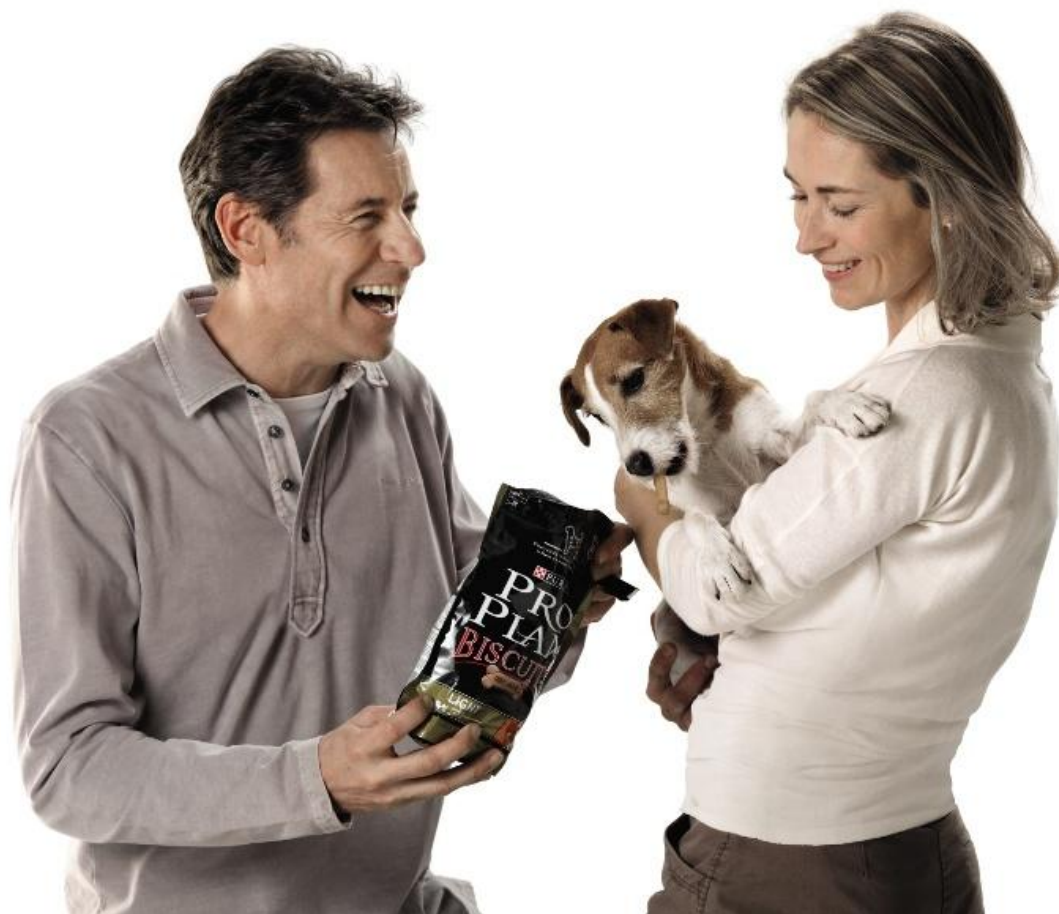


## 2009 Full Year Results Conference call



**James Singh**  
Chief Financial Officer

# 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.

# 2009 Full Year Highlights

- n **4.1% Organic Growth** outperformed industry: again an excellent broad-based performance building on momentum throughout the year
- n **EBIT margin increased 40 basis points (CC)** whilst increasing investment in growth
- n **Nestlé Continuous Excellence:** over CHF 1.5 billion efficiencies
- n In an uncertain economic environment we propose a:  
**Dividend increase of 14.3% to CHF 1.60 per share**  
**Dividend pay-out ratio up from 49.6% to 51.8% of underlying EPS**  
**Dividend yield of 3.2% on 31.12.09 share price**
- n **CHF10 billion share buy-back in 2010**  
**In the period 2005-'09 returned CHF44 billion to shareholders through dividend and share buy-back**
- n **Credit rating remains "Gold Standard" in the industry**

