NESTLÉ S.A.

2010 FIRST QUARTER SALES CONFERENCE CALL TRANSCRIPT

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Chairperson:	**Mr Roddy Child-Villiers** **Head of Investor Relations** **Nestlé S.A.**

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Roddy Child-Villiers, Nestlé SA, Head of Investor Relations

Slide 1 – Opening slide

Good morning, everyone. Welcome to the call.

Slide 2 - Disclaimer

I will take the safe harbour statement as read and go straight to my presentation.

Slide 3 – Q1 enables reconfirmed full year guidance

Our strong sales performance in the first quarter confirms that we are using our competitive advantages to capture opportunities in our growth pillars, both in emerging and developed markets. Let's look at the highlights.

The Group achieved 4.8% real internal growth and 6.5% organic growth.

Food and Beverages is also performing strongly, with 4.5% RIG and 6.1% organic growth.

It is important to note that, whilst RIG is the key driver of organic growth, we have positive pricing, above the level in Q4 2009. Whilst the pricing partially reflects input cost pressure, it also demonstrates the success of our strategy of driving growth by prioritising the creation of consumer value through innovation & renovation rather than pricing actions.

All geographic areas and all product segments contributed, with positive RIG and organic growth.

The Q1 performance has been achieved at the same time as, and as a result of, us continuing to invest in our brands and in innovation & renovation, and whilst managing SKU optimisation, whilst driving efficiencies and whilst targeting improved cash flow management, in line with our total performance framework and our ambition to deliver profitable growth year after year.

We are reconfirming our 2010 guidance of organic growth higher than in 2009 for Food and Beverages, as well as an improvement in the EBIT margin in constant currencies. Thus, we will once again improve the top and bottom lines in 2010.

Slide 4 – Further progress in 2010

The next slide shows the drivers of the sales growth for the Group and the Food and Beverages business. I will just take you through the Food and Beverages numbers.

Organic growth, as just mentioned, was strong, at 6.1%. This is the combination of 4.5% real internal growth and 1.6% positive pricing.

Currencies are again material in the first quarter of 2010. The foreign exchange impact was -2.6%. The currency chart is included in the appendix slides, as is the chart with the regional information.

There was an impact of -0.4% from divestitures, and a positive contribution of 1.1% from acquisitions, which combine to give a positive of 0.7% from acquisitions net of divestitures.

The main contributors to the acquisitions, about 75%, were the frozen pizza business and the Vitality foodservice business in the US.

In total, the Food and Beverage sales increased by 4.2% to 24.3 billion Swiss francs in the first quarter. Let's now look at what lies behind this performance.

Slide 5 – Total Food & Beverages
All regions achieve positive OG

On this next slide is the regional performance of our total Food and Beverages business, including the three Zones, Nestlé Nutrition, Waters and Nestlé Professional, our out-of-home foodservice business, as well as Nespresso and our joint ventures.

We enjoyed 3.9% RIG in Europe, with positive pricing to make 5.1% organic growth. This reflects a strong performance from the Zone, Nestlé Waters and Nespresso, as well as improvements over 2009 from Nutrition and Nestlé Professional.

In the Americas, the RIG was 2.5% and organic growth 4.6%. Again, the Zone performed well, and PetCare was able to grow on top of the mid-teens growth it achieved in Q1 2009. There was a strong performance by Nutrition, as well as an improvement in Nestlé Professional.

In Asia, Oceania and Africa, the RIG was 9.7% and organic growth 11.2%. All businesses performed well, with double-digit growth in Nestlé Nutrition, Waters and Professional, as well as good growth from the Zone.

I think it is important to note, whether you look at Europe, the Americas or Asia, that our developed markets achieved positive real internal growth and positive pricing. This is partly because we have made the right category choices, but it is also because we have identified the growth opportunities in the developed markets. For example, in the US there is the growing Hispanic community; in Europe there is the hard-discounter shopper or the African, Asian and Muslim consumer; around the world, there is the discerning coffee sophisticate, for whom only the best will do, and so on. Whatever the consumer group, we have long had specific strategies, even specific business models, to meet their needs; and today we are seeing the benefit as those growth drivers start to be material to the Group's overall performance.

And then, of course, there are the emerging markets. One emerging consumer group there are those who are buying branded products for the first time. And they were a key driver, with our Popularly Positioned Products delivering double digit growth. Another emerging consumer group in emerging markets is those who are seeking higher-end products, and our premium business also enjoyed strong growth. Overall, the Group's emerging markets achieved 10.8% organic growth, and the BRIC countries enjoyed even higher growth, in the teens.

Slide 6 – Operating segments: Positive RIG everywhere

Next is a summary slide of the operating segments. It presents a nice positive picture, positive for RIG in all segments, and positive for organic growth as well in all segments.

This slide also reflects the strength of alignment. You have heard Paul Bulcke discuss the Nestlé Roadmap of competitive advantages, growth drivers and operational pillars. Each operating segment has its own priorities, but they all share the Nestlé roadmap and they all use it to drive their own priorities. This mix of group-wide alignment and country-specific priorities is a key factor in our performance. Effectively, it means that our people in the markets are focused on execution. And excellence in execution, whether in manufacturing efficiency, in product launches, customer service or in consumer communication, to name but a few, is what creates the difference in the performance of different companies. It is about being better at every stage, from crop to shop.

Let's now take each segment individually, starting with Zone Europe.

Slide 7 – Zone Europe

The Zone had a strong start to the year, with positive RIG in all Western European markets as well as in the regional PetCare business, and positive pricing for the region.

