

# 2011 Full Year 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.

# Introductory Remarks

## **2011: strong performance in a volatile environment**

- Growth driven by innovation & renovation, aligned with strategic growth drivers
- Our Billionaire Brands performed well: two-thirds held or gained share
- All regions delivered: emerging and developed
- We invested in our brands, capabilities & capacities – internal and M&A, EMs and DMs
- Our people demonstrated their agility & competitiveness in a challenging environment

## **2012: volatile environment continues: delivery of the Nestlé Model**

**We are well-positioned to manage the challenges  
and seize the opportunities in a volatile world**

# 2011: Strong Full Year Performance

	As reported		At constant exchange rates
Sales	83.6 bn		
Organic Growth	+7.5%		
Real Internal Growth	+3.9%		
Trading Operating Profit	12.5 bn		
Trading Operating Profit Margin <small>(vs. 2010 continuing operations)</small>	15.0%	+60 bps	+90 bps
Net Profit <small>(vs. 2010 continuing operations)</small>	9.5 bn	+8.1%	
Net Profit Margin <small>(vs. 2010 continuing operations)</small>	11.3%	+130 bps	
Underlying EPS <small>(vs. 2010 Group)</small>	3.08		+7.8%
Dividend <small>(proposed)</small>	1.95	+5.4%	

All figures in CHF

# Translational Impact of Swiss Franc

## Weighted Average Exchange Rates

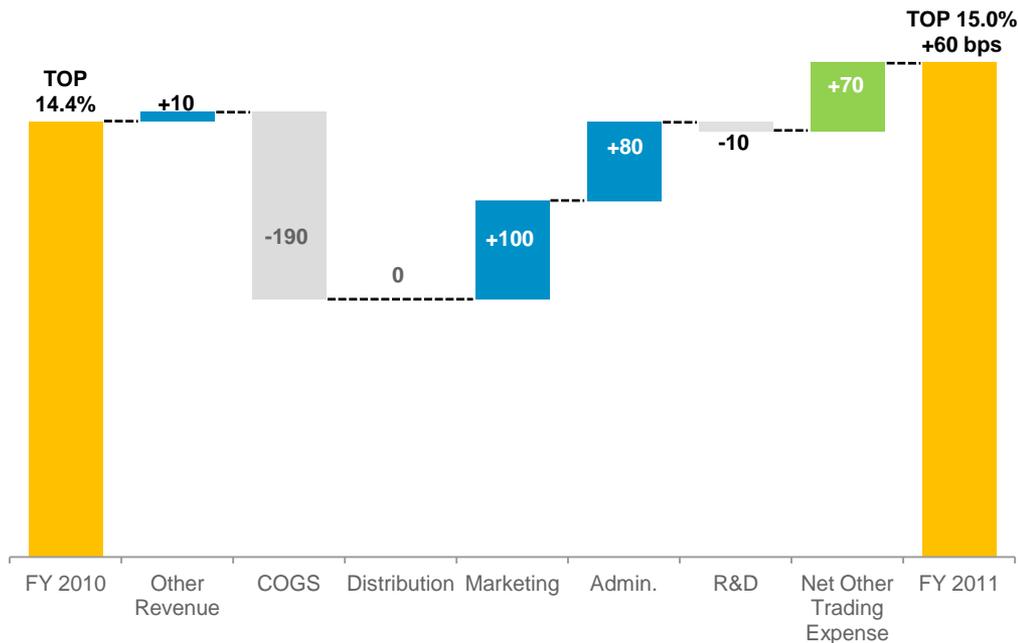
CHF per	FY 2010	FY 2011	(%)
US Dollar (1)	1.05	0.89	-15.1
Euro (1)	1.38	1.23	-10.6
£ Sterling (1)	1.61	1.42	-11.5
Real (100)	59.14	52.94	-10.5
Mex. Peso (100)	8.24	7.12	-13.6
Yen (100)	1.19	1.12	-5.6

## Currency Impact on Translation

Sales	EBIT & Trading Operating Profit	Underlying EPS	Operating Cash Flow	Balance Sheet
-13.4%	-30 bps	-15%	-1.6 bn	-1.2 bn

