



# 2011 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.

# Performance Highlights

- **Short-term delivery with commitment to long-term**  
Marketing spend up, record year for cap-ex, exciting acquisitions and partnerships  
Nestlé Health Science now operational
- **Extremely challenging operating environment**  
Political malaise  
Economical & financial crisis  
Unending strengthening of the Swiss franc
- **Performance demonstrates ability to deliver even in toughest times**
- **Guidance reconfirmed to deliver the Nestlé Model**  
Organic growth at top end of range
- **Tough economic environment : financial flexibility – to invest with confidence**

# 2011: Solid Half Year Performance

	As reported		At constant exchange rates
Sales	41 bn		
Organic Growth	+7.5%		
Real Internal Growth	+4.8%		
Trading Operating Profit	6.2 bn		
Trading Operating Profit Margin (vs. 2010 continuing operations)	15.1%	+20 bps	+40 bps
Net Profit	4.7 bn		
Net Profit Margin (vs. 2010 Group)	11.5%	-10 bps	No change
Underlying EPS (vs. 2010 Group)	1.49		+5.2%

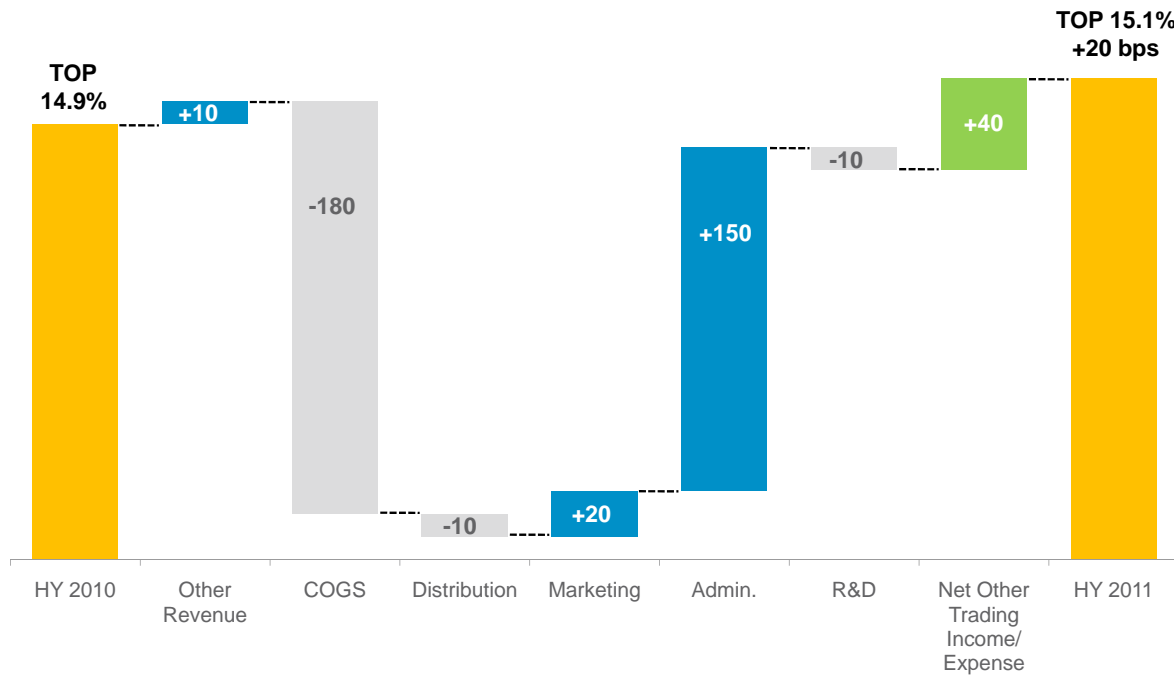
**OG momentum driven by gradual increase in price, with industry outperforming RIG**

**Q2 2011  
RIG 4.7%  
Pricing 3.8%**

All figures in CHF

# Operating Profit Margin Up 20 bps, 40 bps\*

Continuing operations



- Big impact from input costs, but Nestlé Continuous Excellence delivers efficiencies
- Input cost guidance reconfirmed
- Efficiencies & mix benefit distribution costs
- Marketing down, but consumer facing marketing up
- Admin costs benefit from NCE beyond operations
- Trading operating profit up 20 bps, +40 bps in constant currencies\*

