

2010 First Half Results



2010 First Half Results

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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.

Introduction

- **A broad-based top line performance**
 - all geographies & global businesses
 - all product groups contribute
- **We “managed the middle”**
 - spent to be competitive: increased brand support & market shares
 - invested in new launches, capabilities, distribution
 - delivered significant savings
- **A strong bottom line performance**
 - most geographies & categories contributed

Strong Half Year Performance – Group

Sales CHF	55.3 bn	
Organic Growth	+ 6.1%	
RIG	+ 4.6%	
EBIT (CHF)	8.4 bn	+ 13.6%
EBIT Margin	15.1 %	+ 100 bps reported; + 80 bps comparable + 70 bps comparable constant currencies
Net Profit (CHF)	5.5 bn	+ 7.5%
Net Profit Margin	9.8%	+ 10 bps
EPS (CHF)	1.60	+ 13.5%

Strong Half Year Performance – Food & Beverage

Sales CHF

51.0 bn

Organic Growth

+ 5.7%

RIG

+ 4.2%

EBIT (CHF)

6.7 bn

+ 10.6%

EBIT Margin

13.0 %

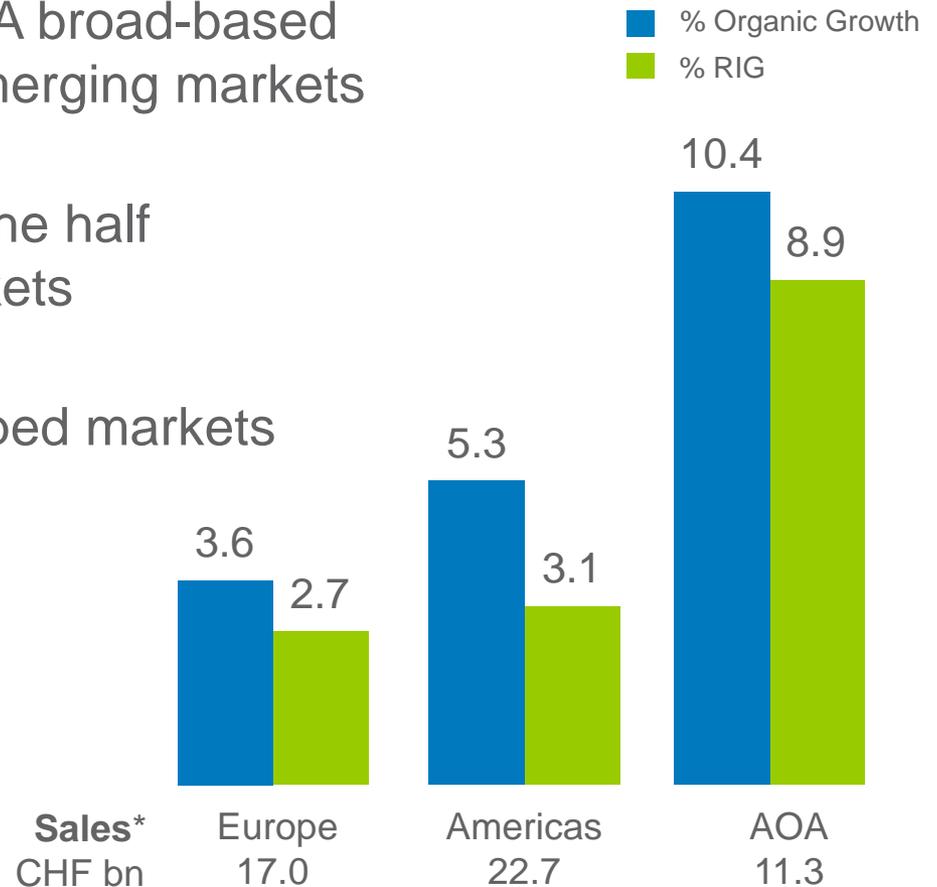
+ 60 bps reported & constant currencies

Guidance

We expect that the second half of the year will see a continuation in the growth trend of the first two quarters, and expect to achieve organic growth of around 5%, reaffirming our earlier guidance for Food & Beverages. We also expect an improvement in the EBIT margin in constant currencies over last year.

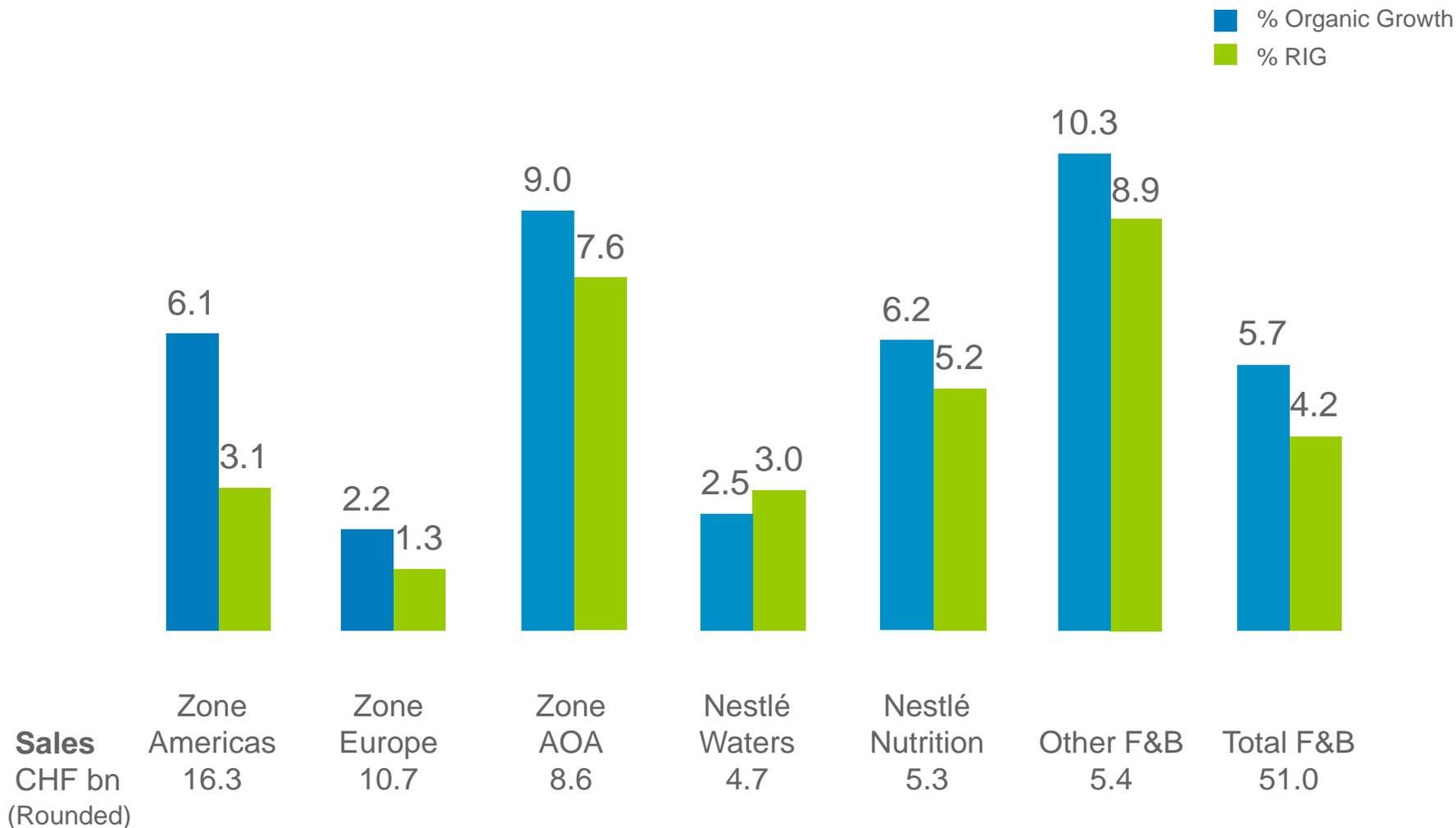
Total F&B: A strong broad-based performance globally

