Mr Peter Brabeck, Chairman and CEO, Nestlé S.A.

It is my pleasure to welcome you to our autumn press conference, Ladies and Gentlemen. This meeting gives us an opportunity to discuss strategic issues in some more detail and also to let you know how we see the evolution for the remaining months of the year.

You are most likely already familiar with the Group Sales for the first nine months which we published this morning. They are very satisfactory and confirm the strong organic growth trend that was already in evidence in the half-year results. Paul Polman will comment on the details in a few minutes.

After his presentation I will describe a number of events that have occurred in the past months and weeks and put them in their strategic context. I believe you will appreciate how each and every one of them illustrates the progress we are making in the on-going transformation process.

But before doing so, Ladies and Gentlemen, let me briefly introduce my colleagues of the Executive Board.

On my right, Mr. Paul Polman, Chief Financial Officer of the Group since January 1st of this year. Paul in addition supervises the newly created Global Business Services, as well as the Legal and the Intellectual Property Departments.
On Paul's right, Mr. Frits van Dijk, who is running Zone AOA.
Sitting on his right is Mr. Paul Bulcke. Paul has been in charge of Zone Americas since July 2004. Next to him, we have Mr. Luis Cantarella, Head of Zone Europe since November of last year. To his right you have Mr. Carlo Donati who runs Nestlé Waters worldwide. Next to him is Mr. Richard Laube, Deputy Executive Vice President in charge of the global autonomous Nestlé Nutrition.

On my left, François Perroud of Corporate Communications. Next to him we have Mr. Francisco Castañer, who supervises our pharmaceutical activities, liaises with L’Oréal and is in charge of Human Resources and Corporate Affairs. On his left, Mr. Werner Bauer, Head of Corporate Technical, Production and R&D and directly responsible for our efficiency initiative Operation Excellence 2007. Next to him you find Mr. Lars Olofsson who supervises the Strategic Business Units and the Demand Generation Unit. Next to Lars, you have Mr. Chris Johnson who is in charge of the GLOBE project as well as the Information Technology Department and the Strategic Supply Chain. On his right, finally, Mr. Marc Caira, Deputy Executive Vice President since April of this year, who leads the Strategic Foodservice Business Division.

Before speaking about nine-month sales, let me describe some important changes that will take place in the Executive Board.

You know that in our move towards Nutrition, Health and Wellness, Research and Development becomes ever more important. Werner Bauer has, since 2002, run the large Corporate Technical and Production Division, in addition to the Group’s Research and Development. As such he was directly involved in the operational task of planning, running and supervising an extremely complex system of hundreds of factories and the production of millions of tons of products of all sorts and descriptions year after year. In addition, he also assumed responsibility for the ever more numerous operations involving co-packers, quality control and safety and security issues. And as a result of his direct grip on the very important manufacturing aspect of the Group, I did not hesitate to entrust him with the responsibility for the success of our efficiency initiatives, the latest one being Operation Excellence 2007. A quick glance at our results over the past 10 years will show that these initiatives, more recently enabled by GLOBE, have paid off and have significantly contributed to the steady improvement of our operating margins. I want to acknowledge his drive and his determination and our gratefulness for his contribution.

Operation Excellence 2007 has also proven that a more comprehensive look at operations, that is including the purchasing function and supply chain, in addition to manufacturing, allows for future cost improvements. However, adding these two functions to Werner Bauer’s present responsibilities and to his already heavy workload was simply not possible.

Furthermore, in line with our strategic transformation to a more Nutrition, Health and Wellness oriented Company, the role of R&D becomes more and more critical for our future success. It therefore requires more attention and important changes, as we are in the process of building an open, consumer-centric and science-driven R&D process.

For these reasons, we have decided to separate Mr. Bauer’s present task and to create two new functions at the Executive Board level, that of Chief Technology Officer and that of Operations Manager.
SLIDE 2 - Disclaimer

SLIDE 3 - Research & Development, Innovation and Technology

Werner will become Chief Technology Officer, assuming the global responsibility for Research and Development, as well as for Innovation and Technology. This evidently includes Corporate Research with the Basic Research Center in Vers-chez-les-Blanc and the other Research Centers around the world, as well as the Product Technology Centers. His responsibilities further include the Innovation Acceleration teams, the technological intellectual property and its protection, the innovation partnership management, packaging and packaging design and finally the regulatory aspects which are becoming more important as we will need to substantiate many more claims in the future. We are convinced that these changes will contribute to broaden and speed up the innovation process throughout the organization.