TOP = Trading Operating Profit

# Strengthening of the Swiss Franc

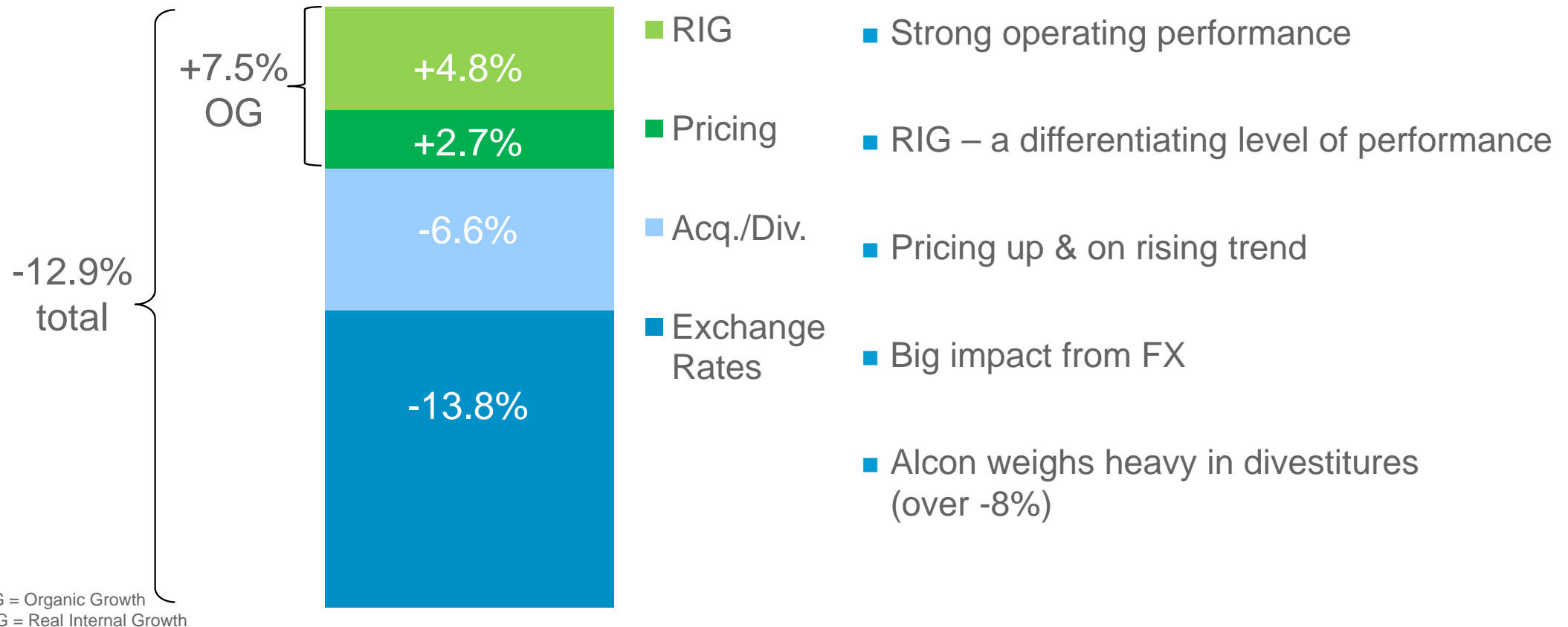
## Weighted Average Exchange Rates

CHF per	1H 2010	1H 2011	(%)
US Dollar (1)	1.09	0.90	-17
Euro (1)	1.44	1.27	-12
£ Sterling (1)	1.65	1.46	-11
Real (100)	60.34	55.36	-8
Mex. Peso (100)	8.55	7.62	-11
Yen (100)	1.19	1.11	-7

## Currency Impact on Translation

Sales	Trading Operating Profit	Underlying EPS	Operating Cash Flow	Balance Sheet
-13.8%	-20bps	~ -15%	CHF 600mn to CHF 700mn	~CHF 5bn