- Positive RIG/OG in all regions: A broad-based performance in developed & emerging markets
- Americas: Acceleration during the half
Positive RIG in developed markets
- Europe: Positive RIG in developed markets
- AOA: Most emerging markets growing double-digit
- Emerging markets:
11% OG; BRIC higher



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

Operating segments: Positive RIG/OG everywhere



Zone Americas



- Good growth in most regions & categories
- LA: Continued strength: Soluble, PetCare, Milk, Powdered Beverages, Biscuits; Chocolate

- Good performances in NA, particularly Chocolate, Sugar, Soluble coffee, Ice cream, PetCare, Pizza
- Frozen NA: Single & nutrition market contracting & difficult; Family & value more resilient



Sales: CHF 16.3 bn **EBIT Margin:** 15.1 % - 10 bps

■ % Organic Growth ■ % RIG

Zone Europe



- Western Europe: Positive RIG in all major markets; broad-based performance by category
- Eastern Europe: Russia still recovering
Central Europe performing better

- Southern Europe: Positive in Iberia & Italy
- Stronger categories: Soluble coffee, PetCare, Chilled, Frozen & Ambient Culinary



Sales: CHF 10.7 bn EBIT Margin: 11.9 % + 10 bps

■ % Organic Growth ■ % RIG

Zone AOA



- Emerging markets: Strong momentum in Asia & Africa
- Japan RIG positive, driven by Nescafé

- Popularly Positioned Products are accretive to emerging market growth
- Stronger categories: Ambient Culinary, RTD Beverages, Dairy, Chocolate, PetCare



Sales: CHF 8.6 bn

EBIT Margin: 16.9 % + 20 bps

■ % Organic Growth

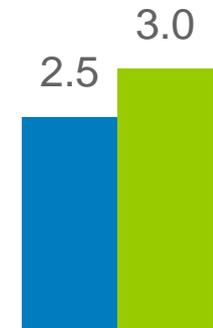
■ % RIG

Nestlé Waters



- Bottled water market returning to growth
- Europe: Positive growth, share gains
- North America: Positive growth
Value shares up
- Good cost management: Distribution, light-weighting

- PPP growing double-digit: Nestlé Pure Life
- Mainstream growing: Poland Spring
- Super-premium growing: S. Pellegrino, Perrier



Sales: CHF 4.7 bn

EBIT Margin: 8.4 % + 10 bps

■ % Organic Growth ■ % RIG

Nestlé Nutrition



Nestlé
NAN



- Infant Nutrition (IN): High single-digit growth
- IN: Double-digit in emerging markets, particularly strong in Russia, China, South Asia, Indochina, Middle East...
- IN: Good growth in the US; positive in Europe



- Healthcare accelerates during the half
- *Jenny Craig* subdued, but growth is positive in the half



Sales: CHF 5.3 bn

EBIT Margin: 19.0 % + 160 bps

■ % Organic Growth

■ % RIG

Other Food & Beverages



- **Nespresso:** Strong growth continues
2010: About 30 new boutiques
France double-digit despite new entrants
- **Nestlé Professional:** Mid-single digit growth
Double-digit in AOA
Above-market growth in Americas & Europe

- **F&B joint ventures**
Positive organic growth
- **Good EBIT margin improvement**
All constituents contributed



Sales: CHF 5.4 bn EBIT Margin: 18.6 % + 250 bps

■ % Organic Growth ■ % RIG

Powdered & Liquid Beverages



- **Soluble coffee: Mid single-digit OG**

RIG is the driver in all Zones

Nescafé Dolce Gusto going well

- **Powdered Beverages: High single-digit OG**

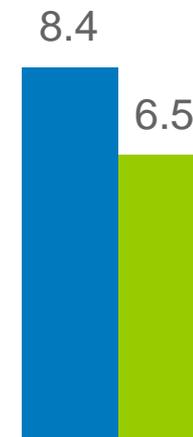
A balanced performance across the Zones

- **Ready-To-Drink Beverages: Double-digit OG**

Americas & AOA the growth drivers: Nescau & Milo

- **EBIT margin + 20 bps**

Support to Dolce Gusto expansion; increased spend on all key brands



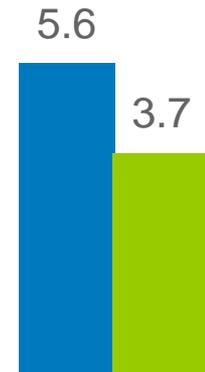
Sales: CHF 10.1 bn EBIT Margin: 22.0 %

■ % Organic Growth ■ % RIG

Milk Products, including Ice cream



- **Milk Products: Approx. 10% organic growth**
RIG is the driver of growth
Asia, Africa, Middle East performing well
Accelerating in Latin America
- **Ice cream**
US: Häagen Dazs & Skinny Cow growing fast;
Dreyer's slower; Shares held. Canada strong
- Europe: Slow start to season
- **EBIT margin + 50 bps**
All constituents contributed



Sales: CHF 10.1 bn EBIT Margin: 11.5 %

■ % Organic Growth ■ % RIG

Prepared Dishes & Cooking Aids



- **Frozen Food**

Good performances from Pizza in North America & Europe
US Frozen still weak, especially "nutritional" segment

- **Chilled Culinary**

Good performance in Europe

- **Ambient Culinary**

Performing well in key markets/regions

- **EBIT Margin - 90 bps**

Impacted by weak growth in US Frozen & increased support for all brands



Sales: CHF 8.8 bn

EBIT Margin: 11.3 %

■ % Organic Growth

■ % RIG

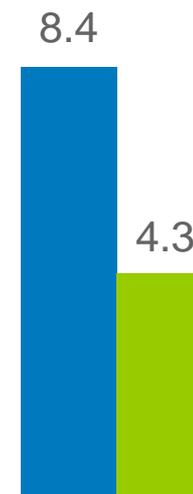
Confectionery



- A good level of RIG & organic growth
- Western Europe is performing well
UK, France, Switzerland, KitKat
- Double-digit OG in the Americas
The US: Wonka extension
Latin America: Brazil, Mexico
- Double-digit in AOA
emerging markets

- **EBIT Margin + 70 bps**

Overcoming headwinds from escalating input costs



Sales: CHF 5.5 bn

EBIT Margin: 12.0 %

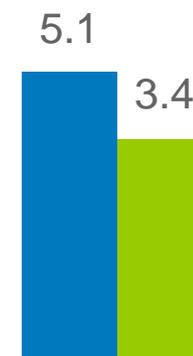
■ % Organic Growth ■ % RIG

PetCare



- Mid single-digit growth, with increased RIG
- Zone Americas continued to have strong momentum: Beneful, ONE, Dog Chow
- Europe & AOA performing well