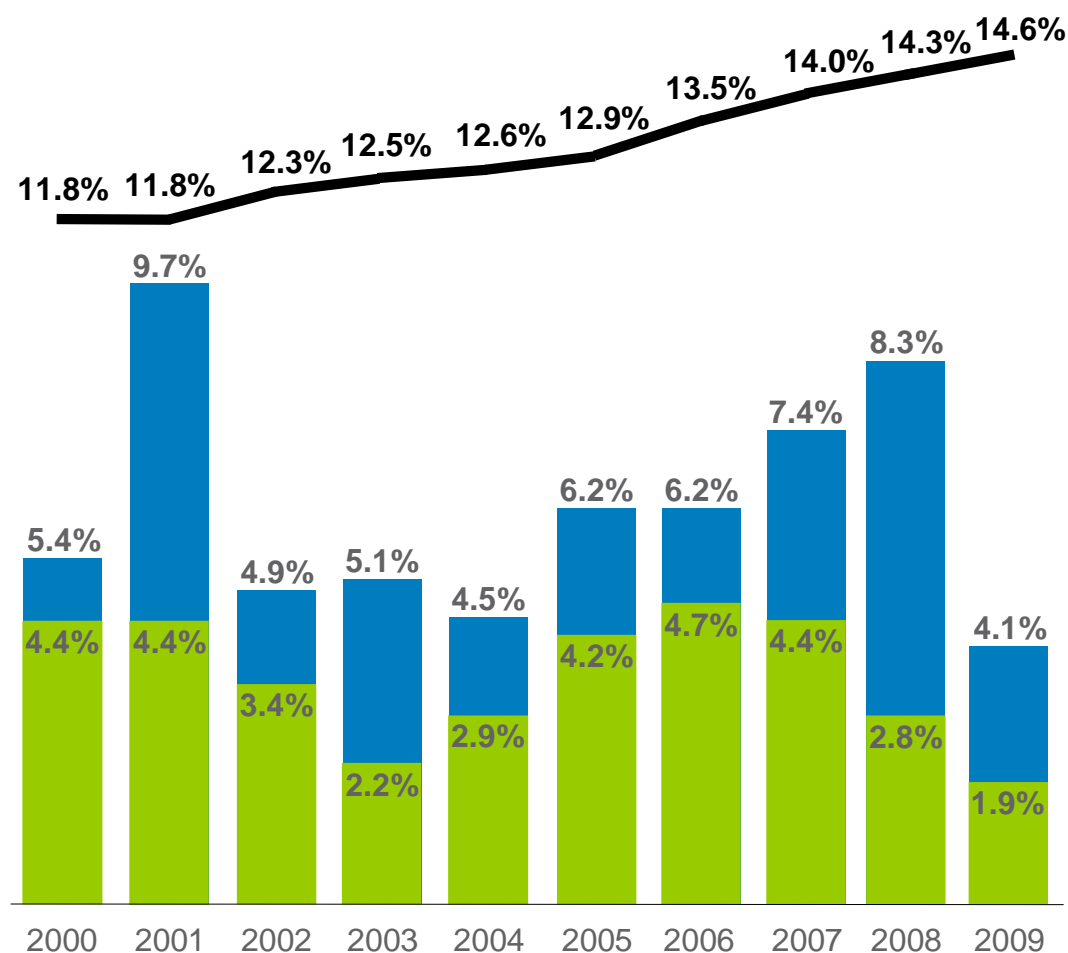
# 10 years of the Nestlé Model

## Driving Organic Growth & EBIT Margin Improvement

### 10-year annual averages

Organic Growth	6.2%
Real Internal Growth	3.5%
Price	2.7%
EBIT margin	+30bps*

- RIG
- % Organic Growth
- EBIT margin



\*9-year average

Data corresponds to published figures – not restated for accounting changes

# 2010 Food & Beverages Guidance

- n Improve Organic Growth over 2009 level
- n Increase EBIT margin in constant currencies
- n Total cash returns to shareholders in 2010:  
About CHF 15.6 billion (dividends & share buy-backs)

# Strong Full Year 2009 Performance

## Improvements in EBIT, EPS; record Free Cash Flow

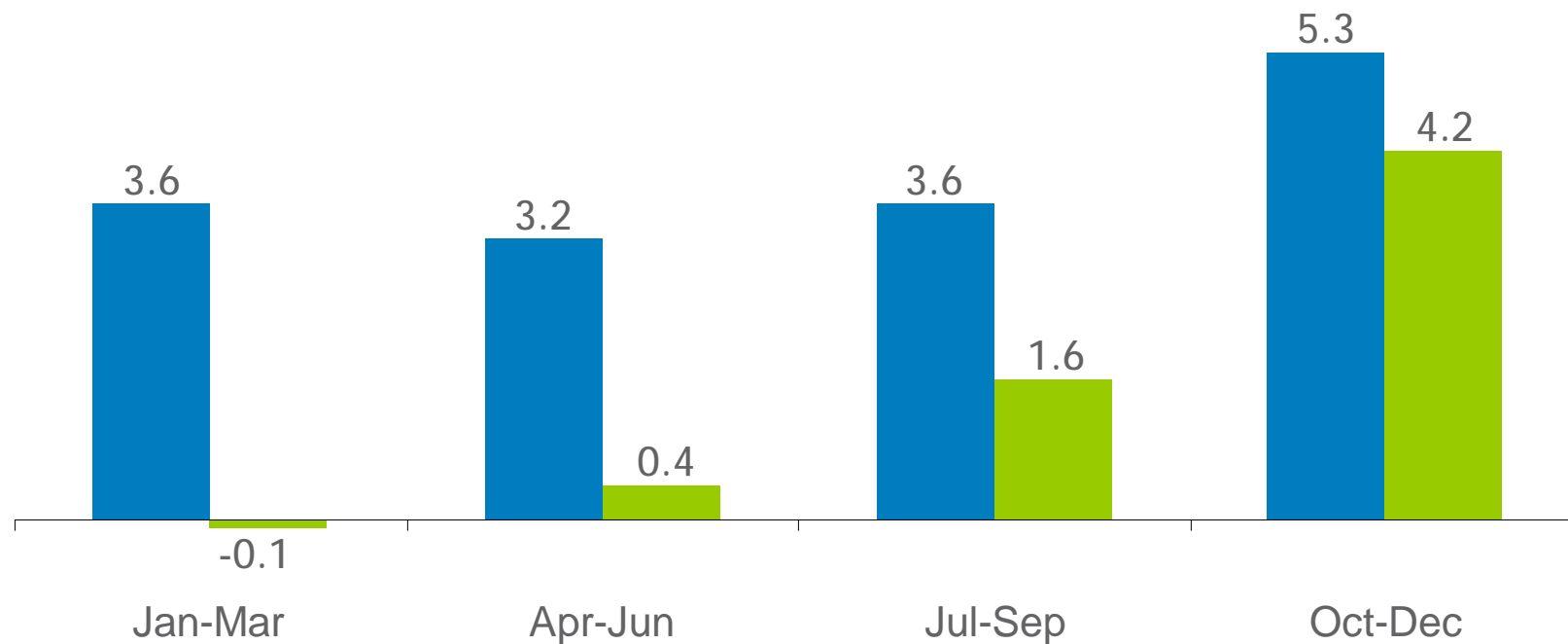
	Actuals	
Sales (Group)	107.6 bn	Organic Growth <b>4.1%</b> , net divestments -0.7%, FX of -5.5%
EBIT (Group)	14.6%	<b>Up 30 bps</b> reported and <b>up 40 bps at CCY</b>
EBIT (F&B after Center costs)	13.1%	<b>Up 30 bps</b> reported and <b>up 40 bps at CCY</b>
Net Profit %	9.7%	Not comparable: 2008 includes gain on sale of 24.8% of Alcon
Underlying EPS	3.09	Underlying EPS: <b>+ 9.6%</b> , CCY: <b>+ 16.3%</b>
Trade Net Working Capital	7.9 bn	Down 30bps to 10.6% of annualised sales
Free Cash flow	12.4 bn	<b>Up 146%:</b> Working Capital and Cash Flow from operations