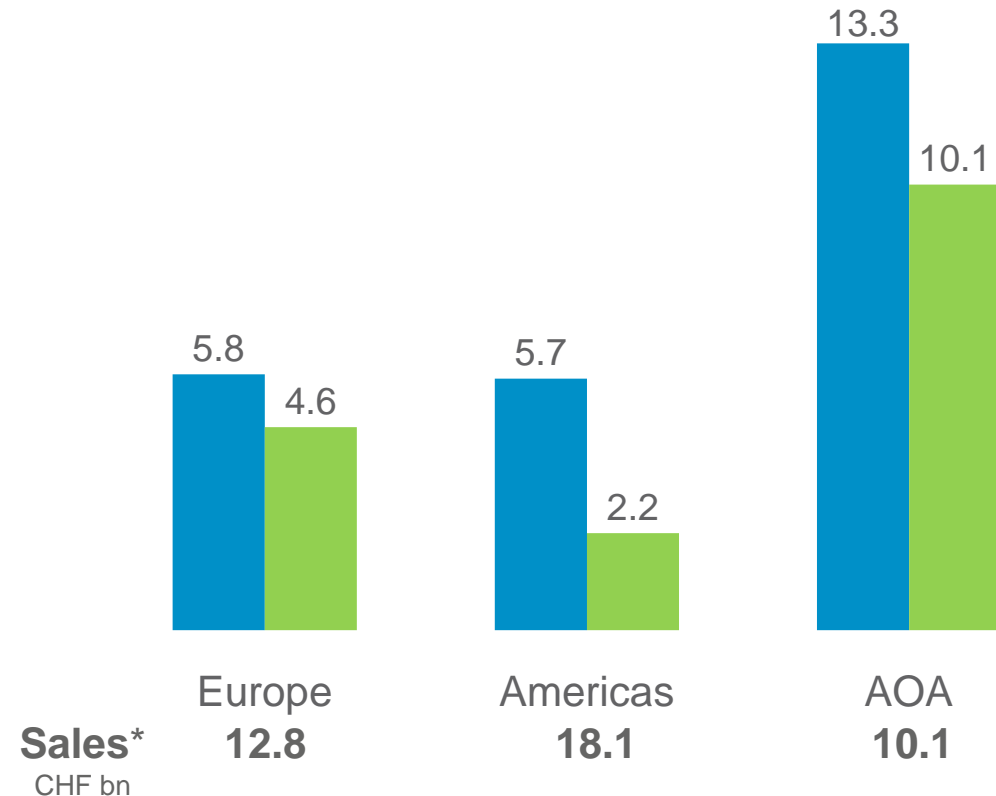
# Key Elements of Sales





# All Regions Contribute...

- Good growth everywhere in H1
- Europe accelerates RIG & pricing
- Americas: Pricing up; RIG down on comparatives
- AOA: Pricing up; RIG down due mainly to normalisation after strong Q1 in Japan