# Trading Operating Profit Margin Up 60 bps (+90 bps in constant currencies)

Continuing operations



**Efficiencies,  
growth leverage and price  
mitigate input costs**

**Administrative costs  
benefit from growth  
leverage, efficiencies,  
pension restructuring**

TOP = Trading Operating Profit

# Total Marketing Costs & Consumer Facing Investment

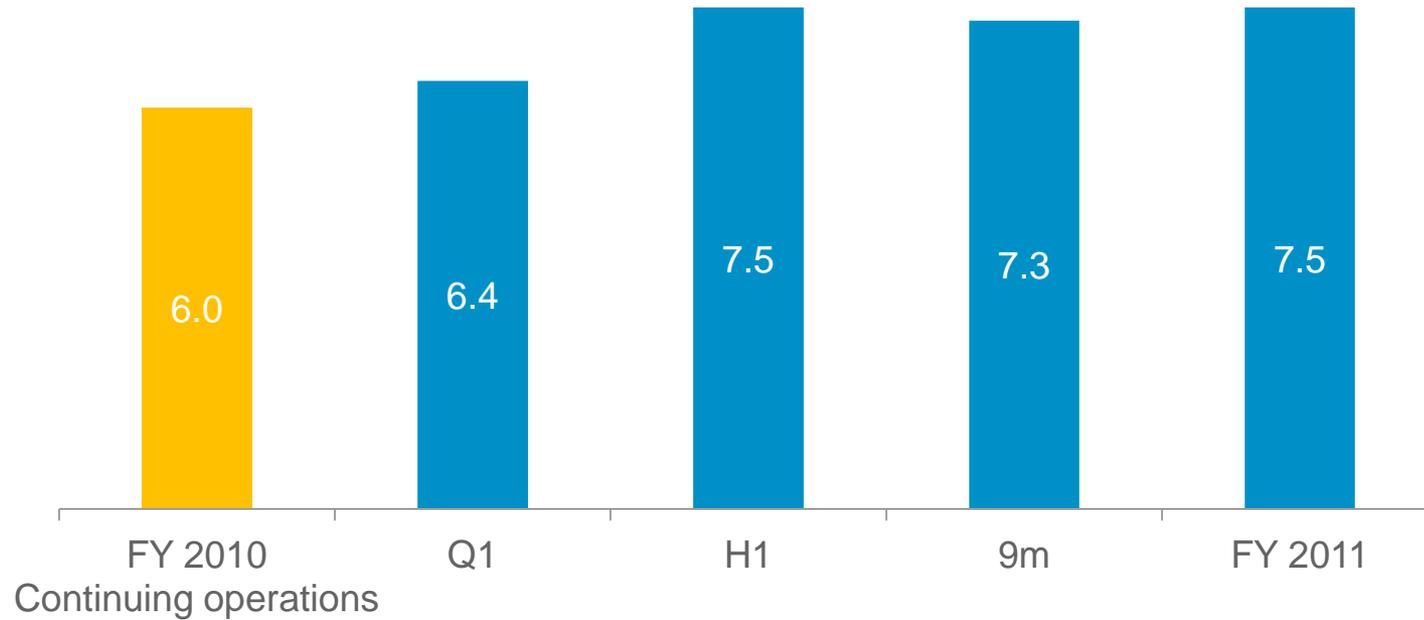
## Change in consumer facing marketing (constant FX)

2008	2009	2010	2011
+7.5%	+10.1%	+13.2%	-2.5%

- Efficiencies in general costs
- Media-mix benefits consumer-facing
- Scale leverage due to growth
- H1/H2 impacted by campaign timing
- Nespresso H1: global Pixie launch
- PetCare H1: AMS & C/E Europe
- Brazil H1: 90 year communications
- Philippines: 100 year communications

# 2011 Continued Strong Organic Growth

% Organic Growth



# 2011 Net Other Trading Expenses

- Very low restructuring costs
- Lower asset impairments (versus 2010)
- Litigation and onerous contracts back to 2009 level

# Income Statement

	As % of sales	Full Year 2010	Full Year 2011	Difference in basis points/% (rounded)
<b>Continuing</b>				
<b>Trading operating profit</b>		<b>14.4</b>	<b>15.0</b>	<b>+60</b>
Net other operating income/expense		(0.6)	(0.1)	+50
<b>Operating profit</b>		<b>13.8</b>	<b>14.9</b>	<b>+110</b>
Net financial income/expense		(0.9)	(0.5)	+40
<b>Profit before taxes and associates</b>		<b>12.9</b>	<b>14.4</b>	<b>+150</b>
Taxes		(3.8)	(3.7)	+10
Share of results of associates		1.2	1.0	-20
<b>Profit for the year</b>		<b>10.3</b>	<b>11.7</b>	<b>+140</b>
Attributable to non-controlling interests		(0.3)	(0.4)	-10
Attributable to shareholders of the parent		10.0	11.3	+130
<b>Group</b>				
<b>Underlying EPS (CHF) constant currencies</b>			<b>3.08</b>	<b>+7.8%</b>