- Performance achieved despite significant SKU rationalisation
- **EBIT Margin + 190 bps**
Raw material benefit; costs savings



Sales: CHF 6.5 bn EBIT Margin: 17.6 %

■ % Organic Growth ■ % RIG

Performance of Billionaire Brands

Organic Growth: Billionaire brands achieve 7% in H1

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%	  

Summary

- Positive RIG in emerging markets, and also in the developed world
- Increased media spend & brand support
- The EBIT margin improvement is broad-based

Nestlé continues to deliver total performance

Market uncertainty



Good results from our response to pressure on Organic growth

Leverage competitive advantages



Improve market shares

Optimise business performance



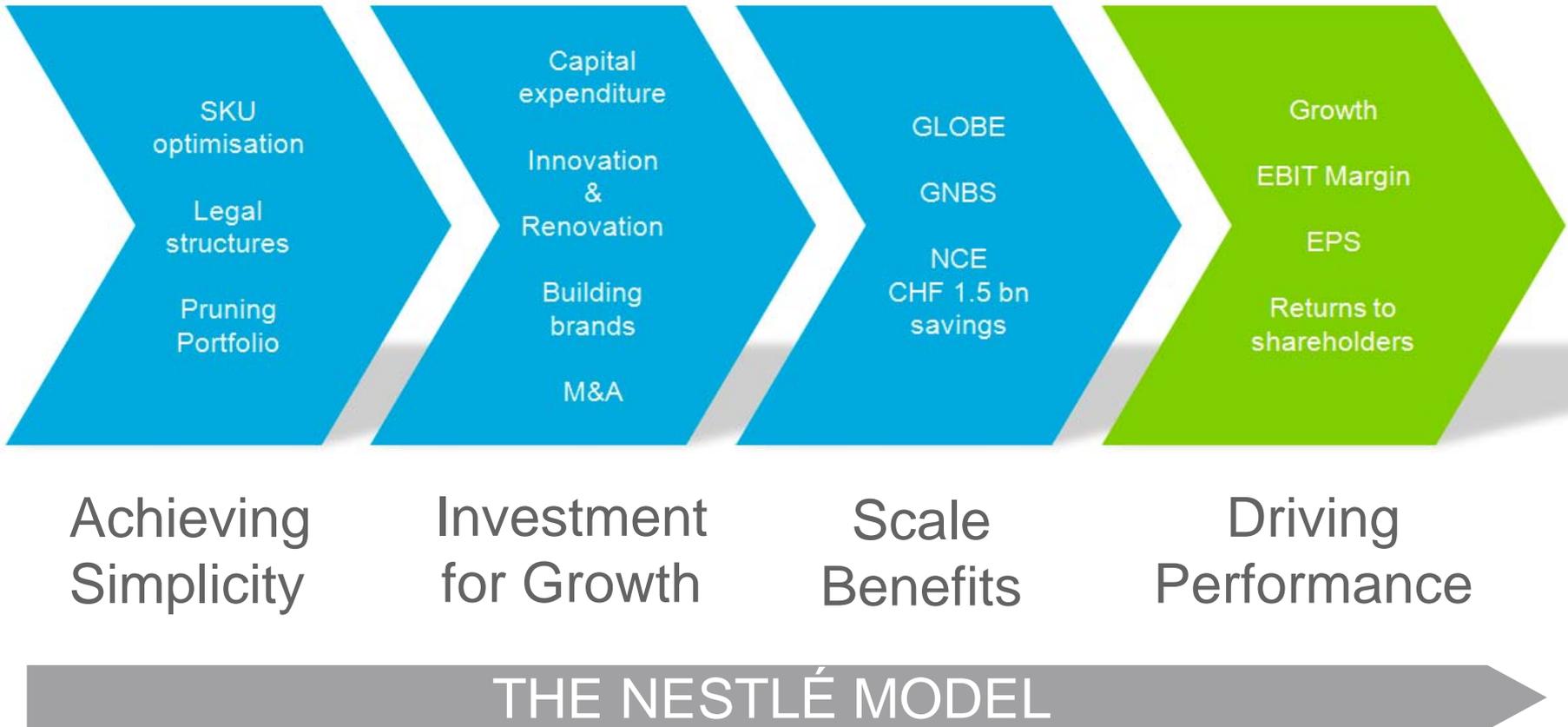
Via profitable growth globally;
Leveraging scale: delivering significant savings