Germany continued to build on the positive momentum seen at the end of last year. Maggi and Buitoni, in particular, saw strong growth.

In France, *Herta* continued to perform well, as did Chocolate, whilst Nescafé and Nesquik achieved double-digit organic growth.

Great Britain achieved good growth on top of the double digit organic growth enjoyed in Q1 2009. Nescafé was outstanding, and Confectionery made a good contribution.

The consistent theme across these and the other Western European markets is a virtuous circle that combines SKU optimisation and operating efficiencies with increased brand support and a further extension of our distribution, all contributing to profitable growth and market share gains.

In Eastern Europe, there were signs of recovery in Russia, and continued strength in the Ukraine, Poland, and elsewhere. Nescafé, Maggi and the Powdered Beverages business performed particularly well.

Also of note in the Zone, you may have seen that we have acquired the market leader in ambient culinary in Ukraine. This will be a great fit with the Maggi business, and is a very exciting opportunity for us.

Slide 8 – Zone Americas

Next Zone Americas.

This Zone has started the year with 5.1% organic growth, with both North and Latin America achieving positive RIG.

In North America there were strong performances from Dreyer's and Purina, reflected also in our market shares, and in CoffeeMate and Confectionery. In Confectionery, this is in part due to good performances from existing SKUs, and also reflects the major extension of the Wonka brand from Sugar into the Chocolate category. We have also launched new variants of Butterfinger and Raisinets.

The US frozen entrée business is having a tough time. Fundamentally, nothing has changed from 2009, with consumers being value-focused and choosing family meals or multi-packs over single-serve or nutrition-led offerings. Stouffer's is performing OK, but Lean Cuisine is in a market which, for the moment at least, is contracting.

In Latin America, Brazil and Mexico have started the year by building on the momentum seen in 2009. Among the smaller regions, there was a particularly strong performance from Central America. The regional PetCare business is also enjoying double-digit growth. The milk business is performing well, with volumes continuing the improving trend already seen in 2009, reflecting the success of our Dairy Partners of America joint venture with Fonterra. Chocolate and Nescafé have also had a strong start, both categories benefiting from well-executed Popularly Positioned Products strategies.

Slide 9 – Zone AOA

Next is Zone Asia, Oceania and Africa.

It achieved double-digit organic growth in the first quarter, with RIG, or volume, of 8.9%. This performance reflects the benefit of our people in the markets being focused on driving deeper distribution and accelerating the roll-out of PPPs, and of our increasing investment behind innovation and brand support, as well as the recovery in many emerging economies. Most markets, from Africa to the Middle East to India, Indonesia and Greater China are double digit organic growth, with high RIG.

The milk business has seen its improving momentum in 2009 accelerate further in 2010, with double digit RIG, and there are performances of similar levels by Maggi, Chocolate and liquid beverages.

The developed markets, Oceania and Japan, also achieved positive RIG and organic growth, with good performances from Milo, Nescafe and Maggi.

Slide 10 – Nestlé Nutrition

Next is Nestlé Nutrition.

It has been a good start for the year for Nestlé Nutrition.

The Infant Nutrition business achieved very high single digit organic growth, with positive volumes in all regions.
In the US, our biggest market, the Infant Nutrition business has organic growth in the teens. The US infant formula business is benefiting from having been re-branded Gerber Good Start. In US Baby Food, the Gerber business continues to perform well. Gerber Graduates, healthy snacks for slightly older toddlers, remains a key growth driver.

In Europe, we are experiencing improving growth in key markets such as France and Germany and we are continuing to deliver above 20% growth in Russia.

Infant Nutrition enjoyed double digit growth in emerging markets, with the infant cereal business particularly strong.

The smaller businesses, Healthcare and Performance Nutrition, and Jenny Craig, grew slower than Infant Nutrition, but all achieved positive growth, at higher levels than in Q1 2009.

Slide 11 – Nestlé Waters

On this next slide is Nestlé Waters.

Nestlé Waters achieved positive growth in the first quarter of 2010, building on the positive trends seen in the second half of 2009.

We continued to achieve double digit organic growth in emerging markets, with good performances in many AOA markets, including Turkey, Saudi Arabia, China and Egypt, as well as in Latin America… in Brazil and Mexico, amongst others. We are committed to growing our water business in emerging markets, and in 2010 have entered into a joint venture in Yunnan province in China.

North America has had a tough start to the year, as private label players drove down price and took share from the branded players. This is reflected in our value share being flat but our volume share being down. Nestlé Pure Life, our value priced national brand, continued to be a highlight for us, and Poland Spring also performed resiliently. Elsewhere, though, the regional brands were under pressure.

The European business performed well, with strong growth from brands such as San Pellegrino, Perrier and Contrex, and high single digit or double digit growth in several markets, including France & Belgium, Italy, Switzerland and the UK. Generally, therefore, we have had a strong market share performance in Europe.

Slide 12 – Other Food & Beverages

Next is Other Food & Beverages.

Nespresso has reported another quarter of above 20% organic growth. The business' plans for 2010 include opening about 40 new boutiques around the world, and it will continue to drive its growth in the rapidly expanding coffee systems market through the global roll-out of is unique mix of best systems, best machines, best design, best customer service and, most important of all, best sourcing, best quality and best taste.

Nestlé Professional, our foodservice out-of-home business, achieved double digit growth in Zone AOA, benefiting from the improved economic environment in the emerging markets there. Growth was also positive in both other Zones, a performance which is clearly above-market. Beverage systems are driving the performance globally, whilst we all also seeing a very positive customer reaction to the Food customer-service and R&D centre in the US.