SLIDE 4 - Research & Development, Innovation and Technology

Operations Management will comprise all the ensuring supply functions from sourcing, purchasing, production and supply chain to engineering, quality management, safety, health, environment and operations performance. By optimizing the whole operation process under the guidance of continuous improvement, we expect further productivity increases, more efficient capital use and fresher products for our consumers. Mr. José Lopez, currently head of Nestlé Japan, will be responsible for this new function and the Board of Directors intends to appoint Mr. Lopez as Executive Vice President at its session of November 2006.

The new structure should be operational as of February 1, 2007.

SLIDE 6 - GLOBE Program Status End 2006

I have kept you regularly informed about the progress achieved with our comprehensive Global Business Excellence project, launched in May 2000. Under Chris Johnson’s inspired and energetic leadership, we have identified and harmonized best practices, implemented data standards and management and standardized our information systems and technology.

At the end of this year, about 80 percent of Nestlé’s food and beverage business will be running at least their back office operations with GLOBE processes, data and systems. GLOBE today is recognized inside and outside of the organization as an efficient, viable and workable tool that is essential to the organizational transformation of the Group and will serve to better leverage scale and skills as well as improve information support throughout Nestlé. It has now become possible to structure GLOBE as an ongoing activity and to entrust the responsibility for it to Mr. Olivier Gouin, currently Head of IS/IT for the Group. Mr. Gouin will report to Mr. Paul Polman, Group CFO. Mr. Chris Johnson will return to operational management and take over as head of Nestlé Japan in Kobe in January 2007.

And now, Ladies and Gentlemen, I hand the floor to Paul Polman for a detailed presentation of Group Sales in the first nine months of 2006.

PRESENTATION BY MR. POLMAN
Thank you, Paul.

**SLIDE 23 - Nestlé Model Confirmed for 2006**

Ladies and Gentlemen, the figures presented confirm the validity of the Nestlé Model also for 2006. But let me put these encouraging results into the dimension of time and strategy.

**SLIDE 24 - Consistent Top-Line Organic Growth past 10 Years**

Over the past 10 years, we have achieved an average organic growth of 5.7 percent. More important still, only one percent of our overall growth results from acquisitions. It is real internal growth and pricing power that puts us clearly ahead of the industry as a whole, and the real momentum comes from our core nutrition, food and beverage business.

**SLIDE 25 - Confirm EBITA Constant Currency Improvement 2006**

Combining strong top-line growth with a sustainable steady improvement of operating profits over such a long period does not simply result from general macro-economic growth and a favorable consumer climate. As a matter of fact, we had to confront, during those 10 years, major economic, social and political turbulences in many parts of the world and, lately, also historically high raw material and energy prices.

The Nestlé Model is the result of a strategic business development approach that continuously gives priority to faster growth categories, to higher margin products and to more favorable markets. The strategy is broadly based on the following elements:

**SLIDE 26 - Nestlé Strategic Business Development**

- Priority to organic growth through product and brand innovation, based upon nutritional content (60/40+)
- Continued strengthening of core businesses through strategic acquisitions or joint ventures
- Restructuring and improving underperforming businesses
- Divesting non-strategic, low value-added activities

**SLIDE 27 - Actively Driving Portfolio Mix**

If we look at our geographic presence, you can clearly see how our early investments into the emerging markets have paid off. In only 2 ½ years, the faster growing developing markets have risen from 21% to 25% of food and beverage sales, while the more mature Western European markets declined from 27% to 24%. This important change of geographic weight facilitates the achievement of our long-term organic growth.

Being strong in the right markets is only the first step. The second is to accelerate category growth through innovation.

**SLIDE 28 - Grow the Core through Product and Brand Innovation**
You have all heard about the exceptional success of slow-churned ice-cream wherever we introduced the product. First in the USA, then in Europe, the premium and super-premium sector shows double-digit growth – and that is clearly not the case in the traditional ice-cream business. Look at the branded active benefits that we have introduced in a series of classic Nestlé milk powders and beverages: we see the category growing at between 20 and 25 percent. An even higher rate of growth applies to Nespresso, where we have created another super-premium market and where a constant stream of innovation allows the business to offer exclusivity and excitement.

SLIDE 29 - Grow the Core through Product and Brand Innovation

Our increasing focus on Nutrition, Health and Wellness is relevant in virtually all product categories. To illustrate my point, we have added some “Taster’s Choice Well-Being” coffee from South Korea to the little keepsake that we will give you after this press conference. This product shows that nutritional benefits are not restricted to specific product categories. This soluble coffee contains twice the amounts of polyphenols, an anti-oxidant, particularly for anti-aging, which also occurs in tea, fruit, wine, as well as in dark chocolate. The product came on the market a short while ago and we are pleased with the way it is developing.

SLIDE 30 - Strengthen the Core through Strategic Joint-Ventures

The third step of our long-term strategy is to strengthen strategic business areas through smaller bolt-on acquisitions and very selectively through joint-ventures, which sometimes constitute the best solution when complementary strengths are brought together. This is clearly the case with Lactalis, the venture with Besnier in the chilled dairy sector.