# Strong growth acceleration in the last quarter of 2009

Food & Beverages figures

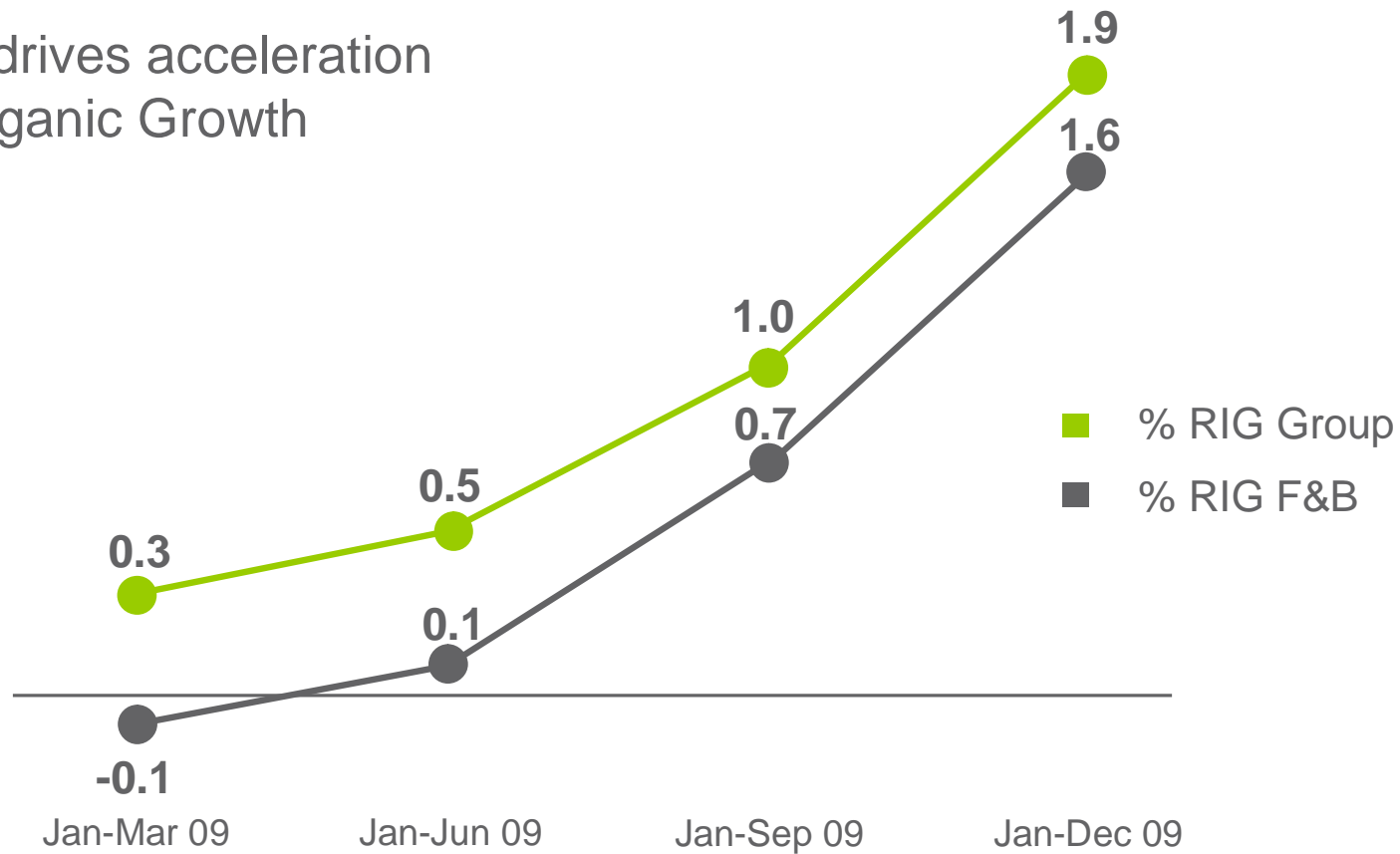
■ % Organic Growth

■ % RIG



# RIG trend rising & very strong in final quarter

- n RIG drives acceleration in Organic Growth

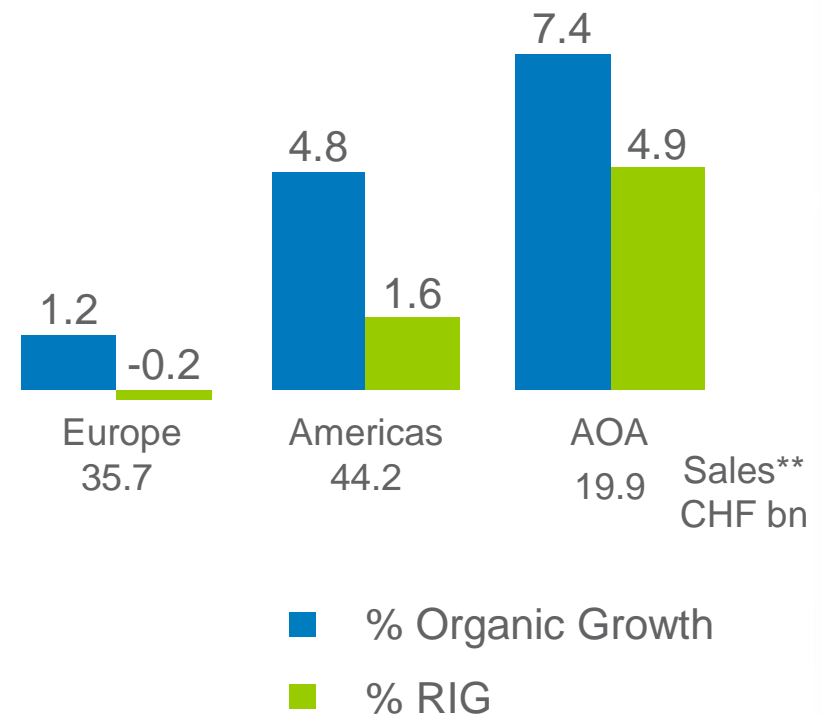




# Total Food & Beverages

## All regions accelerate

- n All areas accelerate during the year
- n Most business segments gain market share
- n Emerging markets achieve 8.6% Organic Growth
- n EBIT margin +30bps / +40bps\*

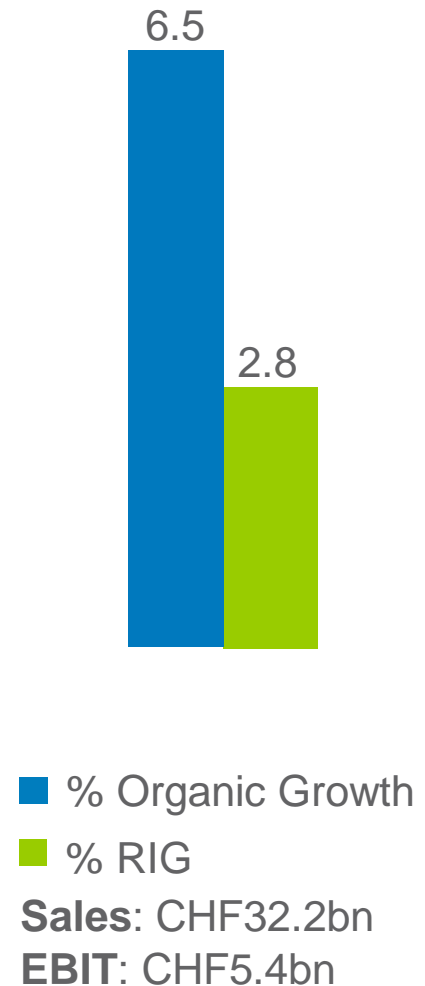


\* in constant currencies

\*\*each region includes Food & Beverages, Nestlé Waters, Nestlé Nutrition, Nestlé Professional, Nespresso and F&B JVs

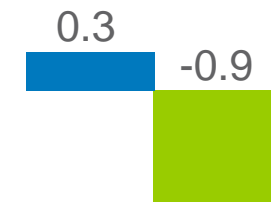
# Zone Americas

- n **Zone RIG accelerates**
- n **North America RIG beats 2008 level**
- n **Latin America RIG increases through year**
- n **Investment in alternative channels**
- n **Market share gains in over 60% of segments**
- n **EBIT margin +20bps: growth & mix benefits**



# Zone Europe

- n Positive organic growth
- n RIG improves in Q3 & Q4 to positive territory
- n W. Europe OG improves in most countries
- n E. Europe achieves mid-single digit OG
- n Market share gains in over 50% of segments
- n EBIT margin maintained despite FX impact, pension costs & increased marketing spend



■ % Organic Growth

■ % RIG

**Sales:** CHF22.5bn

**EBIT:** CHF2.8bn

# Zone AOA

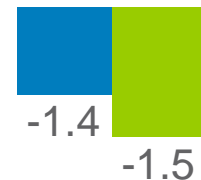
- n Q4 accelerates to approach double-digit RIG
- n Strong RIG momentum in emerging markets to exceed double digit in Q4
- n Developed markets achieve positive RIG
- n Step up in brand support & pricing actions: Market share gains in over 60% of segments
- n EBIT margin +20bps: growth, input costs
- n Record level capex in 2009 supporting great growth potential



# Nestlé Waters



- n Trend of improving OG continues
- n RIG ahead of 2008: H2 RIG positive & accelerating
- n Emerging markets & Nestlé Pure Life deliver double digit growth
- n International Premium brands (s. Pellegrino, Perrier) have positive organic growth
- n Slight share gain in US; flat shares in Europe; gain overall in emerging markets
- n EBIT margin +100bps  
Input cost benefit, distribution & overhead savings