The joint ventures, CPW and BPW, have started the year with mid-single digit organic growth.

Slide 13 – Product segments: Positive RIG everywhere

I will now show one slide covering the product groups and will canter quickly through them before opening for the Q&A. As with the operating segments, so with the product groups, this slide presents a nice positive picture, positive for RIG in all product groups, and positive for organic growth as well in all of them.

First Powdered Beverages. This category has continued to deliver a high level of growth, building on its strong performance in 2009.

Soluble coffee's RIG has accelerated and is comfortably above 4%, with all three Zones contributing well. The retail business, in particular, is strong but the contribution to growth from Nestlé Professional, our out-of-home business, has accelerated over 2009.

Innovations from the last couple of years, such as Nescafé Green Blend and Nescafé Dolce Gusto, continue to perform well and are being rolled-out further around the world.

Powdered Beverages, with brands such as Milo and Nesquik, had an accelerated start to the year, compared to 2009. There has been a pick up in pricing due to cost pressure in sugar, cocoa and milk, and we have seen an acceleration also in RIG.

Liquid Beverages achieved double digit organic growth, with both Zone Americas and AOA very strong.

Nespresso, as already mentioned, continued to grow above 20%, with a faster start to 2010 than in 2009.

The Milk business had a good start to the year, achieving near double digit organic growth, to continue its positive momentum already seen last year.

The Zone AOA milk business was the highlight, with strong growth in many markets, including the Middle East, Philippines, Indonesia and Africa. In Latin America, there were good performances in Brazil and Central America, among others.

Coffeemate continues to perform well in the US, as well as elsewhere in the world where it is being rolled-out.

Ice Cream had a good start to the year with positive RIG, driven mainly by North America, where Dreyer's has held its share overall and increased it relative to the branded competition. Häagen Dazs continues to perform well in super-premium, our Drumstick cone business is strong and the Skinny Cow growth is fantastic.

In Europe, Q1 is the low season, as you know, and the zone's performance improved over Q1 2009.

Prepared Dishes and Cooking Aids saw a pick-up in growth from 2009. Within the product group are frozen and chilled products and ambient culinary.

Ambient Culinary continued to be the best performing segment, driven by on-going strong performances in emerging markets, resulting in double digit growth overall in the Americas and AOA. It also experienced a pick-up in growth in Europe, particularly in Germany and Switzerland.

The Frozen and Chilled performance was mixed. The frozen pizza business, being Wagner and Buitoni in Europe, and the recently acquired US business, is performing well. US Pizza is achieving high single digit organic growth, but was only consolidated in the numbers for one month so its organic growth had no material impact on the Group's or Zone's organic growth.

Also going well is Chilled Culinary. Buitoni in the US and Herta in Europe were particularly strong. The Chilled Toll House business in the US had a slow start as we rebuild distribution, but it will pick up in the second half.

I've already discussed frozen food in the US.

Confectionery has had a good start to the year. Easter was a bit earlier in 2010 than last year, which will have been a benefit, though we haven't quantified it.

We have had a very strong, innovation-led start to the year in the US, as already discussed.

Latin America has had a good start. The Brazilian business continues to enjoy strong growth, and we are seeing good progress in smaller confectionery businesses such as Mexico.

In Europe, KitKat continues to perform well, as indeed it does globally. In Western Europe, the UK achieved good positive real internal growth, despite lapping double-digit RIG from Q1 2009, and there were strong performances in France and Italy. In Eastern Europe, the Russian business continues to suffer from the poor economic environment, though our market shares are up, and there are some early signs of recovery.

In AOA, the story is about increasing distribution, doing the basics well and understanding how to manage price points. The emerging market business is achieving double digit growth, driven by a strong performance by our many Popularly Positioned Products, such as Munch in India and Nestlé wafer in China.

PetCare achieved 4.6% organic growth in the first quarter, despite lapping over 11% organic growth from Q1 2009.

The business is continuing to demonstrate its resilience, with positive real internal growth in Europe and North America despite the tough comparatives. Core brands such as Felix, Dog Chow Beneful and Pro Plan, are all achieving around double-digit organic growth, but the overall growth also reflects further rationalisation of lower value, non core SKUs.

Slide 14 – Conclusion

Now to conclude my presentation.

We have started the year well. And, importantly, we are again delivering a broad-based performance with all operating segments and product groups contributing.

We have continued to focus on trying to improve the other key financial metrics, not reported at the quarter, and are therefore reconfirming our full year outlook, unchanged from February, for both top and bottom line improvement.

We will continue to increase investment in our brands, in our innovation and in new manufacturing and distribution capabilities. And we will further drive our efficiency programmes around the world.

As the industry leader, we will continue to grow our categories. And we will drive initiatives for sustainable competitive advantage to build our market positions. We will do so in a way which is consistent with our long-term, disciplined commitment to sustainable, profitable growth and to value creation both for our consumers and for our shareholders.

Finally, just a reminder on the share buyback. We are targeting 10 billion in 2010 by buying back the CHF 4.9 billion outstanding from the existing buy-back in the first half, and then launching the new buy-back, which we announced back in January, and buying a further CHF 5 billion in the second half.

Thanks very much for listening. I would now like to open the call up for your questions.

Q & A session

Questions on;	**Reasons for conservative guidance** **Organic growth in the US**

Jon Cox, Kepler:

Your guidance seems somewhat conservative given the fact you've clearly beaten expectations for Q1; I'm just wondering why that is, are you starting to see maybe a slowdown towards the tail end of the first quarter?