# Delivering the Nestlé Model in 2011

## Former Nestlé Model

Organic growth 5-6%

Increased EBIT margin  
in constant currencies

Improvement in capital efficiency

**FY 2011**

**+7.5%**

**+10 bps**

## Enhanced Nestlé Model

Organic growth 5-6%

Increased trading operating  
margin in constant currencies

Increased underlying EPS  
in constant FX

Improvement in capital efficiency

**FY 2011**

**+7.5%**

**+90 bps**

**+7.8%**

# Operating Cash Flow

Excluding currency, in line with 2010 for continuing business

**2010 Operating Cash Flow** **CHF 13.6 bn**

- 2010 Alcon contribution CHF 1.9 bn
- 2011 Currency impact: CHF 1.6 bn **CHF 3.5 bn**

**CHF 10.1 bn**

**2011 Operating Cash Flow:** **CHF 9.8 bn**

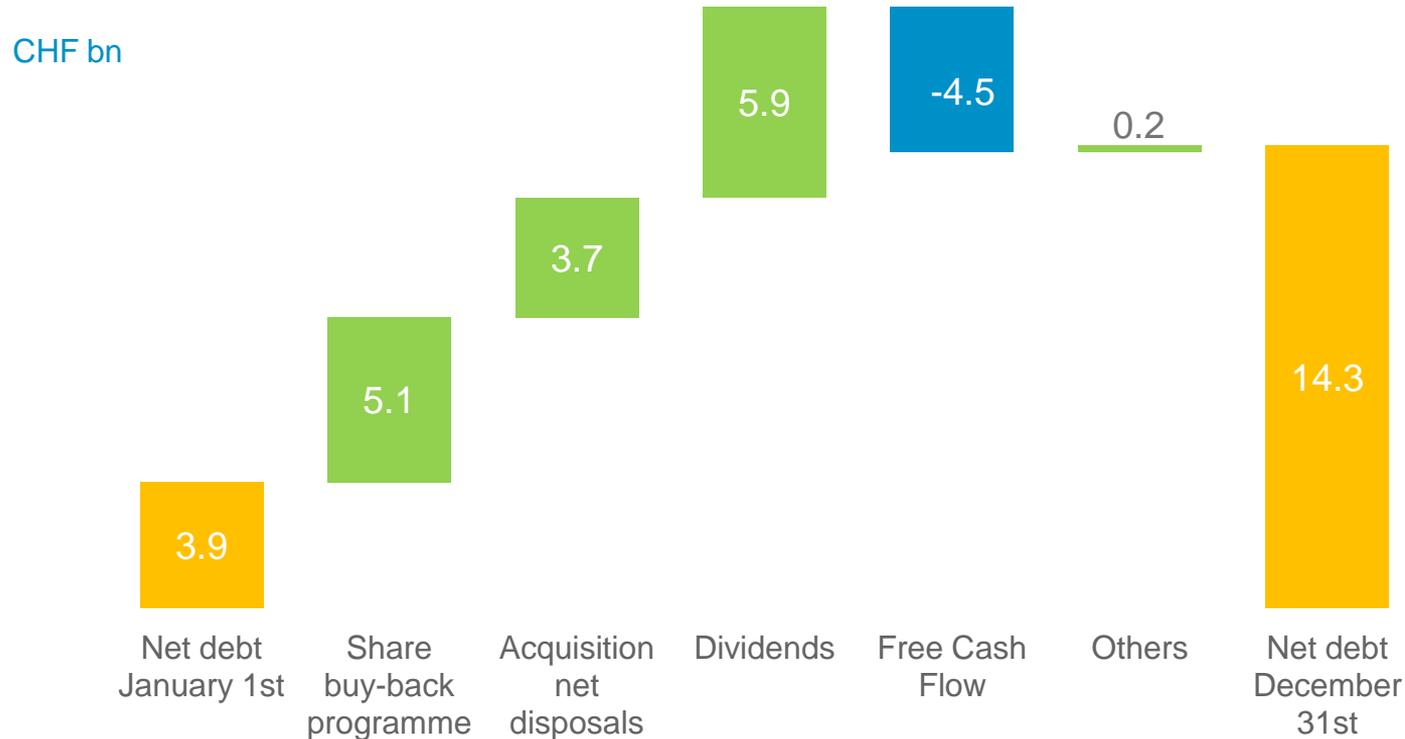
- 2011 OCF in line with 2010 ex impacts of sales of Alcon & Currencies – despite CHF 1.4 bn increase in TNWC