On September 16, we obtained the green light from the anti-trust authorities in Brussels to implement the agreement. Chilled dairy in Europe was a sizable business for Nestlé. Sales amounted to over 1.2 billion Euros which gave Nestlé an overall weak number two slot in Europe. Unfortunately, our local presence at store level was uneven and the business did not deliver the margins we are accustomed to. We had a production set-up that owed more to history than to industrial logic and the strength of store brands in the chilled dairy sector also hampered us in reaching satisfactory profitability. Worst of all, our weak market presence did not allow us to take full advantage of our research know-how and innovation capability.

Lactalis, a European leader in the milk industry with highly efficient manufacturing and good supply chain expertise, is the best complementary partner in this field. Lactalis will now be running a business that benefits from our Research and Development capabilities and from our strong brands, but also their strong relationship with the retail trade, as a retailers’ brand manufacturer. For Nestlé, it is a creative way to stay in this strategic sector, as chilled dairy is an important element in the Nestlé move toward health, nutrition and wellness. And our shareholders will appreciate that they now get a better return from the business.

Referring to strategic, bolt-on acquisitions to strengthen our core business, we have recently made two of them.

SLIDE 31 - Strengthen the Core through Strategic Bolt-on Acquisitions

In Turkey, we acquired a 60 percent majority in the local water company Erikli and, combining our 40 million Swiss francs sales of Nestlé Pure Life with Erikli’s close to 70 million business, we have
become market leader in one of the most dynamic emerging markets and in this fast growing category. Another step to further ensure our global leadership in bottled water.

**SLIDE 32 - Strengthen the Core through Strategic Bolt-on Acquisitions**

In the case of Nescafé, we have been experiencing a rather exceptional situation in Nicaragua and some other Central American markets, insofar as we had a weak market position vis-à-vis an historically strong local leader. By acquiring the famous brands Presto and Musun, we have gained the market leadership for soluble coffee in Central America. We have also created a third strong business pillar in this region, where our business had mainly been concentrated on milk and culinary products.

Additionally, it allows us to work closer with the Central American coffee farmers, assisting them with know-how, agricultural service and direct purchase, including procurement for our coffee sustainability projects.

We also use targeted acquisitions in order to accelerate our transformation to a Nutrition, Health and Wellness company.

**SLIDE 33 - Strengthen the Core through Transforming Acquisitions**

At the beginning of the year, we acquired **Uncle Tobys** in Australia, a brand which carries a strong nutritional reputation for its products, and mainly consist of nutritious snacks, instant soups as well as breakfast cereals.

**SLIDE 34 - Strengthen the Core through Transforming Acquisitions**

Paul already mentioned the **Jenny Craig** acquisition in the USA and in Australia. This weight management company with a turnover of more than 400 million US Dollars is indeed a novel area for Nestlé, but a perfect fit for Nestlé Nutrition. Jenny Craig not only successfully counsels individuals seeking advice on weight management, but offers its clients a wide choice of scientifically formulated food products that help people control their weight. Jenny Craig's revenues stem to 85 percent from the sales of these products which are distributed exclusively through the about 600 branded Jenny Craig facilities. We are convinced that the combination of individual counselling and science-based nutrition is the secret of Jenny Craig's well-documented success and our scientific know-how and consumer relation-based marketing experience should further accelerate the growth of this company.

The continuous achievements of our Nestlé Model also demands constant restructuring of underperforming businesses as well as continuous improvement of operations. The measures taken in this context include factory restructurings, but also the downsizing of some headquarters. It is management's responsibility to proactively adapt our organization to changes in the external environment and to consumer demand. Not doing so puts all jobs at risk and could result in sudden massive staff reductions and layoffs.

**SLIDE 35 - Restructure Underperforming Businesses**

Many of you have followed the **Perrier** challenges in Vergèze, which attracted a great deal of attention by the public. With enormous effort and resources, and tough negotiations over a period of several years, we finally have been able to improve Perrier’s productivity by about 20%.
There remained the issue of the bottle production which could not be solved through restructuring, but which required the divestment of the "Verrerie du Languedoc" and which we finally were able to execute in Summer 2006. For the first time since its acquisition, Perrier's management can now concentrate on the revitalization of the Perrier brand.

**SLIDE 36 - Restructure Underperforming Businesses**

Another business, which still demands resizing, is our Confectionary business, mainly in Western Europe. Consequently, we informed our people in our York chocolate factory that we would restructure production in what is our largest chocolate plant in the world. In order to ensure long-term competitiveness of the site, we will invest over 40 million Swiss francs there in the production of Kit Kat, Aero and other chocolate bars. Other productions, such as Smarties, will be transferred to Hamburg for instance, or to other Nestlé factories in the UK and on the continent. Out of a staff of 2450, about 1800 will be retained in York at the end of the process which is going to be concluded by the end of 2008. About half of the 645 redundancies will be voluntary or come through early retirement, and I am happy that our labor unions are actively and positively participating in this delicate process.