And the second question just on the US, the organic growth was above 5%, but I saw some comments attributed to you a couple of weeks ago just being a bit more cautious on the US and I wonder if you expect the organic growth to slow down as we go through the year in the US?

Roddy Child-Villiers

The first quarter may have been above the market's expectations, but it wasn't above our expectations. And it was always clear to us that we needed to have a strong first quarter if we were to deliver upon the improvement that we promised that market. So I think from an internal perspective we are exactly where we wanted to be in order to meet our guidance. So I wouldn't say that our guidance is conservative.

Relating to the US, the comments that were attributed to me some while ago - I was actually comparing the US performance in 2010 against 2009 and saying that I thought we'd struggle to do better in 2010 than 2009; because we had such a strong performance in 2009.

And if you look at the Q1 numbers then so far I'm absolutely right because the US number in 2010 is below the 2009 number. However again that's in line with our expectations.

Questions on;	**Divisions benefitting from phasing in Q1** **Input cost guidance**

David Hayes, Nomura:

You mentioned Confectionery benefiting from the Easter timing which as you say you wouldn't quantify; but I just wondered whether there were any other division that would have benefited at all from any kind of shipment or phasing, anything like that that we should just be aware that will maybe unwind a little bit in the second quarter?

And then secondly if I can ask the input cost guidance update question; just whether there's any change at all in terms of the outlook for input cost inflation for the year?

Roddy Child-Villiers:

On the Easter point, the other category that you sometimes see a benefit or not is Ice Cream. We've talked about this before but the impulse vendors in Ice Cream tend to stock up around the Easter weekend; so if the Easter weekend is a bit earlier then they stock up a bit earlier. So Ice Cream might have had some marginal benefit.

And that by the way is more true in Europe than in the US because, the US Ice Cream market tends to be less seasonal than the European market. Otherwise I wouldn't say so, no.

On input costs we guided in February at about 2% input cost pressure and our guidance remains the same. I'm sure you've seen the raw material numbers, but if you look at the last 12 months the trend of price change, not to us but market price change over the last 12 months, green coffee is up, cocoa is up, sugar is up, palm oil is up, wheat and corn or down, milk is up, PET is up. So you know there is clearly some cost pressure but that's all within manageable ranges.

Questions on;	**Pricing development during 2010** **Type of brand support in Europe**

Marco Gulpers, ING:

How do you expect the pricing to develop in the course of the year as the comps continue to ease on pricing?

The second question is on brand support; you mentioned that in your remarks, that drove performance in Europe. Can you be a bit more specific? Is that more targeted at the retailer, i.e. in promotions or more at the consumer?

Roddy Child-Villiers:

Yes, we're not going to guide on the spilt of the organic growth between RIG and pricing. In terms of brand support - our focus in terms of brand support is what I said earlier on; it's about behaving in a way that is consistent. We are trying to create long-term value for our consumers.

And I think we talked about this, this time last year, when we said that one of the reasons why last year started so slowly is because we were not going to go into some price driven strategy. We're going to try and find ways to create value for our consumers through innovation and renovation and such like. That remains our strategy at the moment, so you will see in 2010 certainly an increase in constant currencies in our media spend and in other brand support that is, as I say, about creating long term growth rather than short term demand.

Questions on;	**Details on the improvement in Waters in Europe** **Performance in Japan, Australia and Europe**

Warren Ackerman, Evolution Securities:

Just turning to the Waters division, a very pleasing improvement in the first quarter. I'm just trying to get a feel for what you think the market growth has done in Western European

Water versus how much is down to sort of share gain? I know it's always a tough question to sort of segregate those two things. And do you think that the bottled water companies are starting to gain traction in the PR battle?

And secondly just looking at AOA, obviously the emerging part of AOA has done very well. But also the developed market piece of AOA seems to be doing a bit better, referencing Japan and Australia; I know Japan was quite tough in '09. I'm just wondering whether there's anything we should be picking up from those two countries?

Roddy Child-Villiers:

If I take the AOA one first, Japan - we had a very good performance in Nescafé, which as you know is our dominant category in Japan. And that was led by a couple of things, first of all Dolce Gusto we've launched in Japan and it's going very well. We also have a Japan only coffee system as well that uses a refill pack going into a machine and that's also going well. And you know the standard soluble in a jar business is holding its own. So that's a key driver there.

And we're also seeing some reasonable volume growth in chocolate as well, which as you know is primarily the KitKat brand.

I don't think there's anything in particular to say about Oceania. You know it's a good performance in volume really across the space.

The one thing that is going on there, we bought an Ice Cream business you may remember last year. We're in the process of merging that with the existing business. But you know we're seeing near double digit volumes in Culinary, in our Biscuit there, a good performance from Coffee again, Chocolate is doing well. So again pretty broad based.

Now on Waters it's very clear that the markets I quoted, France and Belgium and Italy, the UK are not growing at near double digit levels. So it's equally therefore very clear that we are growing share. And I think, you know what we're seeing there and perhaps also in North America is that water is at a price point where it very clearly is offering value to consumers. We remain convinced about the longer term sustainability and potential for this business, because it continues to be clear to us that consumers in big urban areas are going to have a greater and greater desire to drink water, which is pure, from a bottle.

Warren Ackerman, Evolution Securities:

Roddy, do you think that the market growth in Western Europe was positive in the first quarter or are we still sort of in negative territory?