Sales: CHF9.1bn

EBIT: CHF0.6bn

■ % Organic Growth ■ % RIG

# Nestlé Nutrition



- n Organic Growth momentum continued to accelerate & Q4 RIG positive
- n Strong performances in emerging markets in all three zones: e.g. Russia, South Asia, Brazil
- n Western Europe weaker due to France & Germany

- n Global market share improves
- n EBIT margin improved 10 bps: Good contribution from Healthcare & Performance Nutrition



Sales: CHF10.0bn EBIT: CHF1.7bn

■ % Organic Growth ■ % RIG

# Other Food & Beverages

## **n Nespresso**

Nearly CHF 3 billion of sales

Organic Growth near 30%

7 million club members; 191 boutiques

## **n Nestlé Professional**

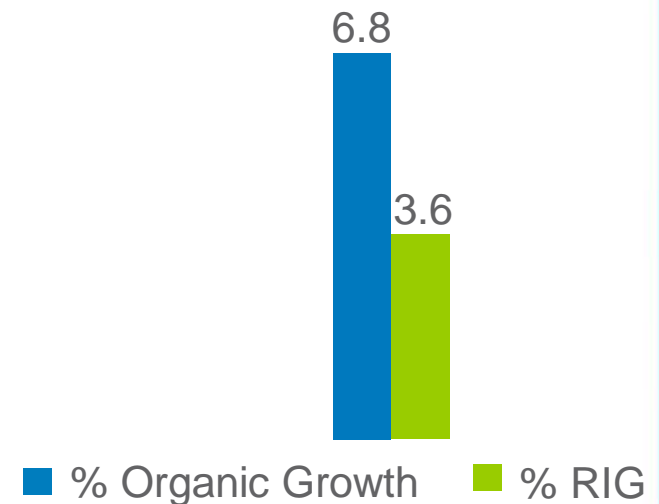
Organic Growth flat with improving RIG trend despite significant industry decline

## **n Joint ventures (CPW; BPW) contribute positively**

## **n EBIT margin +80bps**

Nespresso & Nestlé Professional contribute

**Sales: CHF10.2bn    EBIT: CHF1.6bn**



# Product Groups





# Powdered & Liquid Beverages



- n **Soluble Coffee: high single digit OG**  
Double digit in Zone Americas, high single digit in other Zones
- n **Powdered Beverages: mid single digit OG**  
A balanced performance across the Zones

- n **Ready-To-Drink Beverages: double digit OG**  
Strong in Americas & AOA; mid single digit in Europe

- n **EBIT margin 21.7%, -40bps:** increased marketing spend, including successful Nescafé Dolce Gusto expansion and launch of successful new products

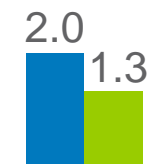


**Sales: CHF19.3bn EBIT: CHF4.2bn**

■ % Organic Growth ■ % RIG

# Milk Products, including Ice Cream

- n **Milk Products RIG builds strong momentum during year**  
Acceleration in emerging markets: business recovers from high prices introduced in 2007/2008  
*CoffeeMate* performed well
- n **Ice Cream**  
US market leadership gap at highest level  
Exit of non-core companies in Europe positions for better performance in 2010
- n **EBIT margin +50bps: Ice Cream the main contributor: mix, growth, cost control, rationalisation**



**Sales:** CHF19.6bn  
**EBIT:** CHF2.3bn

■ % Organic Growth  
■ % RIG

# Prepared Dishes and Cooking Aids



## n Frozen Food

US: Stouffer's family packs  
& Hot Pockets more popular  
than single serve & premium  
Europe: Pizza performed well

## **n Chilled Culinary**

# Good RIG by Herta

0.8 0.8



## n Ambient Culinary

## Double digit growth in AOA & the Americas Accelerating momentum in H2 in Europe

- EBIT margin +20bps: good contributions from Ambient and Chilled

■ % Organic Growth

■ % RIG

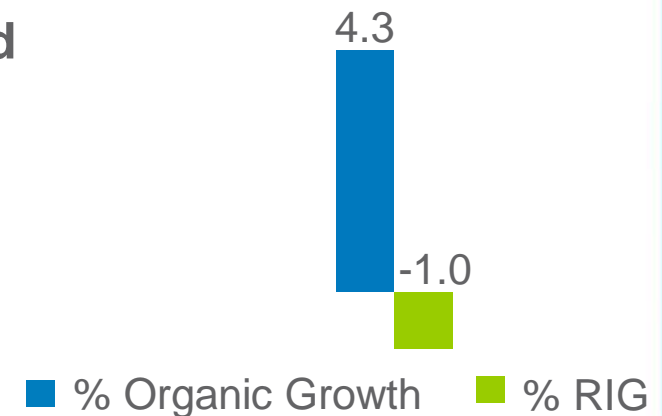
**Sales: CHF17.2bn**

**EBIT: CHF2.2bn**

# Confectionery

- n **Great Britain was the best European performer**
- n **Russia had a difficult year**  
Confectionery RIG positive ex-Russia
- n **Near double digit OG in the Americas**  
The US continued to improve  
Biscuits also very strong
- n **Oceania, the Middle East & Asia contributed well in Zone AOA**
- n **EBIT margin +50bps: another strong year**  
Pricing, increased investment for growth