# Trade Net Working Capital

- Working capital has been, and continues to be, an area of focus
- Working capital just one piece of total performance
- Increased TNWC delivers high performance in other key metrics:  
Customer service level 98% despite business disruptions  
7.5% organic growth; 13.3% in emerging markets
- Nestlé does not want negative working capital

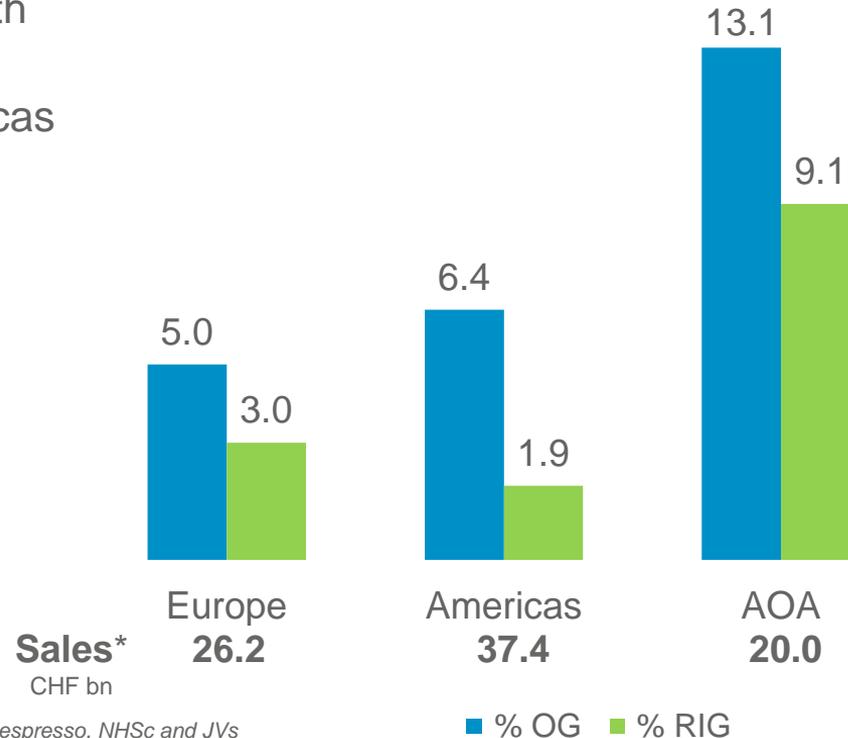
**We tightly monitor our working capital  
as a core part of the Nestlé Model**