Roddy Child-Villiers:

I think it picked up a little bit, but not, as I say, to the extent where we were.

Questions on;	PPP roll out in developed markets Distribution of growth across price points

Michael Steib, Morgan Stanley:

My question relates to some of the bigger developed markets like the US, or the big markets in Western Europe. Last year there was a big focus on rolling out or emphasising the Popularly Positioned Products in these developed markets. And my question is really, is that still as much of a focus for Nestlé this year?

And when you look at the growth acceleration, the volume acceleration in these markets in Q1 has the growth come really across all the prices points or is it still some of these more value oriented products that are growing faster?

Roddy Child-Villiers:

The PPP business, or the business providing daily affordable products to lower income consumers in developed markets - is a key focus for us and will continue to be. But it is still a relatively small business in those markets. Perhaps the Hispanic community that we talked about in the US, which actually it goes beyond PPP clearly, but PPP Is part of that, is a few hundred million Swiss franc business for us and would be one of the bigger ones that we have at this stage.

So they are, as yet, still relatively small but they will continue to be a focus for years to come, because that consumer group is going to continue to be there.

The performance improvements that we're seeing therefore are driven, you know really across the board. We're continuing to see very strong performance at the premium end, whether it's Häagen-Dazs in the US, whether it's Dolce Gusto around Europe, whether it's Cailler in Switzerland, whether it's Nespresso globally. The premium business is doing really well, Nescafé Green Blend I mentioned earlier on in my presentation. Mainstream going well too and then the PPP are growing very quickly, but as I say it's still relatively small.

So I talked about the performance being broadbased by market, I tihnk it's also broadbased within the markets by category and also - by price point. So it's a very solid performance in that sense.

Michael Steib, Morgan Stanley:

So would you say that premiumisation is back?

Roddy Child-Villiers:

It was never away. You know you look at our business last year, some of the stars last year apart from the obviously Nespresso, you look at the businesses last year, Häagen-Dazs did tremendously well in the US, the premium parts of the Nescafé jar range, the Alta Rico's and the like did really well. You can go through the categories, premium never went away.

I think what happened last year is there was some trading down from mainstream and we managed that in a lot of product groups in developed markets by offering smaller jar sizes, which just enabled households to manage their weekly spend. But premium never went away and it's clear to us that premium is here to stay.

Questions on;	**Coffee and chocolate performance in Russia** **Pricing**

Alain Oberhuber, MainFirst:

Two questions also from my side about Russia. Could you elaborate a little bit on Russia, as I understand Chocolate was weaker but Coffee was stronger?

And secondly in pricing, which countries of the big ones were strongest in pricing, from that side?

Roddy Child-Villiers:

Yes Russia is a bit of mixed picture really. I think first of all on a more macro level we are seeing the famous green shoots of recovery, but if one talks about the categories, it's clear that the more impulse driven, indulgent categories are suffering the most. And obviously Chocolate qualifies as being an indulgent category.

The other issue that Chocolate had of course is that you know with the rouble devaluation last year and cocoa prices hitting all time highs there was quite an affordability issue. So Chocolate has been having a tough time and Chocolate for us is a big business in Russia.

On the other hand the more staple businesses are doing really pretty well, whether one looks at the Powdered Beverages business, the Culinary business, or Nescafé, these businesses are all doing fine. And by the way we have an Ambient Dairy business there, it's not very big but that's growing double digit as well.

And then outside the zone we also had a very strong performance from the Infant Nutrition business, building on last year. We've been running at 20% plus growth now for well over a year. So you know a very strong performance there as well.

So I think hopefully things will continue to recover and then we'll see an improved performance also in Chocolate coming through as well.

Alain Oberhuber, MainFirst:

Do you think the Chocolate has bottomed out now in Russia or is it difficult to say yet?

Roddy Child-Villiers:

Well it certainly had a better performance in Q1 than it did last year. So that as I say is one of the reasons why we're a bit more optimistic.

In terms of pricing, it's probably easier to talk about pricing by category than by country. And you know we saw a little bit less pricing in Soluble Coffee obviously because the green coffee price is down. We saw more pricing in Powdered which is Milo, Nesquik and the like because of increases in sugar and cocoa and milk prices.

Water you saw we actually had negative pricing, that was driven primarily by North America. A little bit of pricing in Milk, positive pricing in Milk and pricing positive in Nutrition and Prepared Dishes. Confectionery obviously pretty strong pricing, again because of the cocoa price and PetCare with grains and cereals also a little bit stronger.

So the pricing is really in line with what you'd expect in view of what the raw materials have done. But you know again as I said earlier on in the Q&A our focus the whole way through last year and this year has been to try to create consumer value without going into aggressive pricing manoeuvres to generate short term returns.

What we want to do is protect the value of the categories by creating increased value for consumers through innovation and renovation that's what we're trying to do. And of course if you're successful in driving good innovation and renovation that gives you an ability also to move up your pricing.

Questions on;	**Pricing in Q1** **Improvement in Zone Europe**

Patrik Schwendimann, Zurich Kantonalbank:

Firstly again regarding the price effect which was really a positive surprise, this +1.6%. Just to understand it better, were there really recently new price increases or was it still a rollover effect from the price increase of 2009? So for the next couple of quarters would it be a good guess to assume a higher pricing increase effect than in Q1 because the bases will be lower for the next couple of quarters?

And secondly regarding the Zone Europe which really had a clear improvement in Q1 in terms of organic growth coming back to 3.4%. Again here would you say this is good estimate also for the full year or was there any special effect here in Q1, e.g. some inventory effects, etc?

