

Nestlé first-quarter sales: continuation of strong momentum

- Sales of CHF 20.3 billion, 6.4% organic growth, 4.9% real internal growth
- Growth in developed markets, double-digit growth in emerging markets
- Market share gains in all three Zones
- Full-year outlook unchanged: organic growth of 5-6% combined with margin increase in constant currencies

Paul Bulcke, Nestlé CEO: “We achieved growth in all categories in the first three months of 2011, maintaining last year’s momentum. We continue to invest for the future, particularly in R&D and consumer-facing marketing, while addressing the challenge of higher input costs by accelerating the pace of innovation as well as ensuring the appropriate balance between savings from Nestlé Continuous Excellence and pricing. In view of the strong start to the year, we are able to reconfirm our guidance for 2011 as a whole.”

Vevey, 15 April 2011 – In the first three months of 2011, sales amounted to CHF 20.3 billion, consisting of 6.4% organic growth, including 4.9% real internal growth. Sales were impacted by -9.8% from foreign exchange and by -5.9% from divestitures (mainly Alcon) net of acquisitions (mainly Kraft Pizza). For the continuing business, sales in Swiss francs were down 1.2%.

The first quarter organic sales development of +6.4% reflects strong, broad-based growth, building on the momentum in 2010. The organic growth was 4.3% in the Americas, 3.9% in Europe and 13.8% in Asia, Oceania and Africa. Developed markets grew 3%, while emerging markets achieved around 12% organic growth.

Business Review

Zone Americas

Sales of CHF 6.4 billion, 3.7% organic growth, 1.2% real internal growth

- The North American market remained subdued but our market share performance was good in most categories. The trends in frozen food have improved, halting the decline seen in 2010. New launches, *Market Creations* by *Lean Cuisine* and *Farmers’ Harvest* by *Stouffer’s*, have been well received. In petcare, Purina entered the ultra-premium category with *Purina One Beyond*. *Nescafé* and *Coffee-mate* grew in the first quarter, but chocolate’s growth was impacted by tough comparisons with the same period last year which saw the launch of *Wonka*. Volumes in ice cream were impacted by price increases, but our market shares were up.

- Latin America continued to grow well, with all regions contributing. Brazil enjoyed double-digit growth in a number of categories, but the late Easter season held back growth in its large chocolate business. Mexico continued to perform well, whilst the Austral-American and Bolivarian regions achieved double-digit growth, as did the regional petcare business.
- There were good performances in most categories in the Americas. Soluble coffee, ambient culinary, powdered beverages and chilled culinary all grew double-digit, and there was high single-digit growth in both ambient and chilled dairy, as well as in biscuits.

Zone Europe

Sales of CHF 3.7 billion, 2.3% organic growth, 1.9% real internal growth

- Western Europe achieved positive real internal growth and organic growth as well as market share gains in most categories, building on good momentum in 2010 and a strong innovation pipeline. France and Italy were particularly strong, whilst Switzerland and the Iberian region also performed well. Growth in the Great Britain region was impacted by Easter being later in 2011 than in 2010 and by consumers' reduced levels of disposable income.
- The Central and Eastern European region was accretive to the Zone's growth. Improving momentum in the region seen already in the second half of 2010 continued into 2011. The Ukrainian and the Adriatic regions were particular highlights. The Russian market for confectionery, an impulse category, continued to be subdued though growth was double-digit in most of the other categories there.
- The Zone's performance was broad-based by category. Soluble coffee, petcare, chilled culinary and frozen pizza were highlights. The chocolate business was the only major category not to report positive real internal growth as Easter is later this year.

Zone Asia, Oceania and Africa

Sales of CHF 3.8 billion, 11.8% organic growth, 9.1% real internal growth

- The Zone's operations have continued to perform well despite the numerous events in the first quarter, such as natural disasters in New Zealand, Japan and Australia, as well as political tension in Côte d'Ivoire, North Africa and some Gulf countries. Our performance reflects our preparedness and particularly the great commitment and solidarity shown by our people in the affected areas. We continue to take all necessary measures to ensure the protection of our staff and assets, keep our operations going and mitigate any economic impact.
- The Zone's emerging markets continued to achieve double-digit organic growth, as they did in 2010, demonstrating the strong momentum we have in these countries. We continue to drive deeper distribution as part of our Popularly Positioned Products business model and are targeting one million additional retail outlets in the Zone by 2012. All regions performed well, including China, the South Asia region, the Middle East, Africa, Indonesia and Indochina.
- Growth in the Zone's developed markets was positive overall. This was due to a strong performance in Japan, where *Nescafé* has continued to see good growth both in its core jars business and from its

Dolce Gusto and *Barista* systems. Growth in Australia was impacted by floods and a typhoon in Queensland.

- The Zone's performance reflects high single-digit or double-digit organic growth in most categories. In soluble coffee, *Nescafé* saw good growth across its range, from its Popularly Positioned Products and 3-in-1s to its premium and single-serve systems business. In ambient culinary, *Maggi* saw strong growth across its range, including noodles in India and seasonings in Africa and elsewhere. Chocolate continued to perform well in many markets, including in China with *Shark*, and in India with *Munch*. Growth was also strong in ambient dairy and ready-to-drink beverages among other categories.