# Net Debt Increased by CHF 10.4 bn in 2011



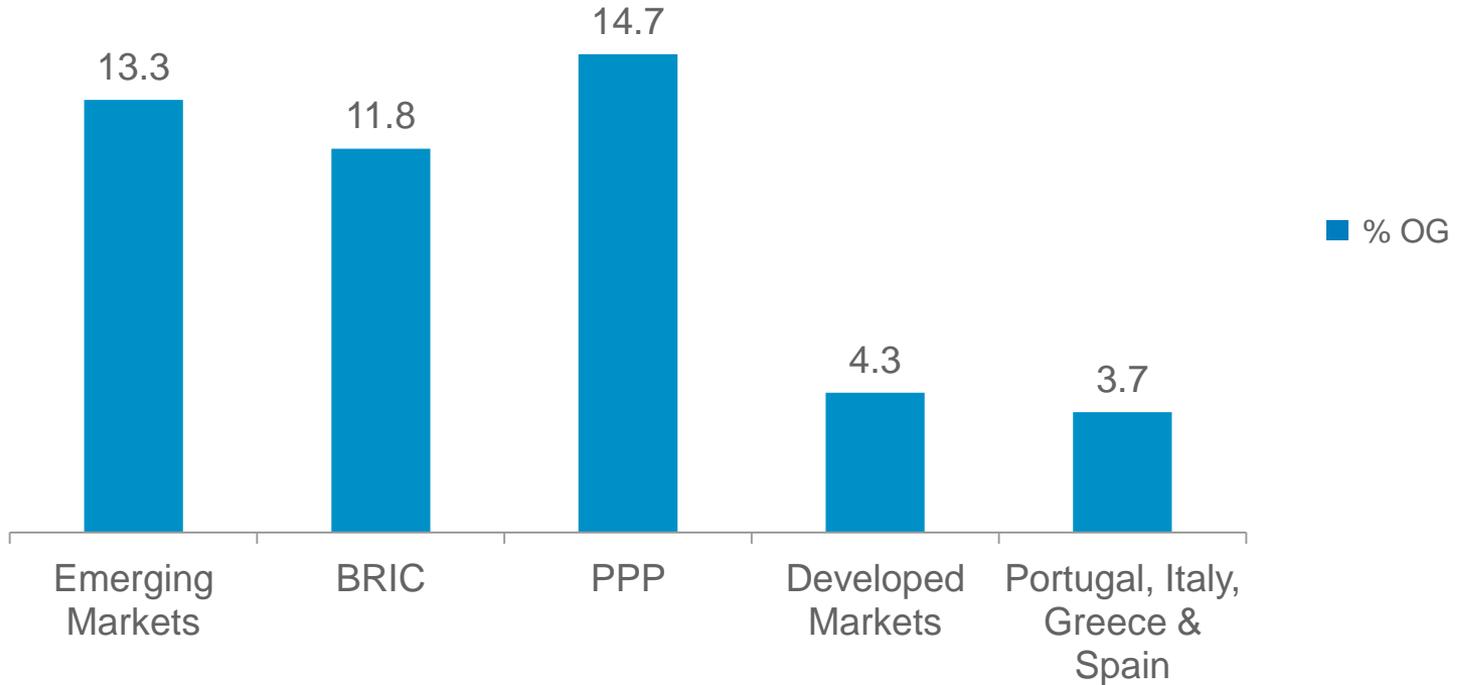
# Regional Growth Continues

- Europe continues strong growth path
- Acceleration of growth in the Americas
- AOA maintains double-digit OG



\* Each region includes Zones, Nestlé Waters, Nestlé Nutrition, Nestlé Professional, Nespresso, NHSc and JVs

# Wide-spread Growth with All Clusters Contributing



Including Hsu Fu Chi and Yinlu Emerging Markets now 41% of sales

# Billionaire Brands: +7.7% Organic Growth Strengthened Market Positions

Over 20% 

10.1 to 20%     Nutrition      GALDERMA  
Committed to the future of dermatology

7.6 to 10%     

5.1 to 7.5% 

3.1 to 5%     

0.0 to 3%    

Below 0%    

Organic Growth

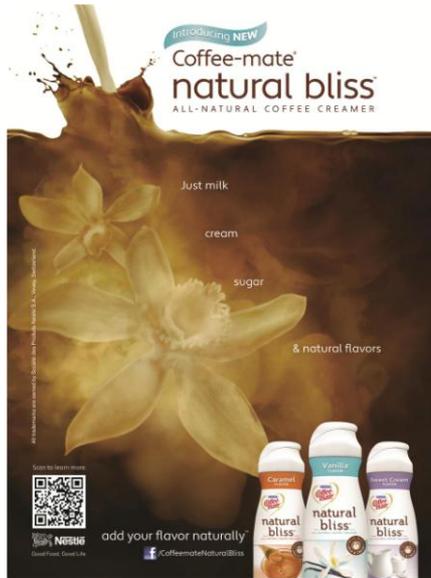
# Zone Americas

Sales CHF 26.8 bn

TOP Margin 18.4% -30 bps

OG +6.2%

RIG +1.1%



- Double-digit growth in emerging markets

- Most categories contributed

- North America subdued, but positive

- PetCare accelerates – share gains
- Pizza gains share, *Lean Cuisine* holds share
- Ice cream maintains leadership  
*Drumstick* cones & *Häagen Dazs* bars (+10%)
- In Creamers *Coffee-Mate Bliss* has made strong in-roads to “natural creaming” market



# Zone Europe

**Sales** CHF 15.2 bn

**TOP Margin** 15.6% +230 bps

**OG** +4.0%

**RIG** +1.8%

- Growth evenly spread: West/Central & Eastern
- All major Western markets grew, driven by innovations
- Good share performance
- All categories, ex-Ice cream, grew
- Ice cream slightly negative after 30-year worst July
- Coffee, PetCare, Culinary (chilled & ambient), Frozen pizza highlights