Roddy Child-Villiers:

When we report Q1 2010 pricing it's always relative to Q1 2009, it's always relative to the prior year same period. So clearly it reflects the pricing that's been taken during the course of 2009 into 2010.

As I said earlier on we're not going to forecast the different elements of the organic growth, we've given you guidance on organic growth; we're not going to give you guidance on pricing and RIG.

Patrik Schwendimann, Zurich Kantonalbank:

But part of the price effect was really new price increases in the last couple of months, this is a fair assumption?

Roddy Child-Villiers:

As you know Nestlé does not have a central pricing policy or strategy. Pricing is left to the individuals who run the categories in the markets, of which there are clearly a great many. They're making their own pricing decisions based on their own competitive environment cost pressures and such like.

And you know I cannot go into the detail of what they've all be doing, but clearly the predominant driver of a Q1 pricing number is what happened in the prior year.

Patrik Schwendimann, Zurich Kantonalbank:

Okay.

Roddy Child-Villiers :

On Europe if you're looking for any particular trends or one offs or things, I mean we touched on obviously the early Easter, but otherwise I'm not aware of any particular seasonal impacts or one offs in Europe. So all I would say is it's a good start to the year; as you know last year started quite weak and improved as it went on. So we 're going to have tougher comps, but it's a good start to the year.

Questions on;	**Details for Galderma and Innéov** **Update on EFSA decision on nutritional claims**

Xavier Croquez, Cheuvreux:

Could you provide us with the sales number and the organic growth and RIG of Galderma and Innéov so that we can work out a number for continued businesses?

And the second question was as an industry leader can you update us a little bit on EFSA, the decision of the meeting of June the 1st, what is at stake in this meeting? I remember the comments Nestlé made at the CAGE conference which is to find a way of having claims recognised, to reward R&D was the end game that Nestlé was working on. Can you help us a little bit to understand where you are on this? Have you been withdrawing finds well, how confident are you on the end game in the process please?

Roddy Child-Villiers:

What I can give you now is the total continuing operation sales, which is 24.4 and the discontinued operations which is 1.8. And so you'll see that the Innéov number is absolutely tiny, not surprisingly. So it's not going to change the overall organic growth or RIG numbers.

Xavier Croquez, Cheuvreux:

Okay.

Roddy Child-Villiers:

You know, relative to the Food and Bev, the Food and Bev and continuing is pretty much the same. We will give you those numbers at the half just so you have them, a slight oversight from us.

EFSA, I mean frankly as far as we're concerned nothing has changed since CAGE. You know our position is that we support - the industry having rigorous testing for its claims because we believe that if anybody can claim anything R&D has no value. If claims are supported by R&D, R&D has significant value. And since we spend a meaningful amount in R&D it's important to us that R&D should have value. Thus we support the whole process of strengthening up the science behind claims.

So far as Nestlé and EFSA is concerned it's business as usual, nothing has happened to make us withdraw anything at all yet. It is just business as usual. And you know we continue to be actively involved and to await further developments.

Questions on;	**Margin growth phasing throughout year** **Impact of generic capsules for Nespresso system**

Jeremy Fialko, Redburn Partners:

A couple of questions for you the first one is on margins. Is there anything you can say on the phasing of your margin growth through the year and could you confirm that the first half margins will be up?

And secondly on Nespresso, some of the generic Nespresso capsules have gone into the market recently. Have you see any sort of early initial impact from those or you know would you expect any impact over the remainder of the year?

Roddy Child-Villiers:

We don't comment on H1 margins, as you know, good try. But you know we are guiding once again to improving the EBIT margin full year constant currency.

They are not generic Nespresso capsules; they are generic capsules for the Nespresso system. And they were only launched in April on the market and all I can tell you about the 20 days of April that we've had so far is that our sales performance is above budget and obviously the budget was set before these capsules appeared.

So the business continues to perform very well. And you might have noticed in my presentation earlier on that I referenced a number of things that Nespresso is best at; and it is our belief that our eight million plus Nespresso consumers will continue to choose Nespresso they will appreciate that it is offering the best quality sourcing, the best quality product and the best tasting product, as well as the best total coffee experience. So we will continue to drive the Nespresso business.

Questions on;	**Trends & market share in Infant Nutrition in France and Germany** **Impact from private label**

Simon Marshall-Lockyer, Jefferies:

I have two questions. One was as regards to Infant (Nutrition); in France and Germany you've been reporting an improvement already since the fourth quarter there, you've confirmed that in the first. Can you give us some indication of what the trend is there in Infant (Nutrition) and maybe - could you confirm whether you're still losing market share or are you beginning to regain market share in the region?

And the second question is a broader question in North America. You said that in Ice Cream you'd gained market share against the branded manufacturers in the quarter there, implicitly I'm assuming that against own label you might be losing. Own label has obviously been making encroachments in Waters for a long time in North America, but also maybe in the Ambient Culinary and Culinary area it looks as if own label is also making progress there.

My question is - is a broader question regarding the broadening out of own label, sort of aggression in North America, are you seeing that trend and how are you dealing with it? Is it becoming more of an issue? What are your thoughts? Thank you.

Roddy Child-Villiers:

In Infant Nutrition in Europe in those few countries where we're losing share, our market share has either stabilised or is now improving.

In North America perhaps I was unduly modest. In North America the Ice Cream business is gaining share against the branded competition and holding share overall. So we're not actually losing share in the market overall, including against private label.