**Sales:** CHF11.8bn    **EBIT:** CHF1.6bn

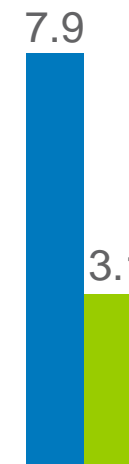


# PetCare



- n **2009 a successful year for innovation**  
Pipeline remains strong
- n **All three Zones contribute strongly**
- n **Strategic brands in all Zones perform well**  
Friskies sales break through \$1bn in US alone

- n **Brand support increased in all regions**
- n **EBIT margin +60bps: strong growth, mix benefits; good improvements in EUR & AOA**



**Sales:** CHF12.9bn    **EBIT:** CHF2.1bn

■ % Organic Growth    ■ % RIG

# Performance of Billionaire Brands

Organic Growth	
Over 20%	
10.1 to 20%	    
7.6 to 10%	     
5.1 to 7.5%	    
3.1 to 5%	    
0.0 to 3%	
Below 0%	    

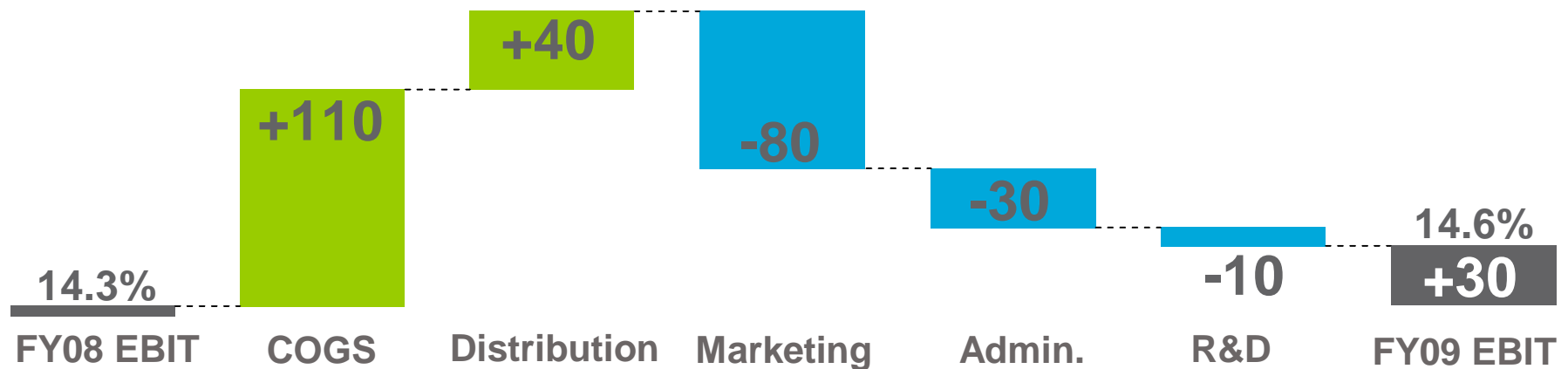


# Nestlé Continuous Excellence...

## "Accelerating our performance improvements"



# EBIT performance: Continuous year after year sustainable improvement



- n Nestlé Continuous Excellence exceeds CHF1.5bn of efficiencies
- n Gross margin up 110 bps; distribution cost fall 40 bps
- n Marketing up 80bps: strong commitment to consumers & customers
- n Consumer facing marketing spend +10.1% constant currencies

