It's just not material at this stage.

James Singh:
I think, Simon, I want to let you know that both Nestlé Special.T and BabyNes are ahead of our targets that we set for the business going into last year.

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Alain Oberhuber, MainFirst:
Two questions. The first is about Continuous Excellence program. Could you talk a little bit about what is exactly your plan for 2012? Could you see again CHF 1.5 billion of cost savings?

The second question is about the margin development in the Americas. Was the decline in Latin America similar to the group and if so was it primarily because of the input costs? And based on that, what could we expect on margin development for North as well as Latin America for 2012?

James Singh:
Thanks, Alain. First of all, NCE, I just want to make it clear that NCE is not only about cost savings. The cost savings surely is one of the outcomes of NCE as we focus on
driving out waste and just doing things that matter. It is a program that is enabling us to change our mindset with respect to gaining, throughout the value chain, the most effective and efficient operation supported by business processes and systems. So, it is about a mindset change focusing and driving out waste in the company.

Now, I believe that in terms of our guidance for next year, we feel very comfortable that our savings plan which is significantly linked to NCE, but our savings plan, per se, will continue to deliver total cost improvement of about CHF 1.5 billion. So that's on NCE.

On the margins in America, one thing we have to think about is that the currency impact on the group also impacts the businesses in the various parts of the world. And a lot of the impact there also has to do with price relative to cost, from a margin point of view because as you know, you have to take more pricing than cost to maintain your margin. So, the 30 basis points decline in trading operating profit was a combination of cost pressures on the business in that part of the world in addition to the weak U.S. dollar performance relative to the Swiss francs.

But the other point is that Latin America or Zone America as a whole, they also subscribe intensely to the Nestlé Model, so we expect all our businesses, all our Zones to deliver on the Nestlé Model, which is among other things, the top line growth and bottom line improvement in constant currency.

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<th>Expectations for Organic Growth in Q1 Pricing in 2012</th>
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**Patrik Schwendimann, ZKB:**
Firstly, regarding your strong finish in the Organic Growth which was more or less 8.1% in quarter four. Was anything extraordinary in there bearing in mind -- what shall we expect for quarter one? Is this then a little bit lower than usual? That's my first question.

And secondly, regarding pricing. You were mentioning raw material increases as low single digit, what does this mean in terms of your pricing for 2012? Could you give us here a best guess estimate? Thank you.

**James Singh:**
As Roddy indicated to an early question. I think part of the pickup in the fourth quarter was the increased realization of our pricing. And with the continued innovations of our brands, new business and new business models, we did not have any material impact on our RIG performance. So, our RIG performance held up pretty well and our pricing improved. So, that's basically the reason for a very a good fourth quarter.

In terms of the outlook, in the outlook we said that the Organic Growth this year will be somewhere between 5% and 6%. So, I'm not in a position to give you any quarterly guidance Patrik, but I think that is our guidance for the year. I hope that answers your question.
Patrik Schwendimann, ZKB:
So there was no January impact, so we would expect that even -- could be even above the 5% to 6% in quarter one after the strong quarter four?

James Singh:
No, I would say that our guidance is 5% to 6% for the year. I don't see any reason to change that at this time Patrik.

Roddy Child-Villiers:
But there are no specific one-offs in the final quarter and there are always timing differences as an example, Chinese New Year is much later will be much later in 2013 than it was in 2012. It always go in different timing differences. The other thing to remember, of course, is that the pricing we took accelerated over the course of 2011, and therefore will carry through into 2012. It's not just about our incremental 2012 pricing.

Patrik Schwendimann ZKB:
Which would mean pricing could be again above 2% in 2012 by today's knowledge?

Roddy Child-Villiers:
Jim says we don't guide on pricing, but just remember that it's also the last year's pricing has an impact. Okay?

Patrik Schwendimann, ZKB:
And -- but what about new price increases for 2012?

James Singh:
Well, as I've said, Patrik, there is -- we expect there's going to be some inflation in cost. We don't necessarily depend only on pricing but wherever we need to take more pricing, we will and I do not rule out the need to take additional pricing in 2012, but given where we are today, I really can't give you any more specific than that. But there, if our forecast on materials are correct, there is going to be the need for more pricing in 2012.