Focus & discipline

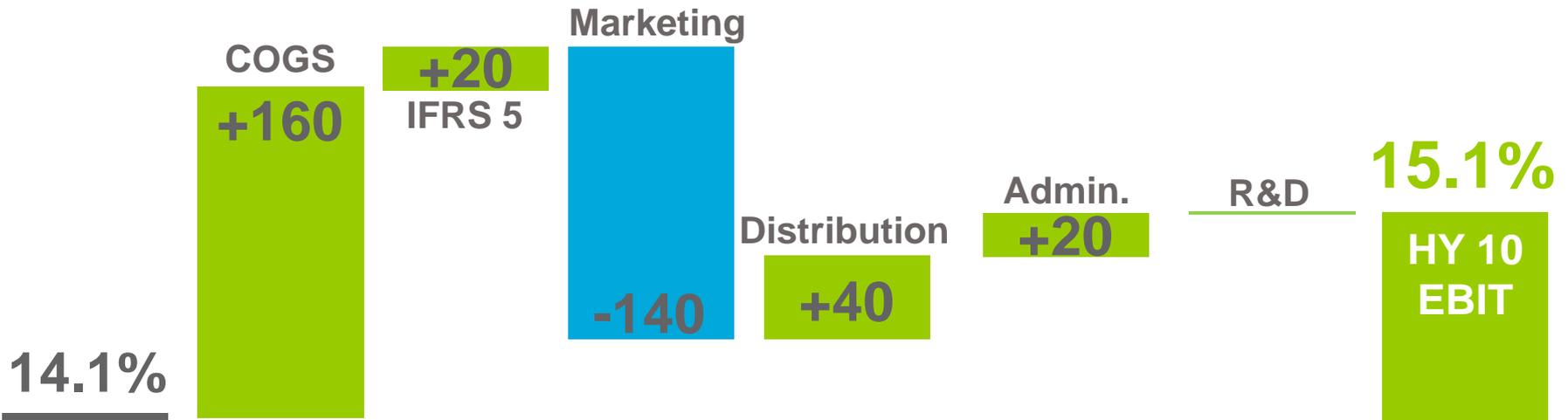


Progress coherent with strategic framework

Total Performance Framework



EBIT Margin improvement: + 100 bps / 80 bps



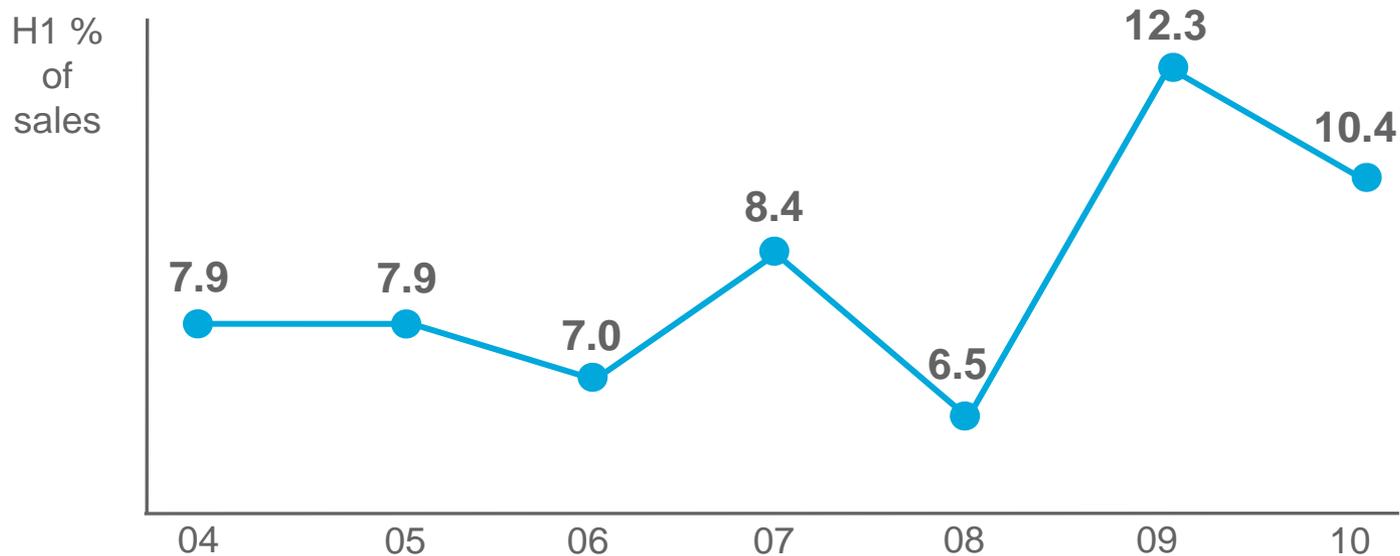
HY 09
EBIT

- COGS : Benefit of RIG, Nestlé Continuous Excellence (NCE), H2 input cost headwind
- IFRS 5: No longer depreciating Alcon assets (mainly COGS)
- Increased brand support. Media + 14% constant currencies
- NCE extends beyond operations: Distribution & Admin
- Group EBIT Margin: + 100 bps reported, + 80 comparable; + 70 comparable constant currencies

P&L: Earnings per share up 13.5%

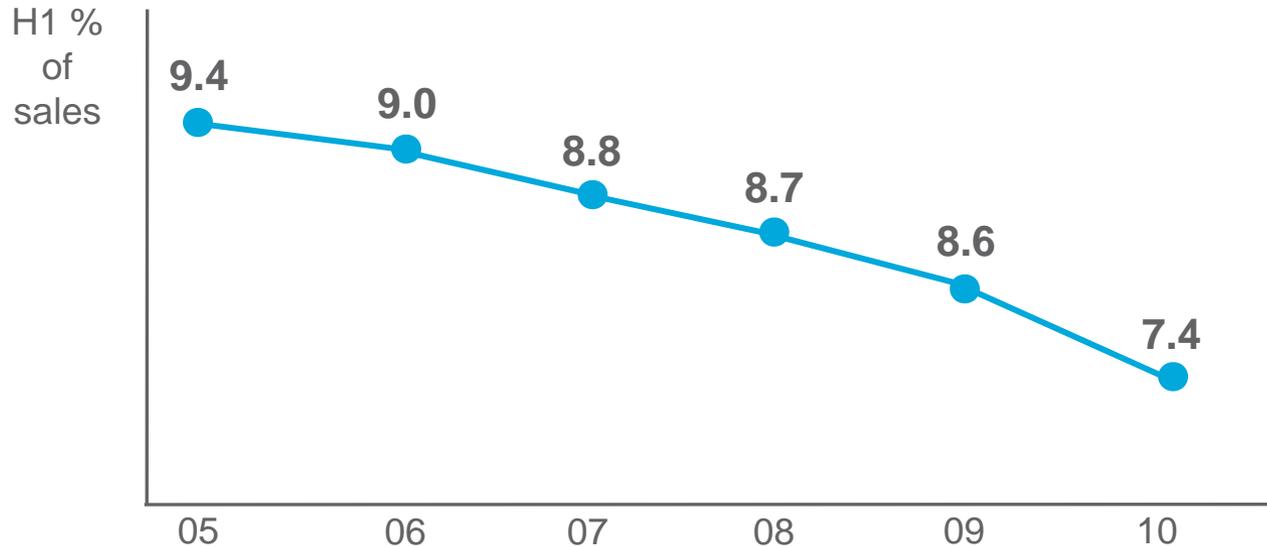
As % of sales	HY 09	HY 10	Diff. basis points (rounded)
EBIT margin	14.1	15.1	+ 100
Other income/expenses	(0.4)	(0.4)	–
Net Financial income/expense	(0.6)	(0.8)	- 20
Profit before taxes & Associates	13.1	13.9	+ 80
Taxes	(3.1)	(3.6)	- 50
Share of results of Associates	1.0	1.1	+ 10
Profit for the period	11.0	11.4	+ 40
Attributable to non-controlling interests	(1.3)	(1.6)	- 30
Attrib. to the shareholders of the parent (Net profit)	9.7	9.8	+ 10
EPS (CHF)	1.41	1.60	+ 13.5%

Operating cash flow: positive long term trend



- Operating cash flow has trended better over time
- H1 2010 reflects normalisation after 86% increase in H1 2009
- Trend of improvement in operating cash flow to continue

Working capital: positive trend as % of sales



- Working capital improves as a percentage of sales versus H1 2009 as we drive inventory cover to lower levels
- H1 2010 reflects
 - return to normal level of inventories in support of higher 2010 RIG versus 2009
- Cash conversion cycle improves

N.B. HY always higher than FY

Net Debt outlook / Use of cash

Net Debt:

- FY 09: CHF 18.1 bn
- HY 10: CHF 29.6 bn

Announced for 2010:

- Acquisitions - CHF 4.4 bn
- Dividend - CHF 5.4 bn
- H1 share buy-back - CHF 5 bn
- H2 share buy-back - CHF 5 bn
- Alcon + USD 28 bn
- 2011 buy-back - CHF 5 bn

Alcon disposal

- Likely deal closure Q3 2010
- Treasury management & performance:
Capital preservation: counter-party & instrument risks
- Continuing businesses will deliver profitable growth
- Business performance combined with share buy-back will have a positive incremental impact on EPS in 2010 & 2011
- Growth in underlying earnings resulting in growth in dividend

Nestlé's growth profile: H1 2010

■ Global organic growth	6.1 %
■ F&B organic growth	5.7 %
■ Developed markets	3.2 %
■ PIIGS	2.5 %
■ Emerging markets	11.3 %
■ PPP	12 %
■ Billionaire brands	7 %
■ 2010 Innovations	60 bps of RIG
■ Market shares	improving globally