# Zone AOA

Sales CHF 15.3 bn TOP Margin 18.9% +90 bps

OG +11.9% RIG +7.9%

- Very good performance in extremely difficult year
- Double-digit growth in:
  - most emerging markets
  - biggest categories
  - PPPs
- Record investment to capture existing and future growth opportunities
- Partnerships in China transform business there



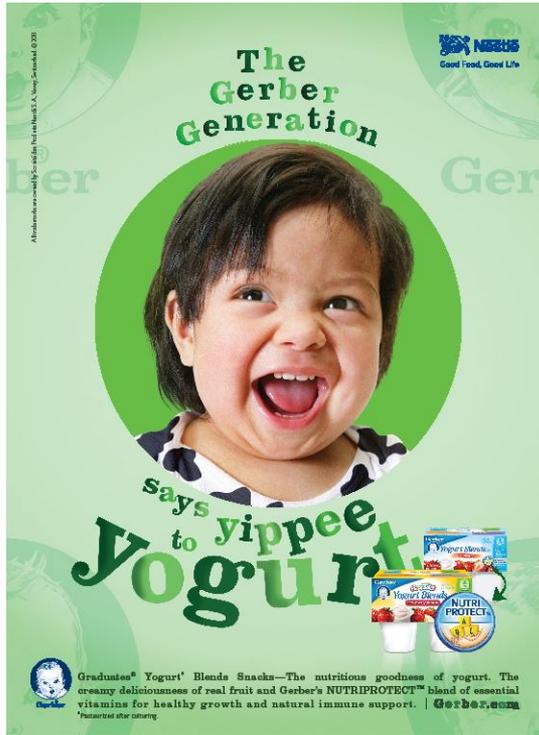
# Nestlé Nutrition

Sales CHF 7.2 bn

TOP Margin 20.0% -30 bps

OG +7.3%

RIG +4.5%



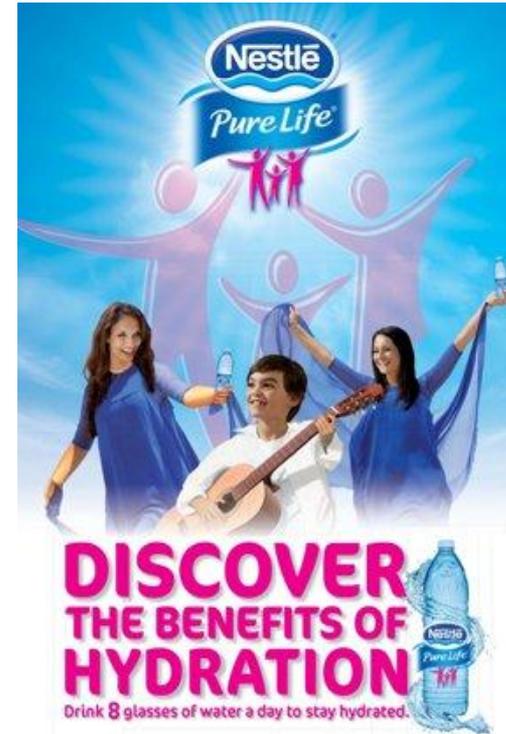
- Strong performance from Infant Nutrition
- Innovation pipeline leads to double-digit growth and market share gains in Infant formula and cereals
- *BabyNes* well-received by Swiss market
- *Jenny Craig* & Performance nutrition – remain competitive in difficult conditions in US; good growth internationally

# Nestlé Waters

**Sales** CHF 6.5 bn      **TOP Margin** 8.0% +90 bps

**OG** +5.2%      **RIG** +3.4%

- Strong finish to the year
- US accelerated after earlier impact from pricing
- Good growth and share gains in Europe
- Emerging markets double-digit and exceed CHF 1 bn
- *Perrier & Nestlé Pure Life* grow double-digit
- *S.Pellegrino, Acqua Panna* perform well



# Other

Sales CHF 12.6 bn TOP Margin 16.8% unchanged OG +11.4% RIG +8.3%

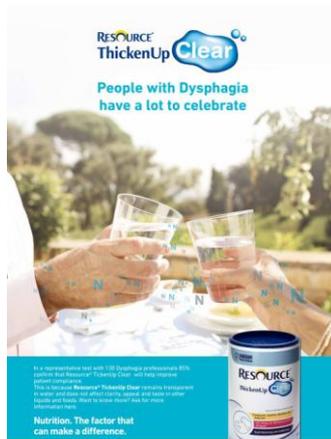


## Professional

- Growth globally, double-digit in emerging markets
- Innovations well-received – Coffee systems & Food