Questions on; Guidance on input cost and inflation outlook for 2012
Expansion of Nespresso and Dolce Gusto in US

Pedro Gil, Santander:
Just a couple of questions, I'm not sure if this was mentioned earlier, any specific guidance as to the input cost and inflation outlook as we stand today for 2012, the first question.

The second question, any plans to perhaps more aggressively expand the Nespresso and the Dolce Gusto Single-Serve concept in North America? Thank you.

James Singh
First of all, we did say earlier that we expect inflation on our raw materials, especially our traded materials, will be low single-digit. I can't give you any more specific than that but it's likely going to be below 5%. And that's basically all I could say this time.
Hopefully, we will fine tune that as the year progresses, but that's -- I think that's our expectation around that level.

In terms of expansion, *Dolce Gusto* is now in North America. It's going to be launched in different markets in Latin America and so is *Nespresso*. These business models and the innovations are globally oriented, but we take -- we implement them as much as we can possibly do and do them well. So the expectations are that these businesses continue to grow global. We're going to add more stores, more *Nespresso* boutiques around the world in 2012. And *Dolce Gusto* will go into many more markets, they're being expanded as we speak.

**Roddy Child-Villiers:**

*Nespresso* is, of course, already well established in North America. It's been quite some years now. A pretty meaningful presence in a number of the bigger cities, but as you will appreciate, we're not pursuing a mass strategy as some of the other players, it is very much a niche super premium business targeted to a particular consumer group.

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**Jane Gelfand, Barclays Capital:**

Two quick questions. First, in the nine-month results, you referenced some signs of competitive price pressure in Water and today we also see reference to the intensified competition. It's not necessarily surprising given the macro conditions around the world. But I was just wondering whether you can comment on -- if you're seeing signs of competitors actually decreasing prices or, in light of the expectation of lower inflation, starting to push more in the promotional lever?

Finally, just a small kind of housekeeping question, you mentioned that margins in Zone AOA will be somewhat subdued given the addition of Yinlu and Hsu Fu Chi. So how much can we expect that to move into 2012 given their inclusion? Thank you very much.

**James Singh:**

Thank you, Jane. Your question on Waters, I think, in general, the pricing remains very competitive. We are seeing a periodic deep discounting in different areas.

But what is driving our performance is *Nestlé Pure Life* which is a PPP product, good price for good value. And our global brands, *Perrier, San Pellegrino*, these brands continue to do very well.

So we do not expect the pricing pressure will ease up, but I must say that over the last four months or so, we're seeing some of our competitors taking some pricing. But I do not forecast any letting up of the competitive pricing pressure especially in the developed markets.

On your second question, we said that at the time when we made these relationships, when we entered these partnerships that there would be a slight
negative margin impact on these acquisitions. I don't want to give you the guidance by region, but I would say globally it's going to be about 10 basis points. So, this is something we will have to manage.

**Question on Restructuring and Litigation in P&L**

**Jeremy Fialko, Redburn:**
I've got a question on the restructuring and the litigation line of your P&L. So, obviously you had very low restructuring in 2011. And you're guiding for that to be around 40 basis points or so as in 2012. But you implied that this litigation onerous contract line should be much lower than it was this year. I just wanted you to basically confirm that that's the case. Thank you.

**James Singh:**
Thank you, Jeremy. First of all restructuring as I said 2010 we made significant restructuring provisions because of the plans we have and this year we didn't make significant additional provisions because this year being last year we didn't make additional significant provisions because we are executing those programs for which we had provided. And that is why we said into the future we believe that restructuring and similar activities would be around 40 basis points.

On the litigations -- no, what we said that the litigations after last year is now back to the normal level. That is what we said. We didn't say it will go down or go up. But relative to last year, where we had slightly higher provisions, this year is back to the normal level.

**Jeremy Fialko:**
Right. So you're still going to be in those few CHF 100 million, is what you would see as the normal level for that item?

**James Singh:**
I would think so. Yes.

**Questions on Margin guidance Reporting the Other trading income and expense**

**Jeff Stent, Exane:**
Just a quick technicality. On the margin guidance, you are now guiding to an improvement in constant trading margin. Are you still guiding to an improvement in constant underlying margins. That's my first question.