Unfortunately the same isn't true in the Water business where clearly private label has gained share. We don't have a meaningful Ambient Culinary business in the US so I can't comment.

Now more broadly certainly in 2009 we did not see, with the exception of the Water business, we did not see any meaningful impacts on our business from private label. And I mean the same is true in the first quarter in 2010 but it's a bit early to say that it makes 2010 the same situation as 2009.

In fact last year we had one of our best years with Wal-Mart in terms of growth. And we continue to have a very positive relationship with them and our other customers.

Simon Marshall-Lockyer, Jefferies:

The tough situation that you're reporting on Lean Cuisine is that anything to do with the own label situation in the States?

Roddy Child-Villiers:

No, that's much more to do with this move away from single serve. I think you may have heard Paul Bulcke talk about this and this was a comment that we make and it applies to why Jenny Craig was weak last year, it applies to why Lean Cuisine is also weak, which is talking about priorities that a mother has in her house. You know and clearly the first priority is the baby, the next priority is the child, the next priority is the dog, the next priority is the husband and the final priority is herself. And of course it is the mum who tends to buy Jenny Craig and it's the mum who tends to buy Lean Cuisine for herself.

So that's not really a private label issue, it's more about - as I say consumers going to value. But in Frozen Food in the US value with quality and the quality is still perceived to be in the brands. That why the Stouffers Red Box business, which is the family meals business is doing okay, that's why of course the DiGiorno Pizzas and other pizzas that we now own are doing really well, because consumers are looking for value but they're looking for branded value in the US in Frozen.

Questions on;	Details on strong growth in Europe Organic growth in 2010

Nico Lambrechts, Merrill Lynch:

I'm just interested in the very strong growth in Europe which I think surprised us on the outside, 3.4%. In your comments you do say that it's pretty much actions taken by the company. Could you give us a sense, is Europe the region most benefited by Easter? I know you're not quantifying it. And do you expect - is the consumer stronger in Europe? And could you possibly give us a split between Western Europe and Eastern Europe in the region, the relative size?

Roddy Child-Villiers:

I think if one goes back to last year, when we were talking to you last year we were talking about some issues in the European market and they revolved around obviously price negotiations with some of the retailers, particularly with some of the hard discounters, some short term pricing, short term and we believed unsustainable pricing action by some of our competitors, some inroads by private label. So we talked about a whole range of things that last year were impacting the business.

This year they've all gone away to a greater or lesser extent. And if you - resolve your pricing issues or customer negotiations the impact of that is that you will have increased distribution. So you know there's quite a significant change in the environment early last year against early this year that is driving growth; perhaps particularly in Germany and France. So I think they are sort of two if you like big swing factors.

The UK is actually - I mean it's doing well and it's positive, but it's not ahead of where it was last year. Then you know you go to some of the smaller markets, again Spain, you remember last year the big retailer in Spain delisted on the brands, those brands are now coming back into the retailer, we've got brands back in at retailer. That's clearly again about increasing distribution and driving growth.

So you know there are a number of things going on in different markets that are contributing which is why we use this phrase about it being broad based. And then of course there is the product led internal stuff, whether it's the rollout of the two Nescafé brands, Dolce Gusto and Green Blend, whether it's the innovation in PetCare, whether it's KitKat Senses, whether it's the Culinary business, the Juicy Chicken European rollout that is going terrifically well. You know there are a number of things across the business that are delivering.

And the consumer, yes we've always been great fans of the consumer and we've said that we thought the consumer was resilient and we think that's proving to be the case.

By the way Juicy Chicken is quite interesting because we were actually second into the market with this product and we have had massive success, because of our focus and our communication around the taste, the cooking experience, the eating experience and all of that. As opposed to the other guys who focussed more on the fact that it was in a bag and it was a technology that made life easy.

And I think there's an interesting read across from this - even to Nespresso which is that just as Juicy Chicken is wining in the market because it's offering the best consumer experience and the best taste, Nespresso will win in the market for the same reasons. It's going to continue to offer the best consumer experience and the best taste.

Nico Lambrechts, Merrill Lynch:

I'll ask my wife if there is anything left in the budget after the dog food to maybe buy some Juicy Chicken.

So just to clarify for answer then, there is a number of base effects that are not there in the first quarter, did those base effects impact the business through the whole of last year or was that more of a first half hindrance?

Roddy Child-Villiers:

Well no I mean to differing degrees they were clearly there throughout the year.

Clearly if you lose distribution you don't tend to lose it for short period of time, you know unless you're very willing to take a price cut or something. But no I mean we think that the Zone Europe performance in Q1 is a reasonable guide to where it will be at the end of the year. I'm not saying it's going to be exactly at 2.3 RIG as it is at the first quarter, but you know it's a reasonable guide to where it's going to be, somewhere around there.

Nico Lambrechts, Merrill Lynch:

So organic sales above 3 is not an unreasonable assumption for the full year?

Roddy Child-Villiers:

If that's what you think.

Nico Lambrechts, Merrill Lynch:

And then maybe the split, the spilt question?

Roddy Child-Villiers:

Yeah sure, the spilt is about 85/15 the sales spilt.

Nico Lambrechts, Merrill Lynch:

Excellent thanks for that.

Roddy Child-Villiers:

And that's obviously just in the zone the - you know the non-zone businesses.

Questions on;	Organic growth in Confectionery in each zone Influence of North America Confectionery innovation on growth Emerging markets performance

Alan Erskine, UBS:

Two questions, one is I understand the difficulty in even trying to isolate the Easter effect, but maybe to just give us more insight; could you on this occasion just split the Confectionery organic sales growth between the three zones, because I would imagine that Europe is where the biggest Easter effect has been and you obviously flagged a very strong Americas performance on the back of the brand extension?