Billionaire Brands



Innovation & Renovation: 2010 launches add 60 bps to H1 RIG



Current M&A is a future growth enabler

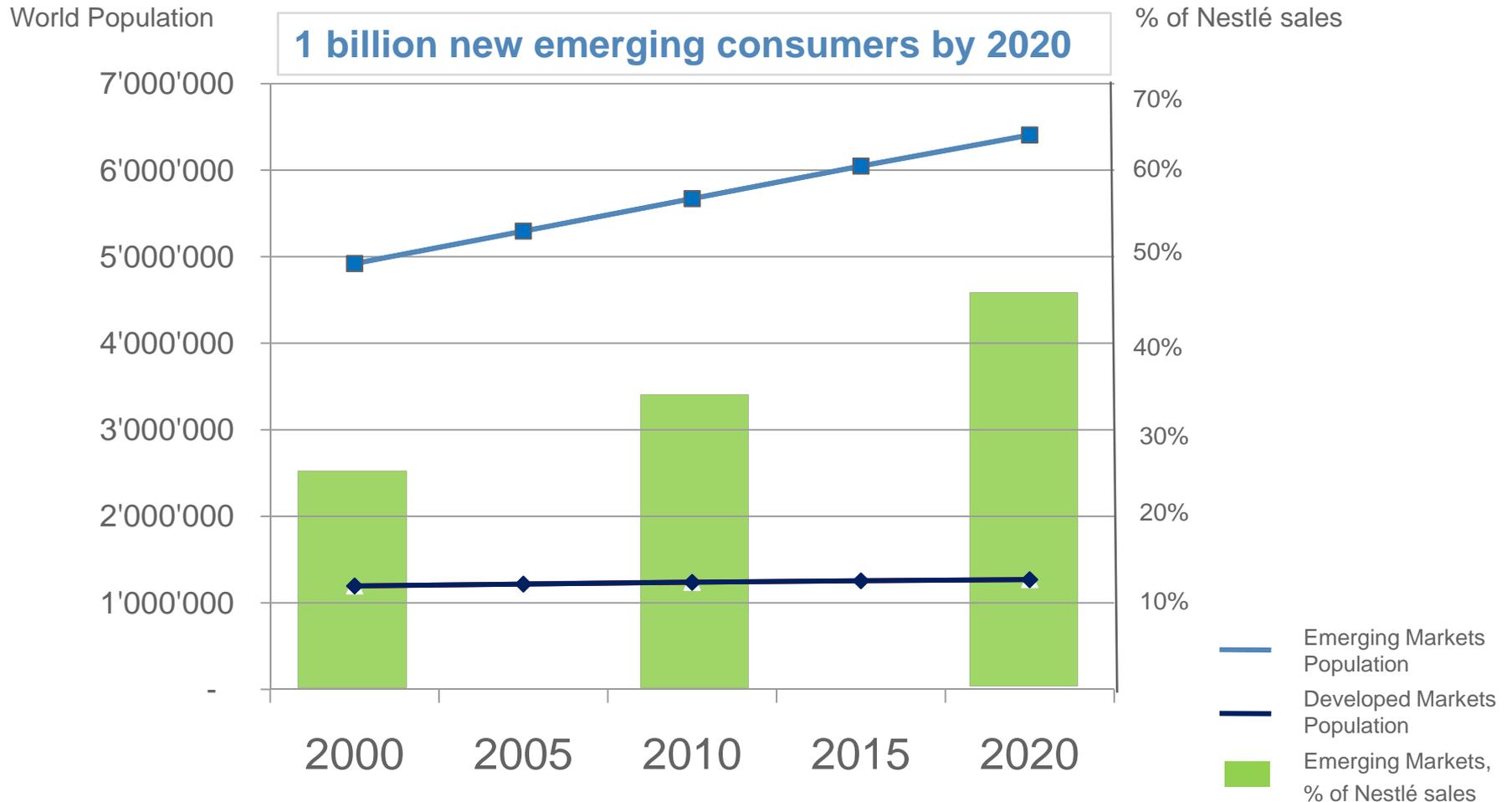
- M&A bolt-ons to support roadmap
- Food & Beverages
- Nutrition, Health & Wellness
- Adjacencies to existing businesses
- Emerging and developed markets

Recent activity

- Culinary in Ukraine
- Water in China
- Pizza in the US
- Healthcare Nutrition in the UK

Emerging markets : 82% of global population

: CHF 35 bn of Nestlé Sales



Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat,
World Population Prospects: The 2008 Revision, <http://esa.un.org/unpp> . FY 2009 F&B Sales

Nestlé: The leader in Food and Beverages

In emerging markets...

In developed markets...

Globally...

A focus on % presence in any given market raises questions...

- Scale
- Local manufacturing, local R&D
- Duration in a market
- Market presence, shares, leadership
- Brand strength, consumer relationships & insight
- Local know-how: distribution, retail environment
- Role in society
- Understanding of a country's traditions, ways of doing business
- Ability to attract local talent
- Risk profile
- Financial performance

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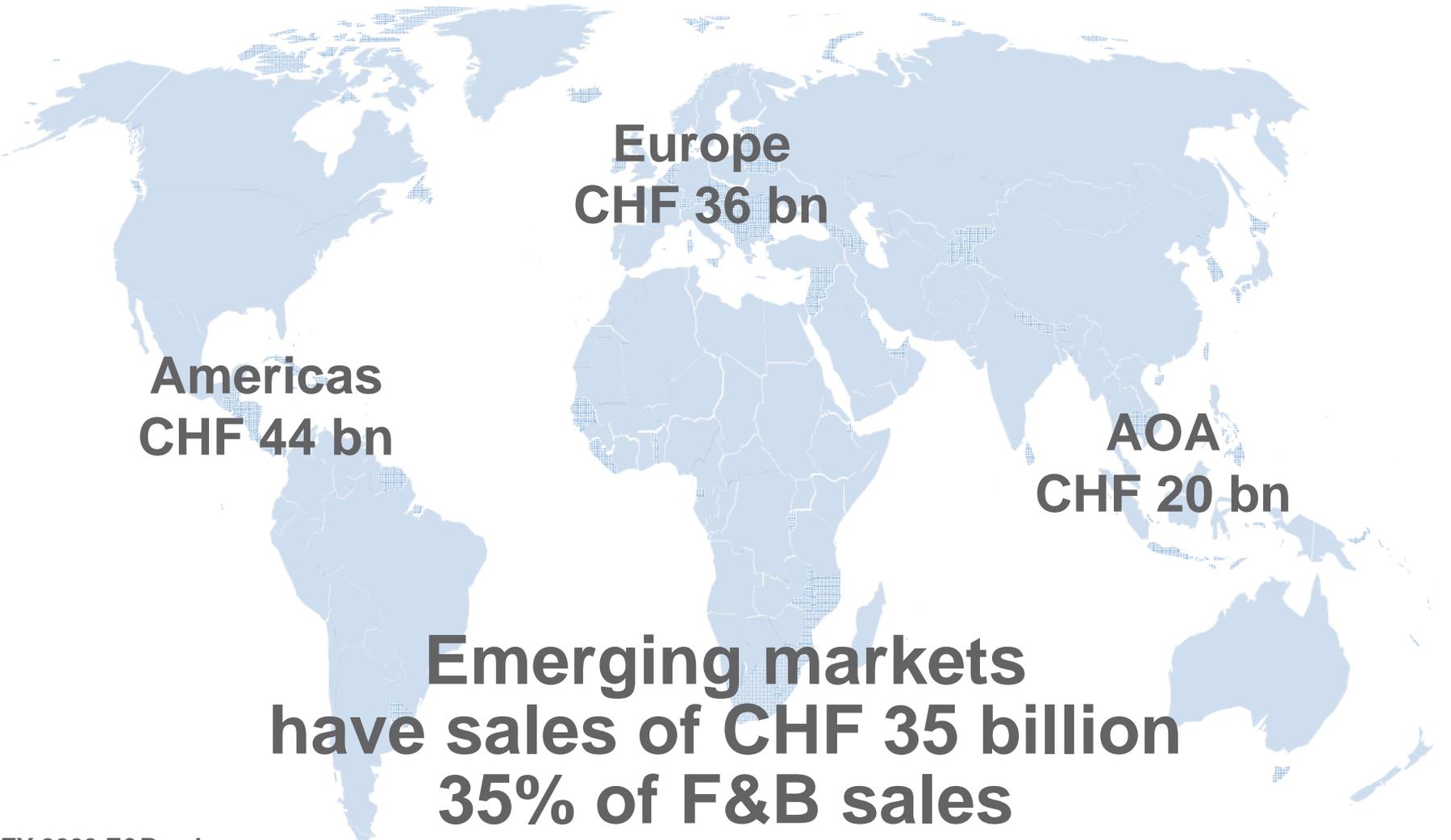
A focus on absolute sales in any given market answers those questions...