In all these situations, we react in a socially responsible manner to changes in the marketplace, trying to minimize the impact on our people and the communities our factories are in. In York, for example, we have decided to sell about half of the site to allow for the construction of a commercial and housing center, which will create alternative jobs.

As you can imagine, Ladies and Gentlemen, these are only two of the examples of the many initiatives taken all over the world as we are looking at the totality of our industrial set-up at all times. We will continue to seize each and every opportunity to ensure its long-term competitiveness, all the while taking into account our responsibility toward our employees and toward the communities concerned.

**SLIDE 37 - Divest Non-Strategic Businesses**

Over the last 10 years, we have divested businesses with a turnover of more than 12 billion Swiss francs, including complete categories such as R&G coffee, tomato products, UHT milk, frozen vegetables and fish, etc. In 2004, we divested our beverage distribution company Trinks, with a turnover of 1,9 billion Swiss francs and of Eismann, a frozen food home-delivery operation with 500 million Swiss francs in sales.

None of these activities fit our core strategic focus, and there is nothing in our specific know-how that could add value to these activities and their very nature of commodity put them in a category with a lower EBIT level.

2006 was another year of active portfolio cleaning. We integrated our vending operation in Japan into a new joint venture with strong local partners, sold our dairy business in Greece and disposed of two ice-cream factories manufacturing private label products in Germany.

**SLIDE 38 - Divest Non-Strategic Businesses**

Just this week, we announced the sale of our liquid dairy business in Malaysia, Thailand and other South-East Asian countries to a Singapore based company, Fraser & Neave. They will continue to
produce and market these products under Nestlé brands. Overall, and including chilled dairy Europe, we are again deconsolidating sales of almost three billion Swiss francs over the last 12 months.

SLIDE 39 - Nestlé Model Confirmed for 2006

Ladies and gentlemen, I hope I was able to exemplify very succinctly the different strategic levers which we are using to constantly achieve our Nestlé Model yesterday, today and hopefully also tomorrow. The variety of strategic options allows us to adapt and balance our activities to the changing external environment and, therefore, to deliver our long-term top and bottom line targets in a sustainable manner.

SLIDE 40 - Nescafé Dolce Gusto

Before I come to the last part of my remarks, let's just relax for a moment and enjoy a short film about our newest product innovation, Nescafé Dolce Gusto.

VIDEO 2 MINUTES

SLIDE 41 - Autumn Press Conference

Before coming to the outlook for the rest of the year and the first months of 2007, let me make one remark about our Articles of Association. As you remember, Ladies and Gentlemen, this year's General Meeting gave a mandate to the Board of Directors asking it to propose to the shareholders a complete revision of the Articles of Association. The work is ongoing, with the goal to present a balanced set of articles which accommodates the interests of the various groups of shareholders and reflects the changed legal and corporate governance environment. Yet you are aware that one shareholder has introduced legal actions against this General Meeting decision and, under those circumstances, the Board of Directors has to let the legal process run its course and can only submit the proposals for the new articles to the shareholders when the Courts have taken their decisions.

Before closing, let me quickly give you my thoughts on the full year 2006 and a first glimpse into 2007. I do not share the overly rosy view of Europe that I read and see every now and then, but there is no doubt, that at least for the time being, the economic climate has improved somewhat. Most other economies of the world have coped well with disappointments such as the continued lack of progress on the Doha round, high raw material and energy prices and the temptation of populist policies. Looking into 2007 with slightly unstable political and economic perspectives and signs of some major economies slowing down, I also expect that we will have to contend with continued volatility in raw material prices. Nevertheless, I feel quite confident that the Nestlé Group will maintain its momentum in growth and performance for the rest of 2006 as well as into 2007. The Nestlé Model – sustainable organic growth between five and six percent and a steady improvement of EBIT margins – has been working for 11 years now, and I have explained to you that it is a model that can also deliver in more difficult times. I do not think that I will surprise you, therefore, in predicting that for 2006 as a whole, Nestlé will achieve its organic growth objective on the upper level of its target, combined with an EBIT margin improvement in constant currencies. 2007 will be more challenging with growth targets closer to the lower level of 5-6%, but again with a further EBIT margin improvement in constant currencies.

And that, Ladies and Gentlemen, concludes my presentation and I now welcome your questions.
Thank you for attending our press conference and for your numerous and interesting questions. I invite you to join us now for the apéritif and the buffet that will follow it.

SLIDE 42 - Next Media Events

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