My second question is organic sales growth for the emerging markets 10.8, but in the BRIC countries I think you mentioned well into the teens. Could you maybe just highlight a couple of the emerging markets that obviously then brought the average down in the quarter?

Roddy Child-Villiers:

You know we've never claimed massive Easter effects on Chocolate and there is clearly a slight benefit because it is the peak season. But we don't actually have a massive egg business perhaps relative to our peers.

But to give you some guidance on the relative performances of the zones in Confectionery, AMS Zone Americas was in the high teens, Zone AOA was in high single digit and Zone Europe was low single digit. Zone Europe was low single digit but Western Europe had higher organic growth than the zone did because of obviously the Russian impact.

So I hope that helps on your Easter analysis.

Alan Erskine, UBS:

On the AMS performance how influential was the North American innovation, was that a big part of it or was that broadly based do you think across the region?

Roddy Child-Villiers:

No it was a big part - well Latin America is growing double digit but the US launch is a big part of it. Because clearly if you launch - because Wonka previously had been primarily a sugar brand. So if you're launching it into chocolate and you're launching a range of SKUs and if the retailers have taken well to the launch you'll have to stock in the retailers a range of SKUs. So you have a big sell into the launch.

So clearly the Q1 in the US is massively impacted by this launch as well as by the other innovations that I mentioned around Butterfinger and Raisinets. So it's absolutely clear that you know the Confectionery organic growth, the 9% about, is not sustainable through the year that's clearly going to come down, no question.

Alan Erskine, UBS:

That's very helpful.

Roddy Child-Villiers:

Then on your second question, it's a bit difficult for me to answer. Because the mid teen growth for BRIC is total Nestlé including all the globally managed businesses, Waters, Nutrition, etc, and I don't have the data by market I only have it for the three geographic regions. So it's a bit difficult for me to answer I'm afraid.

But you know if - the BRIC countries are mid teens and the rest of it is double digit there isn't a huge difference.

Alan Erskine, UBS:

Sure.

Roddy Child-Villiers:

So I'm afraid that's a rather bad answer for you.

Alan Erskine, UBS:

No that's fine, thanks Roddy.

Questions on;	**Performance of remaining Pharma businesses** **L'Oréal**

Carl Short, Standard & Poor's:

Just a couple of questions actually on the non-food business. Going back to Xavier's question, I think Galderma and Innéov have had much higher organic growth than Alcon over the last few years and I just wondered if we should or could assume that that had continued into the first quarter?

And secondly I think going back to the AGM there was a comment made about L'Oréal and the fact that you were sort of studying your investment in L'Oréal, increasingly intensively - I think it was a phrase like that. Does that indicate that the chances of action on L'Oréal or we might assume that the chances of action on the L'Oréal stake have increased?

Roddy Child-Villiers:

L'Oréal, if you listened to Peter's speech at the annual meeting, Mr Brabeck's speech at the annual meeting basically he was just reviewing the business and he talked about how we'd sold Alcon and he congratulated the Alcon management for creating 40 billon of value for our shareholders. And then he just reminded people that we still owned the L'Oréal holding, lest you're forgotten. And that fundamentally nothing has changed. And that was his message, there is no change.

Carl Short,Standard & Poor's:

Okay, so I've misremembered the bit about looking at the stake increasingly intensively?

Roddy Child-Villiers:

Well he's always said that he looks at it intensively.

Carl Short,Standard & Poor's:

Okay, all right so nothing's changed on that. And going onto the question about the remaining Pharma businesses then. Can I assume that for the first quarter they've continued to outperform Alcon, in terms of organic growth and RIG?

Roddy Child-Villiers:

Yes I mean bearing in mind that Innéov is a tiny business still in its sort of very early stage, absolutely yes. But I mean the combined RIG and organic growth of those two businesses is not going to be material to the continuing operations number.

Carl Short, Standard & Poor's:

Yes, no it's just from the point of view of forecasting going forward and trying to get a feel for what we should be looking for for organic growth in Pharma excluding Alcon, whether there's been any change to the comparatively high rate of growth seen by the remaining business.

Roddy Child-Villiers:

Yes sure. Just coming back to your L'Oréal question, he didn't actually say increasing, he said greatest.

Carl Short, Standard & Poor's:

Greatest, okay - so no change then.

Roddy Child-Villiers:

He said, it was in French [speaking French] – '*examine avec la plus grande attention*' the greatest attention.

Carl Short, Standard & Poor's:

The most greatest attention, yes okay.

Roddy Child-Villiers:

The most great, not increasing.

Carl Short, Standard & Poor's:

Merci beaucoup.

Roddy Child-Villiers:

I don't whether - I might just read it to you in English just so that everybody knows exactly what he said. "The future of Nestlé's interest in L'Oréal is an important issue for the Group, one which your board of directors is examining with the greatest attention as part of our global strategy of Nutrition, Health and Wellness. Nestlé will maintain its long term strategic vision in the best interests of its shareholders and will, when appropriate, make its decisions in a way that is most conducive to the long term success of your company." So basically no change.

End of Q&A Session

Roddy Child-Villiers:

Great well thank you very much indeed for your questions. As I've said this has been a strong first quarter. It sets us up well to deliver on our previous guidance an improvement in both the top line and the bottom line in 2010 in constant currencies. Thanks very much and goodbye.

END OF TRANSCRIPT