## Nespresso

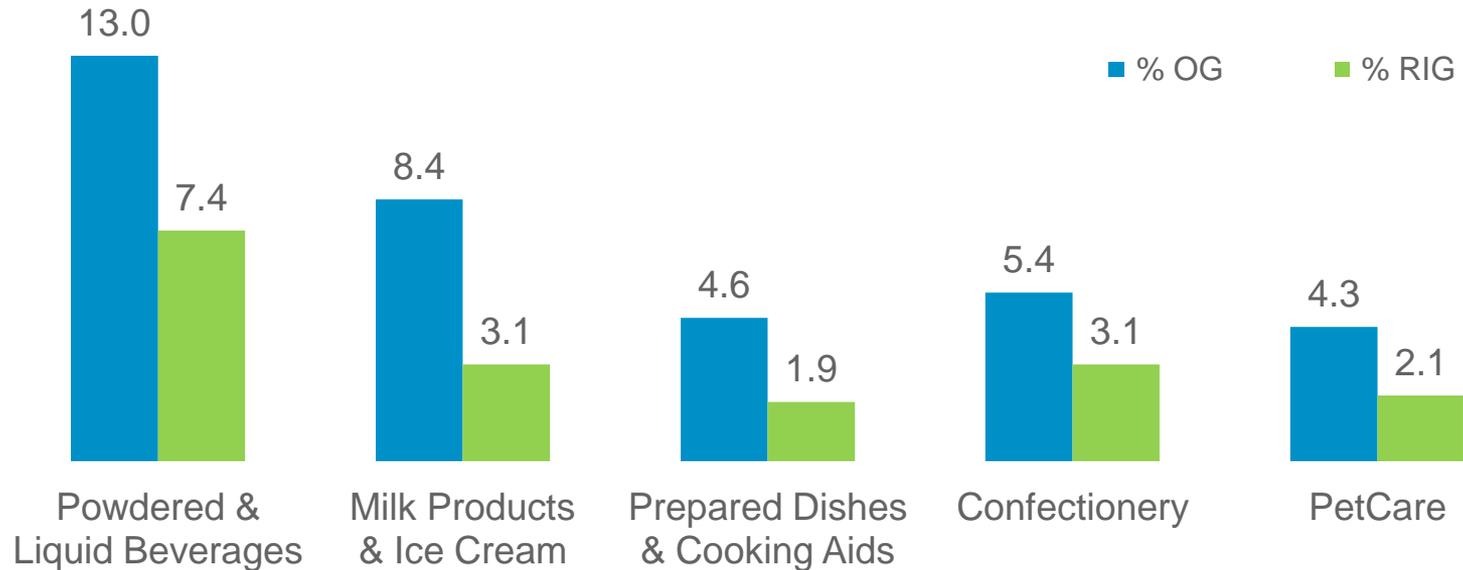
- Growth momentum maintained; market expansions and innovation driving performance
- Good margin performance



## Nestlé Health Science

- Good first year: structures, strategy, investments & good operating performance

# All Categories Growing



<b>Sales</b> CHF bn rounded	<b>18.2</b>	<b>16.4</b>	<b>13.9</b>	<b>9.1</b>	<b>9.8</b>
<b>TOP Margin</b>	<b>22.7%</b> -20 bps	<b>13.7%</b> -30 bps	<b>14.5%</b> +190 bps	<b>16.8%</b> +200 bps	<b>20.6%</b> +20 bps

# Product Group Highlights

- **Powdered & Liquid beverages** had a strong year  
- *Nescafé* a highlight
- **Milk & Ice cream:** double-digit growth in Dairy  
Ice cream positive despite worst July
- **Prepared dishes & cooking aids** mixed  
*Maggi* double-digit, US frozen prepared meals still subdued
- **Confectionery** growth driven by emerging markets  
With share gains in UK, France, Japan amongst others
- **PetCare** gained share globally



# Summary

- **Delivered Nestlé Model in 2011**
- **Good year with strong performance in most regions & businesses**
- **Proposed dividend of CHF 1.95 per share**
- **Well-positioned to deliver the Nestlé Model in 2012**