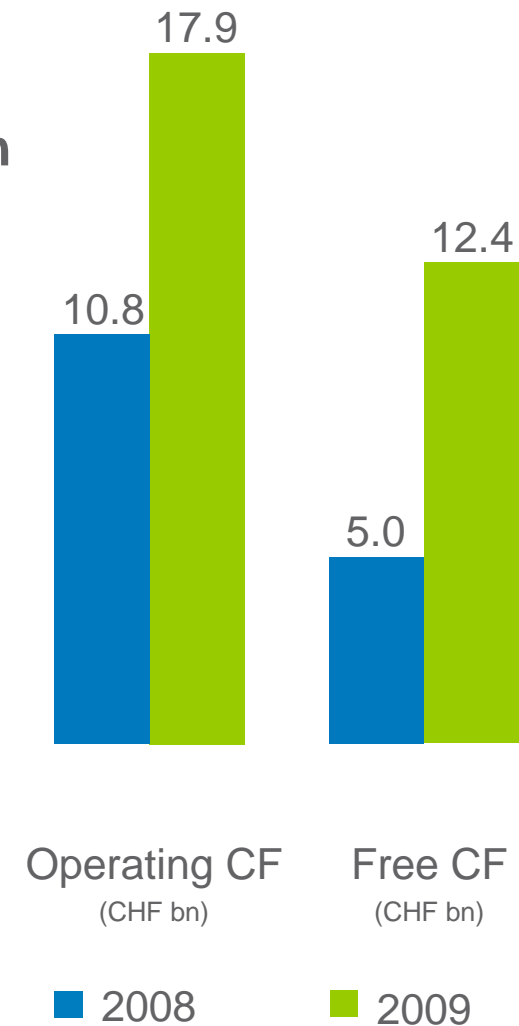


# P&L: EBIT to Net Profit

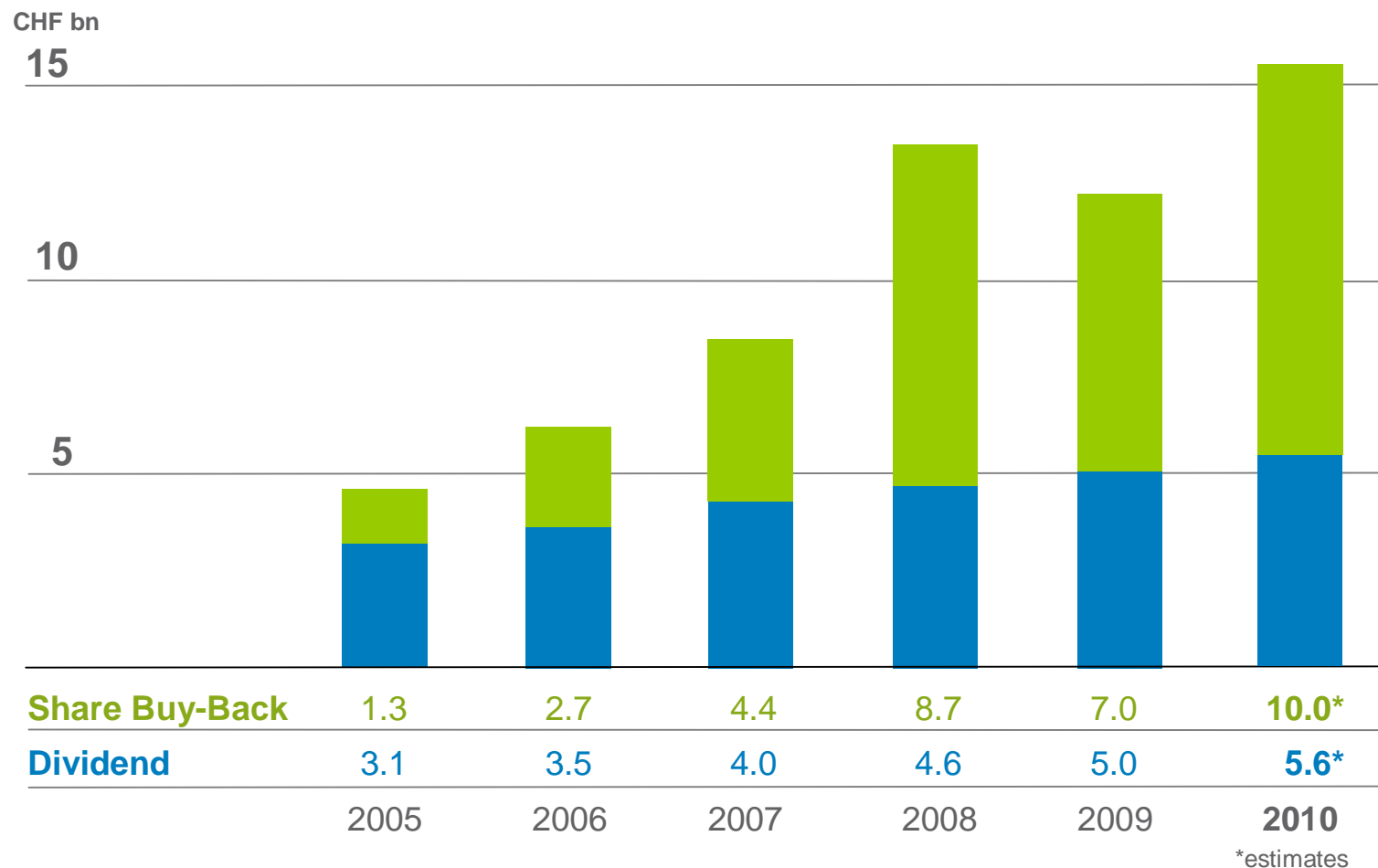
As % of sales	FY 2008	FY 2009	Diff. basis points (rounded)
<b>EBIT</b>	<b>14.3</b>	<b>14.6</b>	<b>+ 30</b>
Other income/expenses	6.6	(0.7)	- 730
Net Financial income/expense	(1.0)	(0.6)	+ 40
<b>Profit before taxes &amp; Associates</b>	<b>19.9</b>	<b>13.3</b>	<b>- 660</b>
Taxes	(3.5)	(3.1)	+ 40
Share of results of Associates	0.9	0.8	- 10
<b>Profit for the period</b>	<b>17.3</b>	<b>11.0</b>	<b>-630</b>
Attributable to non-controlling interests (*increased Alcon N-CI)	(0.9)	(1.3*)	-40*
Attrib. to the shareholders of the parent (Net profit)	16.4	9.7	- 670
<b>Underlying EPS (CHF)</b>	<b>2.82</b>	<b>3.09</b>	<b>+9.6%</b>
<b>Constant currencies</b>			<b>+16.3%</b>

# Very strong Cash Flow performance

- n Operating Cash Flow up 67%, or CHF 7.2 billion to CHF 17.9 billion
- n Outstanding Working Capital performance
- n Excellent Cash Flow from operations
- n Cash Conversion Cycle accelerates by 3 days