- Scale
- Local manufacturing, local R&D
- Duration in a market
- Market presence, shares, leadership
- Brand strength, consumer relationships & insight
- Local know-how: distribution, retail environment
- Role in society
- Understanding of a country's traditions, ways of doing business
- Ability to attract local talent
- Risk profile
- Financial performance



It demonstrates whether a company has the scale to optimise growth opportunities in any given market

Leadership: Scale – all over the world



A world map with a light blue background and white outlines of continents. The map is divided into three main regions: Americas (North and South America), Europe (Western and Central Europe), and AOA (Asia, Oceania, and Africa). Each region is labeled with its sales figures in CHF billion.

Americas
CHF 44 bn

Europe
CHF 36 bn

AOA
CHF 20 bn

Emerging markets
have sales of CHF 35 billion
35% of F&B sales

FY 2009 F&B sales

Emerging market presence – geographic

18 countries each with CHF 500 mn+ sales, leader in many...

CHF 5 bn+	No.
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Brazil	1
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CHF 2 bn+

Mexico	4
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Russia	1
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Greater China	10
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CHF 1 bn+	No.
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Philippines	2
-------------	---

India	2
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Poland	1
--------	---

South Africa	3
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Thailand	1
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Chile	1
-------	---

Malaysia	1
----------	---

Venezuela	4
-----------	---

CHF 500 m+	No.
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Indonesia	3
-----------	---

Turkey	7
--------	---

Pakistan	2
----------	---

Colombia	4
----------	---

Czech Rep	1
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Ukraine	1
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(incl. Mevina)

...achieving high growth, EBIT margins & ROIC

Emerging market presence – product groups

	Percent Sales in EMs	Number of EMs in Top 10 Markets		Percent Sales in EMs	Number of EMs in Top 10 Markets
Dairy	80	9	Ice cream	20	1
Powdered Beverages	65	5	Water	15	2
Infant Nutrition	50	6	Healthcare Nutrition	10	2
Ambient Culinary	50	4	PetCare	10	0
Soluble coffee	50	4	Frozen Chilled	0	0
Confectionery	45	3	Jenny Craig	0	0
RTD Beverages	40	6	Performance Nutrition	0	0

Nestlé in emerging markets

- Nestlé is the biggest F&B player in emerging markets
- Our geographic presence is a competitive advantage
 - our scale
 - our longevity
- 5 year annual average OG in emerging markets of 11.5%
 - rich with growth potential from a significant base

The developed markets

- Are all developed markets equal?
- Do all companies have the same opportunities in developed markets?
- Are all companies achieving the same growth in developed countries?

No. Obviously not.

Nestlé in developed markets

- Nestlé is the biggest F&B player in developed markets
- Has a 5 year average OG in North America of 6%
- Is the biggest player in NA: F&B sales of CHF 29 billion*
- Has a 5 year average OG in Western Europe of 2.5%

*FY 2009: excludes newly acquired Pizza business

Nestlé in Western Europe: H1 2010

RIG
Rounded

Zone Europe

Germany	+ 1%
France	+ 5%
Great Britain region	+ 1%
Iberia region	+ 2%
Italy	+ 2%
PetCare	+ 3%

Excludes the globally managed businesses, (Waters, Nutrition, Professional, Nespresso, etc) which were **RIG enhancing** in Western Europe

Europe is also a launch pad for brands globally

Nestlé the leader globally

- Emerging markets are an opportunity to enhance performance – particularly if you have scale & longevity
- Nestlé has a head start in the Emerging Markets..... PPP is a growth differentiator
- ... and has the scale to win
- Developed markets also provide opportunities for growth...
... advanced nutrition (value added, disease specific) & super-premium innovations, & PPP
- ... and Nestlé has demonstrated its ability to deliver

Winning – means winning globally

- We're all running global businesses
- The winners – who create shareholder value on a sustainable basis...
- ... will be those who win globally, not just in emerging markets

GLOBE: 10 years on

Driving unique competitive advantages

Creating gaps all along the value chain

Increasing our own competitive intensity

Launch of GLOBE

“GLOBE will transform the highly successful federation of independent markets into one global Company – that's my dream, that's what I hope to achieve, and we will achieve this through leveraging the size of the Group as a strength and not a liability”