# 2011 Full Year Results

## Discussion



# Appendix

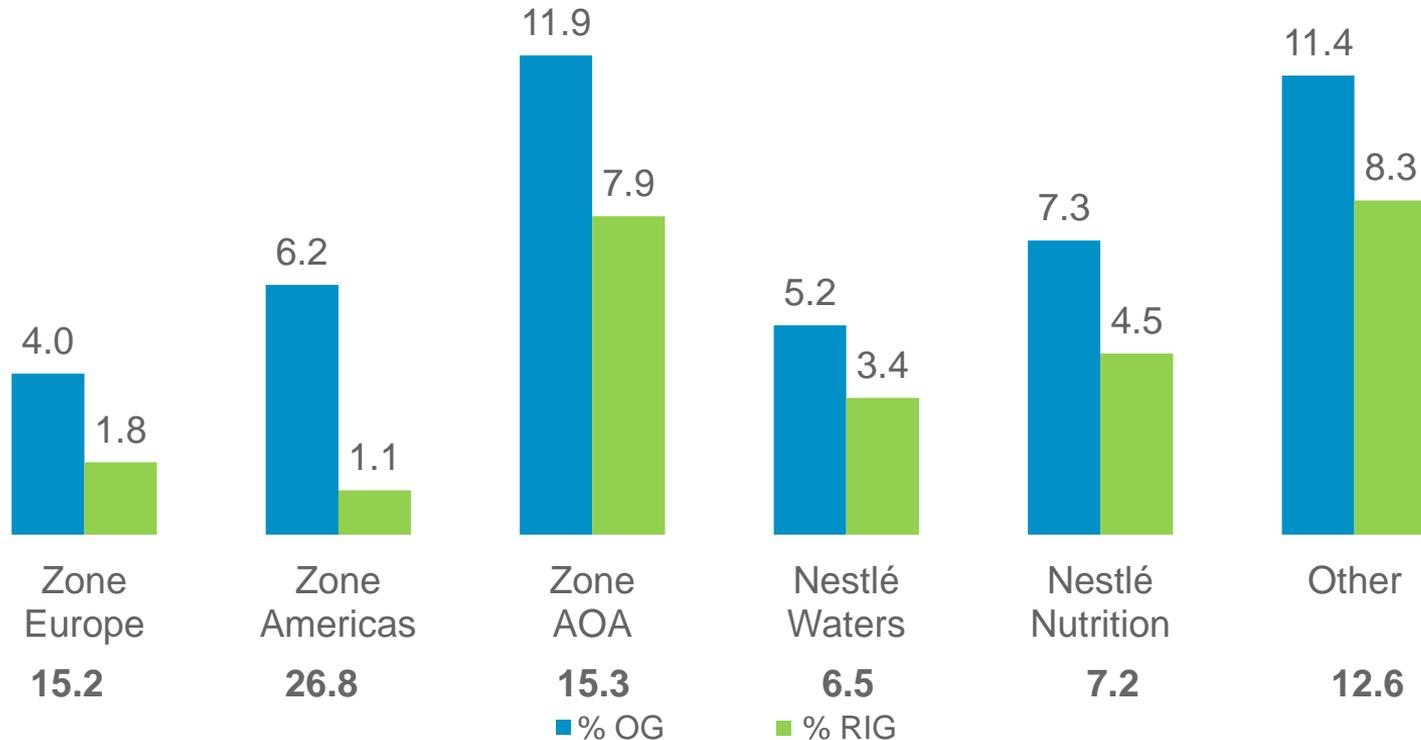
# Expectations for 2012

- **Committed to the Nestlé Model**
- **Net Other Trade Expenses**
  - restructuring Costs: 0.4% of sales
  - normal levels of other costs, based on the average of recent years
- **Efficiencies: at least CHF 1.5 bn**
- **Underlying Tax Rate: around 27% to 28%**
- **Capital Expenditure: between 5% and 6% of sales**
- **Net Debt: return to 2009 level of CHF 15 to 18 bn by 2012 to 2013**

# FX Impact on All Businesses

(%)	1Q11	HY11	9m 2011	FY11
Zone Americas	-9.4	-15.1	-16.6	-14.8
Zone Europe	-10.8	-11.5	-12.2	-11.0
Zone AOA	-8.1	-13.4	-15.0	-13.3
Nestlé Waters	-11.5	-15.8	-16.7	-15.1
Nestlé Nutrition	-10.5	-15.0	-16.1	-14.4
Other	-9.9	-12.7	-13.6	-12.1
<b>Total</b>	<b>-9.8</b>	<b>-13.8</b>	<b>-15.1</b>	<b>-13.4</b>

# Strong, Broad-based Operating Performance



**Sales**  
CHF bn rounded