And secondly, will you still be reporting in the financial statement, the net Other trading income expense included in trading operating profit in 2012? Thanks.

**James Singh:**
Yes. So let me go back to your first question. Last year in February, we introduced you to the new refreshed Nestlé Model where we change our sales recognition to net-net sales, and we said that our margins will be now at a trading operating margin, and that's our guidance. The guidance we're giving for 2012 is Organic Growth at the
top line base, the net-net sales as we have reported this year and trading operating profit.

On the next question, yes, we will continue to give you the breakout of the other trading income and expense.

**Jeff Stent, Exane:**
And just to confirm then, so you're not committing any more to an improvement in underlying constant margins?

**James Singh:**
We are giving guidance at the trading operating profit level.

**Roddy Child-Villiers:**
What we’ve done is we have also added the underlying earnings per share at constant currency as part of the Nestlé Model. So it’s Organic Growth, trading operating profit margin and underlying earnings per share at constant currency.

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**Marco Gulpers, ING:**
Two questions. First, could you elaborate a bit further on those Billionaire Brands that are basically performing below zero, *Stouffers, Hot Pockets, Dreyer's* and *Lean Cuisine*? But especially in a market context, are you losing or are you gaining market share?

The second is on PPP, could you elaborate again on what the growth was in 2011? I missed that.

**James Singh:**
Okay. Thanks, Marco. I wonder why you start at the bottom of the chart. We you should start at the top of the chart with *Nespresso*, I think. But anyhow, I'll answer your question. I think as we’ve said during the course of last year that the Frozen categories in the U.S. have been depressed, not growing and in some cases declining. And with innovations we have been able to hold our competitive positions. We have maintained share in *Lean Cuisine* for example. Pizza business is doing very well and gaining share. But our Frozen Prepared Meals business, that is where – especially on the *Stouffer’s* side, where that the category and our business within it is severely constrained. We believe we have plans in place to hopefully make that better this year. But during the last two years, that category has suffered because of the very difficult economic environment in the U.S.

And the same thing for Ice Cream, in Ice Cream I think we've done reasonably well to hold our leadership positions and especially our novelty businesses and our super premium businesses continue to do well there.

Now on PPP, our growth is between 14% and 15%, we did report it in our schedule. And it continues to do well, not only in the emerging markets but here in Europe we
have high single-digit growth in PPPs. So, it is a model for emerging consumers globally, not only a model for the emerging market. And so we have high hopes of that continuing to grow on a global basis.

Marco Gulpers ING:
Maybe a small follow-up question. On Nutrition, your peer has reported to become a bit more aggressive in the weaning food side of things. What are your plans actually for the coming year in terms of weaning food? What are your expectations there? Thank you.

Roddy Child-Villiers:
Well, on the previous question, I'm just going to remind that on the Billionaire Brands, Dreyer's, is only referring to Dreyer's brand not to the total Dreyer's business. And the Dreyer's brand, which obviously competes quite significantly in the premium, or in European parlance mass category, was down.

But equally, we had some highlights, Häagen Dazs up 10% in bars, about 7% overall, and some of the other snacks and cones also doing mid to high single-digit growth.

Then on the weaning business, I mean, we've had very strong performance in emerging markets, double digit. The plan is what it was in 2011 which is to continue to roll out the new innovations that we've got there. I don't think that anything will change for someone else's ambitions. We got a very strong innovation pipeline, we're rolling it out across multiple markets. I mean, literally thousands of markets very rapidly.

End of Q& A

James Singh
First of all, I'm sure I'll see many of you in the coming weeks in Europe as we go through the opportunity. But I want to take this time to say thank you for the relationship over the last four to five years which has become reasonably intense but always very productive, always very friendly and respectful and I'm truly grateful for your engagement and your interest in our company. And the support you have given me through your questions, through your challenge and through your openness, it has been a good journey and I want to thank you for your support.

We're going to see most of you hopefully in London and on the roadshows in the coming weeks both in the U.S. and here in Europe. So thanks again.