Peter Brabeck-Letmathe

2001



GLOBE initial objectives

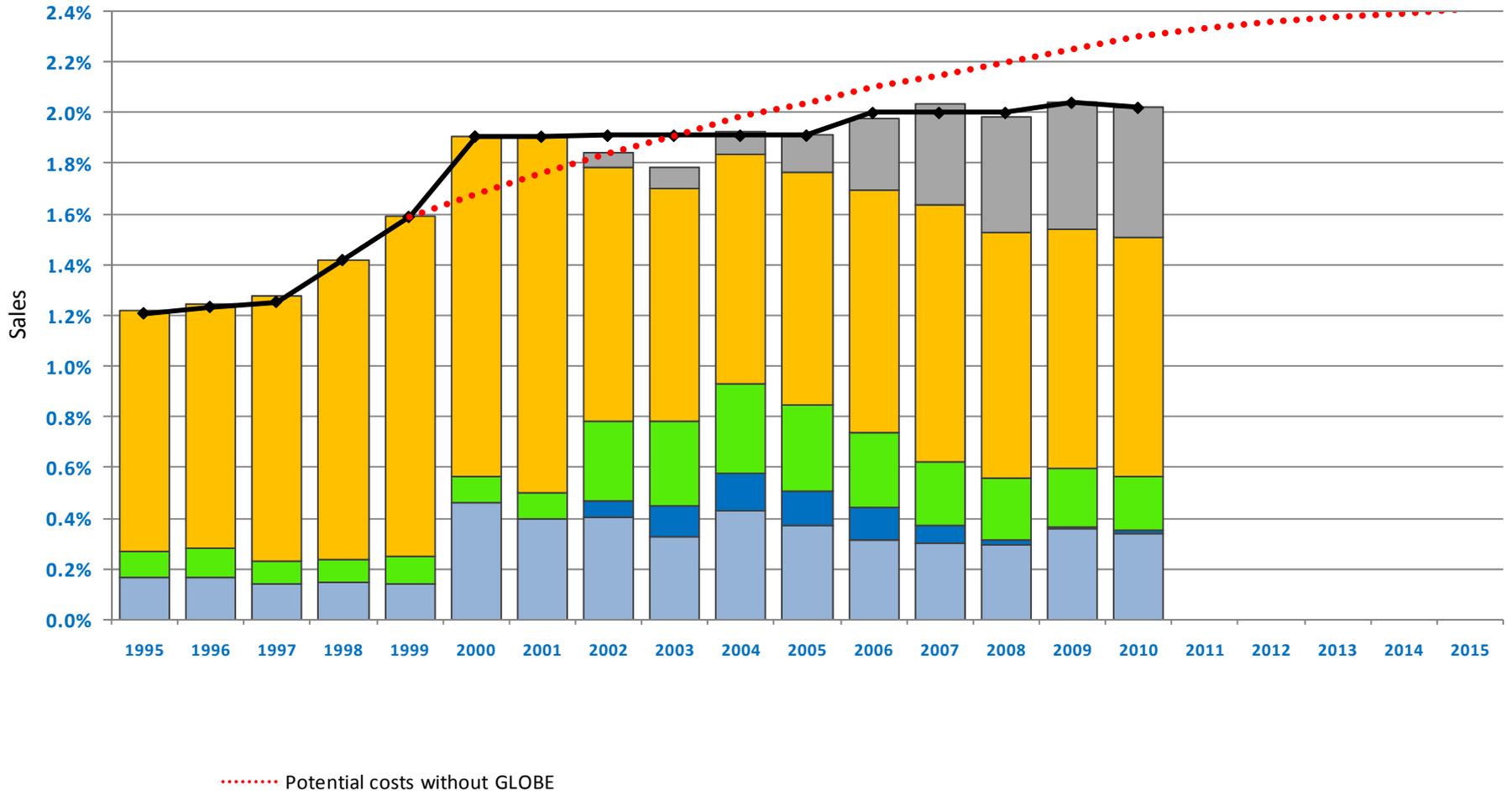
Implementation of harmonized Best Practices

Implementation of Data Standards and Data Management

Implementation of standardized Information Systems & Technology

From “**complexity = cost**” to “**complexity with efficiency**”
= **competitive advantage**

IS/IT cost evolution: Inflation prior to 2000. Flat since.



GLOBE implementation status after 10 years

90 Nestlé Markets/Businesses are operating with GLOBE processes, data & systems

- 95% sales coverage
 - 2,500 factories, distribution centres & sales offices
 - 162,000 users
-
- In 2010, GLOBE achieved a worldwide upgrade with zero business disruption
 - This new operating system will enable us to **leverage the GLOBE Solution** over the next 5-7 years, using the latest technologies



After 10 years of
“Unlocking Nestlé’s potential”
GLOBE will now enable Nestlé to move
“One Step Ahead”



Nestlé Continuous Excellence & GLOBE

Nestlé Continuous Excellence was inspired by Nestlé's **continual** improvement drive & by the objectives of GLOBE: Global Business **Excellence**

Today, Nestlé Continuous Excellence & GLOBE combine to create a holistic approach to driving improved performance across the whole value chain

GLOBE & Nestlé Continuous Excellence will enable sustainable profitable growth

- **Focus on end-to-end processes to eliminate waste, maximize efficiency, enable synergies**
 - Facilitating integration: speed to capture synergies
 - Facilitating simplicity: optimising SKU's – 35% reduction
 - Improved Environmental & Social (ESG) performance
 - Full traceability over the whole supply chain
- **Provide a Business Excellence Framework to enable sharing best practices & transparent & informed decision-making**
 - Leveraging scale: operations, customers & suppliers, know-how
 - GNBS, NBS shared service centres (in-sourcing & out-sourcing)
 - Deepening distribution, extending reach
 - Managing the traditional trade & growing the PPP business model

GLOBE & Nestlé Continuous Excellence will enable sustainable profitable growth

- **Ensure support at competitive cost, enable business to run at optimum effectiveness & efficiency**
 - Embedding culture of discipline
 - Excellence in execution, Nestlé Continuous Excellence
 - Driving savings in operations & beyond: CHF 1.5 bn per year
 - Capital efficiency
 - Optimising manufacturing footprint
 - Capital avoidance
 - Reducing inventories
 - Improving customer service
 - Control IS/IT costs: capped at 2% of sales