# Total Cash Returned to Shareholders



**2005-2009: CHF 44.3bn cash returned to shareholders**  
**2010: an additional CHF 15.6bn likely to be returned**

# Total Performance Framework

## DRIVING PERFORMANCE

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

## SCALE BENEFITS

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

## Total Performance Framework

## ACHIEVING SIMPLICITY

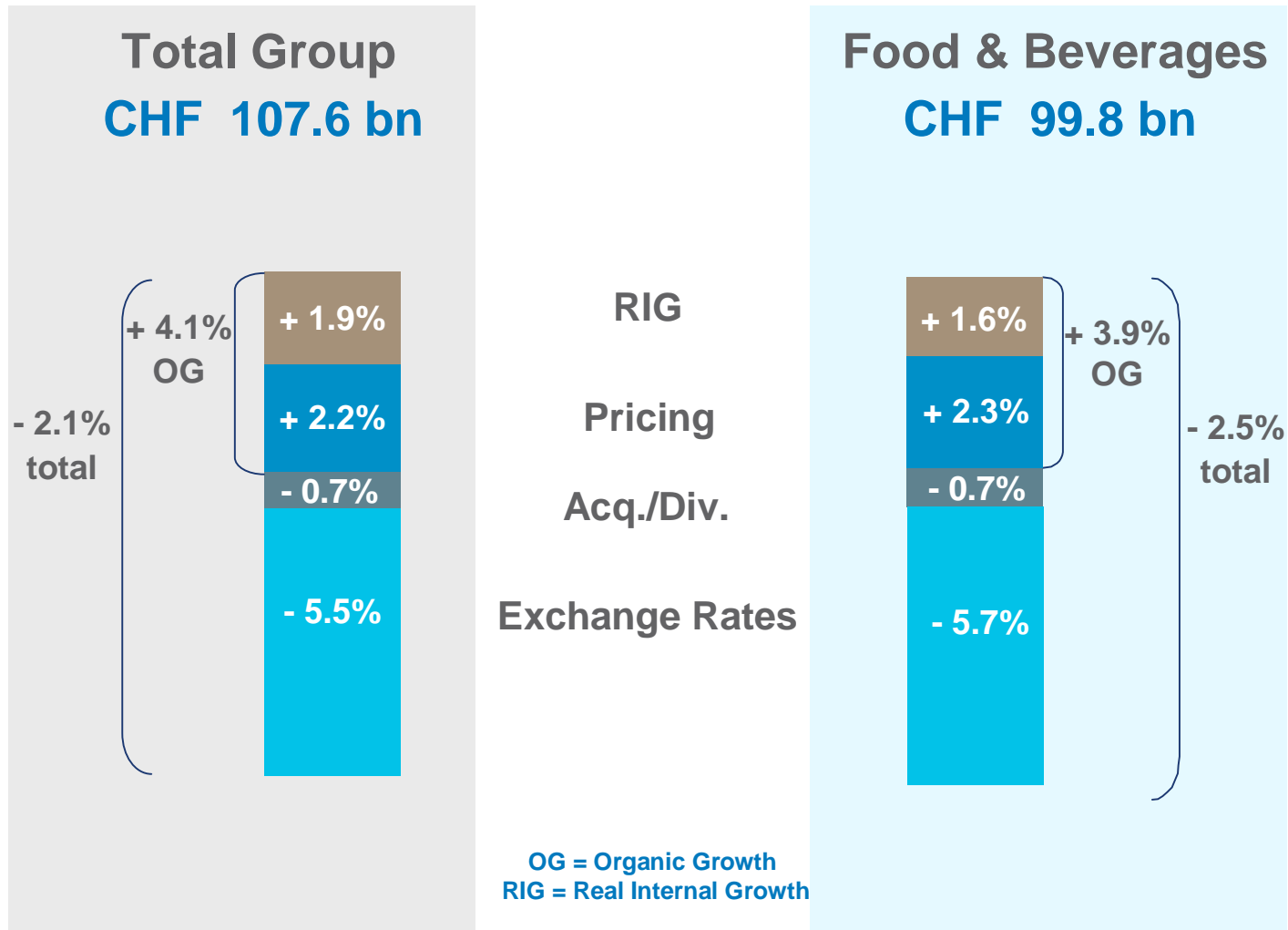
- ▶ Divested businesses, annualised revenue > CHF 0.8 bn
- ▶ SKU Rationalisation: reduced by -16 %
- ▶ Factories: -7 from 456 to 449
- ▶ Legal entities: reduced by -4%

## INVESTMENT FOR GROWTH

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



# Sales Development Group and Food & Beverages



# Foreign Exchange Movements

CHF per	FY 2008	FY 2009	(%)
U.S. Dollar (1)	1.08	<b>1.08</b>	<b>- 0.1</b>
Euro (1)	1.59	<b>1.51</b>	<b>- 4.8</b>
£ Sterling (1)	1.99	<b>1.69</b>	<b>- 15.0</b>
Real (100)	59.52	<b>54.98</b>	<b>- 7.6</b>
Mex. Peso (100)	9.75	<b>8.03</b>	<b>- 17.7</b>
Yen (100)	1.07	<b>1.16</b>	<b>+ 8.4</b>

Weighted Average Exchange Rates

# Operating Segment FX Impact On Sales

(%)	1Q09	HY09	9M09	FY09
Zone Europe	-11.5	-10.8	-10.6	<b>-9.2</b>
Zone Americas	-1.5	-0.7	-2.5	<b>-3.9</b>
Zone AOA	-6.4	-4.6	-5.1	<b>-5.3</b>
Nestlé Waters	-0.8	-0.6	-2.1	<b>-3.3</b>
Nestlé Nutrition	-4.1	-3.4	-4.5	<b>-5.2</b>
Other F&B	-7.2	-6.7	-6.9	<b>-6.2</b>
<b>Total F&amp;B</b>	<b>-5.5</b>	<b>-4.7</b>	<b>-5.5</b>	<b>-5.7</b>