Nestlé Waters

Sales of CHF 1.5 billion, 4.4% organic growth, 5.0% real internal growth

- The business grew in Europe and North America and achieved double-digit organic growth in emerging markets, a performance reflected by market share gains in all its major markets. This is the result of continued growth in the retail market in Europe and North America, as well as a return to growth in the Home and Office Delivery market. Both the *S. Pellegrino* premium brand and the *Nestlé Pure Life* value-priced brand enjoyed double-digit organic growth. There were also strong performances from *Perrier*, *Vittel* and a number of regional brands, including *Ozarka* and *Ice Mountain* in North America, and *Hepar* in France.

Nestlé Nutrition

Sales of CHF 1.9 billion, 8.9% organic growth, 7.3% real internal growth

- **Infant Nutrition** had a good start to the year, building on its momentum from 2010, achieving double-digit organic growth. Asia, Africa, Russia and Latin America all grew strongly, as did the United States and France amongst developed markets. All divisions contributed well, with infant cereals continuing to grow double-digit. The division's big brands, *Nestlé*, *Nan* and *Gerber*, all performed well, and the business gained share globally.
- **Jenny Craig**, the weight management business, had a tough start to the year in the US due to continued weak levels of discretionary spend. The European roll-out is building momentum, with France particularly strong and a good consumer response in the UK.
- **Performance Nutrition** has started the year well, benefiting from innovation and increased brand support.

Other

Sales of CHF 3.0 billion, 10.8% organic growth, 10.0% real internal growth

- **Nestlé Professional** started the year well, its performance accretive to the Group's organic growth. The emerging markets, which represent about a third of the business's sales, had organic growth in the mid-teens. The developed markets also achieved a good level of growth relative to the industry.

Both the food and the beverage business contributed to this good performance, with beverages growing near double-digit.

- **Nespresso** continued to perform at a high level around the world, including in its biggest European markets and the US, despite intensified competition. The global roll-out of boutiques continued, with openings in Hannover, Cairo, Lisbon, Liège and Barcelona in recent months. The number of boutiques is expected to exceed 250 around the world by the end of the year.
- **Nestlé Health Science**, established on 1 January 2011 and incorporating our Healthcare Nutrition business, enjoyed double-digit organic growth.
- Among the Group's joint ventures, **Cereal Partners Worldwide** grew ahead of its category in the first quarter, whilst **Beverage Partners Worldwide** and **Galderma** both grew high single-digit.

Appointments to the Nestlé Executive Board

The Board of Directors appointed Nandu Nandkishore Executive Vice President responsible for Zone Asia, Oceania, Africa and Middle East, effective 1 October 2011. He will succeed Frits van Dijk, who is retiring in September after a long and distinguished career of 41 years with Nestlé. Nandu Nandkishore, 52, currently Deputy Executive Vice President responsible for Nestlé Nutrition, acquired extensive practical business experience in a global context over his past 22 years with the Group.

The Board also appointed Kurt Schmidt Deputy Executive Vice President responsible for Nestlé Nutrition, effective 1 September 2011, in succession to Nandu Nandkishore. Kurt Schmidt, 54, currently Regional Business Head for Infant Nutrition and responsible for the coordination of Nestlé Nutrition North America, joined Nestlé as President and CEO of Gerber when that company was acquired from Novartis in 2007, having previously acquired extensive international business experience over 22 years.

The Board thanks Frits van Dijk for his valuable contribution to the Company over the years and wishes Nandu Nandkishore and Kurt Schmidt all the best in their respective new assignments.

Outlook

The first quarter of 2011 saw a number of high-impact events ranging from civil unrest and natural disasters to extreme volatility in raw material prices. Nonetheless, our strong momentum, both in organic growth and our drive for improved efficiency and effectiveness, enables us to confirm our full-year guidance: to achieve the Nestlé Model of organic growth between 5% and 6% and a margin improvement in constant currencies.

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Annex

First Quarter sales overview 2011

	Jan.-Mar. 2011 Sales in CHF millions	Jan.-Mar. 2010 Sales in CHF millions (a)	Jan.-Mar. 2011 Organic Growth (%)	Jan.-Mar. 2011 Real Internal Growth (%)
By Operating Segment				
• Zone Americas	6'398	6'378	3.7	1.2
• Zone Europe	3'704	4'045	2.3	1.9
• Zone Asia, Oceania, Africa	3'787	3'644	11.8	9.1
Nestlé Waters	1'495	1'607	4.4	5.0
Nestlé Nutrition (b)	1'872	1'882	8.9	7.3
Other (c)	3'005	2'959	10.8	10.0
Total continuing operations	20'261	20'515	6.4	4.9
Pharma discontinued operations	-	1'822	n/a	n/a
Total Group	20'261	22'337	6.4	4.9
By Product				
Powdered and liquid beverages	4'425	4'284	12.5	9.5
Water	1'496	1'609	4.4	5.0
Milk products and ice cream	3'773	3'828	7.6	3.7
Nutrition & HealthCare (d)	2'424	2'416	9.0	8.0
Prepared dishes and cooking aids	3'472	3'361	3.9	4.4
Confectionery	2'227	2'392	1.3	0.2
PetCare	2'444	2'625	1.6	0.9
Total continuing operations	20'261	20'515	6.4	4.9
Pharma discontinued operations	-	1'822	n/a	n/a
Total Group	20'261	22'337	6.4	4.9

(a) 2010 figures restated on a Net-Net basis

(b) Healthcare Nutrition reclassified under "Other" as managed, as from January 2011, as part of Nestlé Health Science

(c) Mainly Nestlé Professional, Nespresso, Nestlé Health Science, and Joint Ventures managed on a worldwide basis

(d) Includes nutrition, healthcare and pharmaceutical products