Some GLOBE & NCE-related KPIs

Operational Performance

Efficiencies

Capital returns & capital avoidance

Safety record

Number of quality incidents

Demand planning accuracy & customer satisfaction levels

Working capital

Energy/input usages

Benefits of scale & skill



Products

Freshness

Bad goods

60/40+



Growth

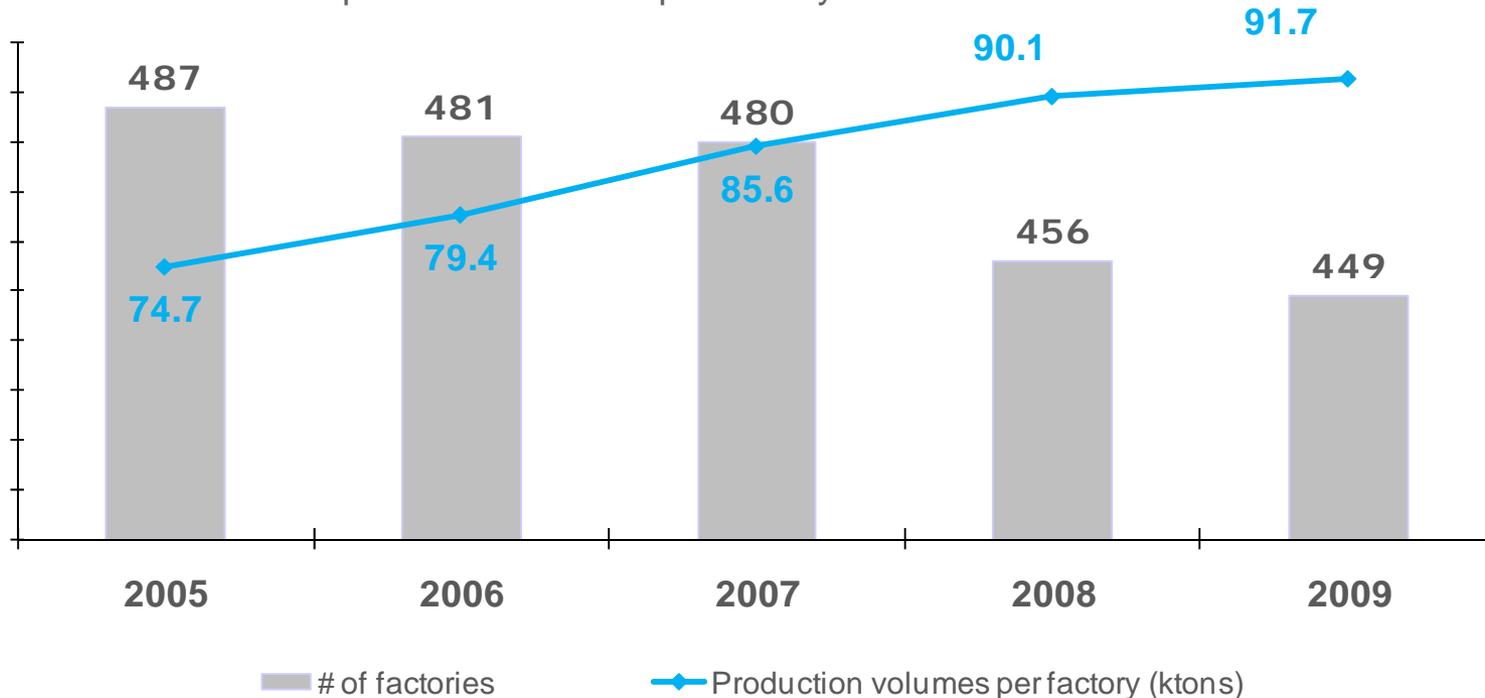
SKU optimisation

Simplicity

RIG

Manufacturing productivity has continuously improved over the last 5 years

Number of factories & production volume per factory



- 17 factories closed/sold; 10 new factories commissioned in 2009
- Production volume per factory increased by ~ 23% over the last 5 years
- Introduction of micro and finishing factories

Strong performance on the major environment and safety indicators

		Variation 2005 – 2009	
Water Consumption	m ³ /ton		- 21%
Energy Consumption	gigajoules/ton		- 15%
Greenhouse Gases	kg CO ² /ton		- 18%
Lost Time Injury Fr.	rate on 1mn hours worked		- 71%

Business Excellence Awards

Recognising & rewarding the best Business Excellence Project which, through **GLOBE** usage, leads to significant business success & to **encourage further deployment** to other markets.

- Every year, the 5 best success stories are recognised at Nestlé HQ
- More than 140 success stories available online – with implementation guidelines & contact points
- More than 100 best practices already submitted for the 2010 Awards contest !



GLOBE driving profitable growth for years to come

“GLOBE is a major enabler to create gaps at every step of the value chain. This is a real, holistic and sustainable competitive advantage for our Company.”



Paul Bulcke

2009



Summary

- **2010 outlook – improved performance despite headwinds**
Around 5% organic growth & an improvement in the EBIT margin
- **Winning the competition for investors' capital**
Sustainable shareholder value creation is about driving profitable growth globally – not just about emerging markets
- **GLOBE – the best is yet to come**
Enabling improved performance all along the value chain, from customer to supplier
- **The Nestlé Catalysts**
Growth opportunities globally
GLOBE & NCE: creating sustainable competitive advantage
Consistent year after year improvement in results – top & bottom line

Conclusion

Nestlé consistent year after year
improvement in performance.

Total performance without compromise.

Q & A



Appendix



Weighted average exchange rates

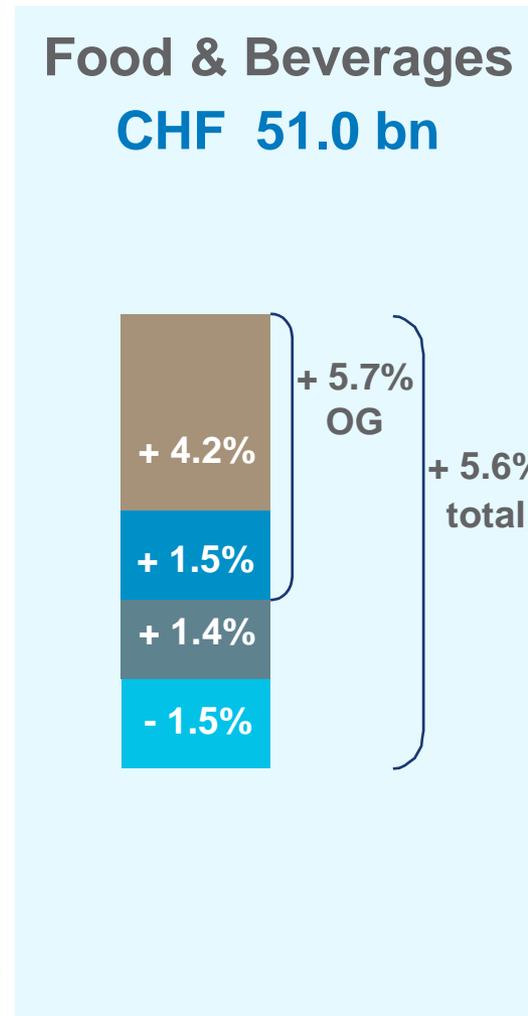
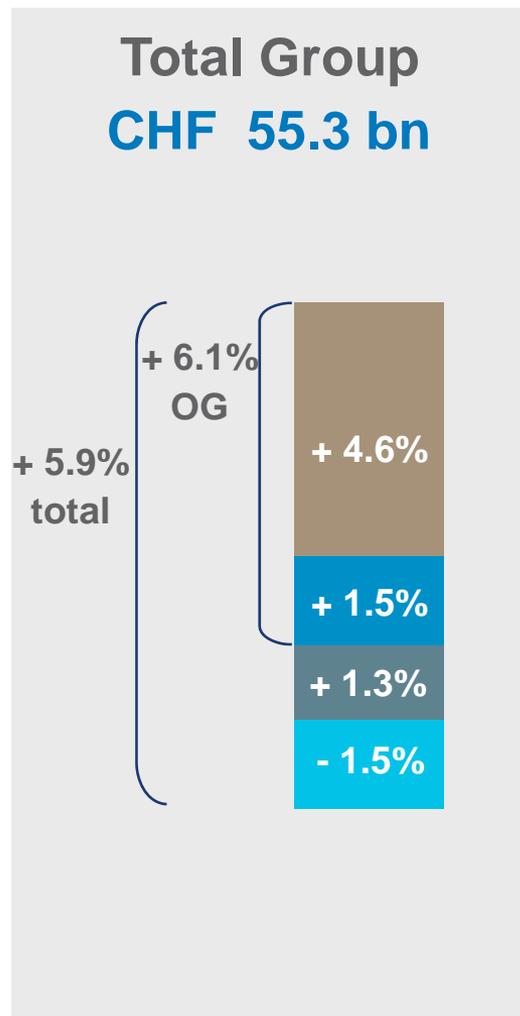
CHF per	H1 2009	H1 2010	(%)
US Dollar (1)	1.13	1.09	- 4.0
Euro (1)	1.51	1.44	- 4.7
£ Sterling (1)	1.68	1.65	- 1.9
Real (100)	51.66	60.34	+ 16.8
Mex. Peso (100)	8.17	8.55	+ 4.7
Yen (100)	1.18	1.19	+ 0.7

Weighted Average Exchange Rates

Operating segment FX impact on sales

(%)	1Q10	HY10	9M10	FY10
Zone Europe	- 0.7	- 2.8		
Zone Americas	- 4.9	- 2.5		
Zone AOA	+ 0.5	+ 3.1		
Nestlé Waters	- 4.6	- 3.0		
Nestlé Nutrition	- 3.6	- 1.9		
Other F&B	- 1.1	- 1.3		
Total F&B	- 2.6	- 1.5		

Key elements of sales



RIG
Pricing
Acq./Div.
Exchange Rates

OG = Organic Growth
RIG = Real Internal Growth

2010 First Half Results