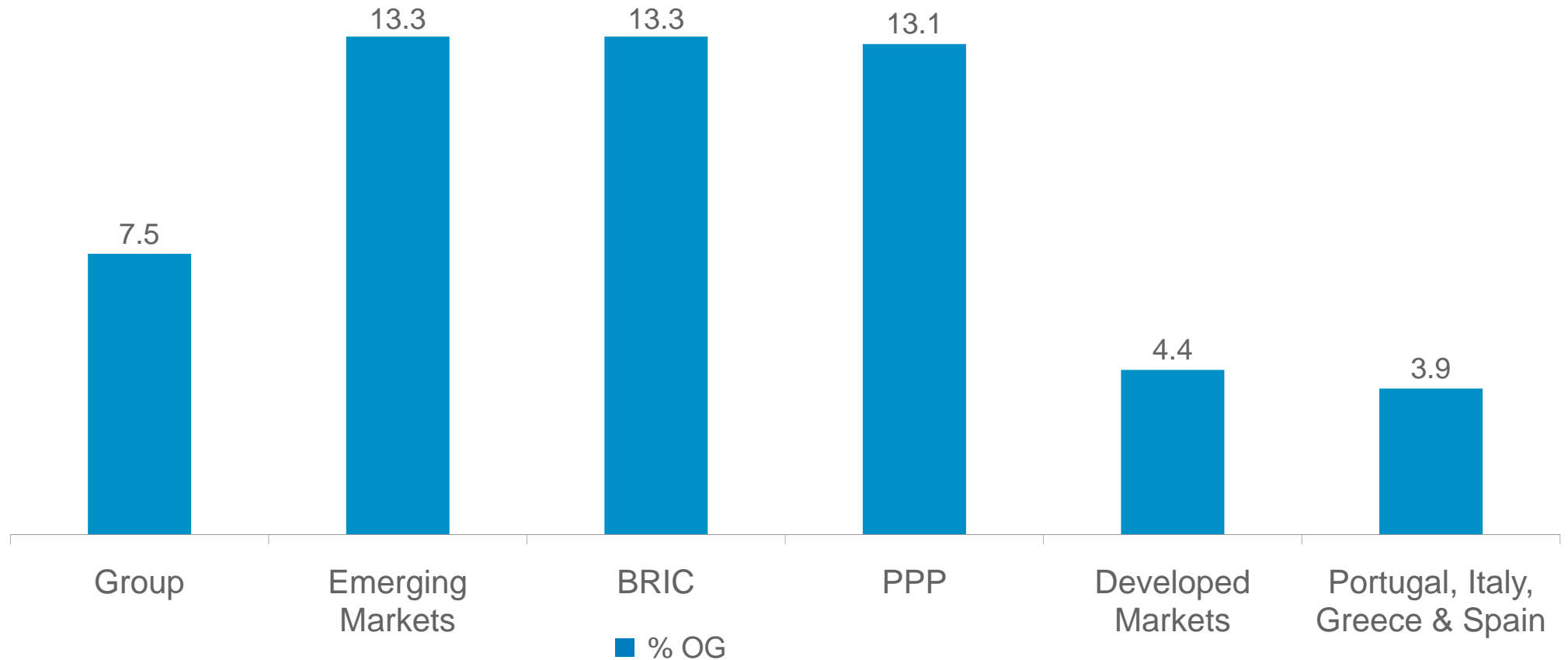


\* Each region includes Zones, Nestlé Waters, Nestlé Nutrition, Nestlé Professional, Nespresso, and JVs

■ % OG ■ % RIG



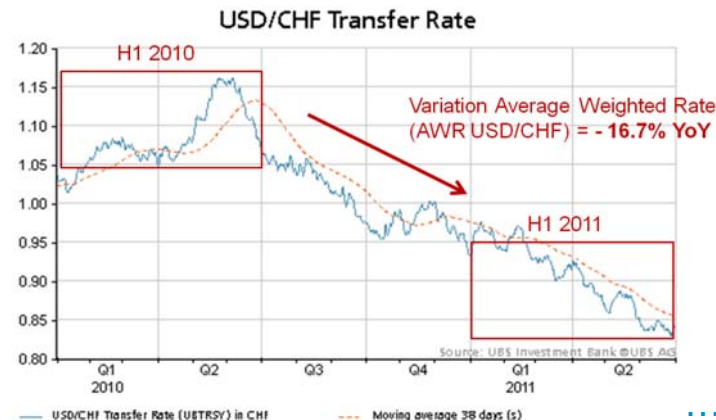
# ...to Global Growth



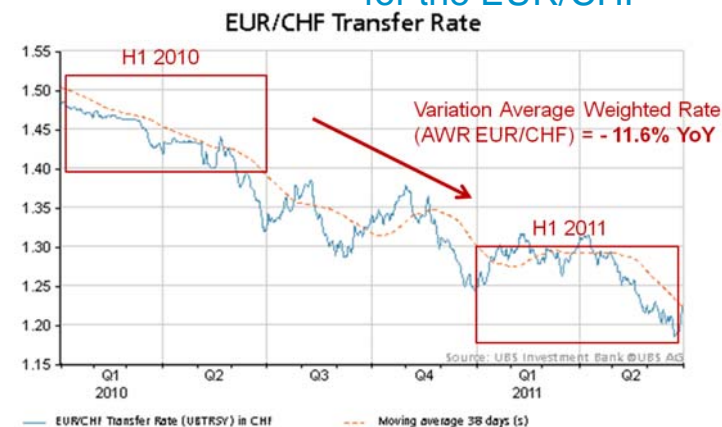
# FX Impact on All Businesses

(%)	1Q11	HY11
Nestlé Waters	-11.5	-15.8
Zone Americas	-9.4	-15.1
Nestlé Nutrition	-10.5	-15.0
Zone AOA	-8.1	-13.4
Other	-9.9	-12.7
Zone Europe	-10.8	-11.5
<b>Total</b>	<b>-9.8</b>	<b>-13.8</b>

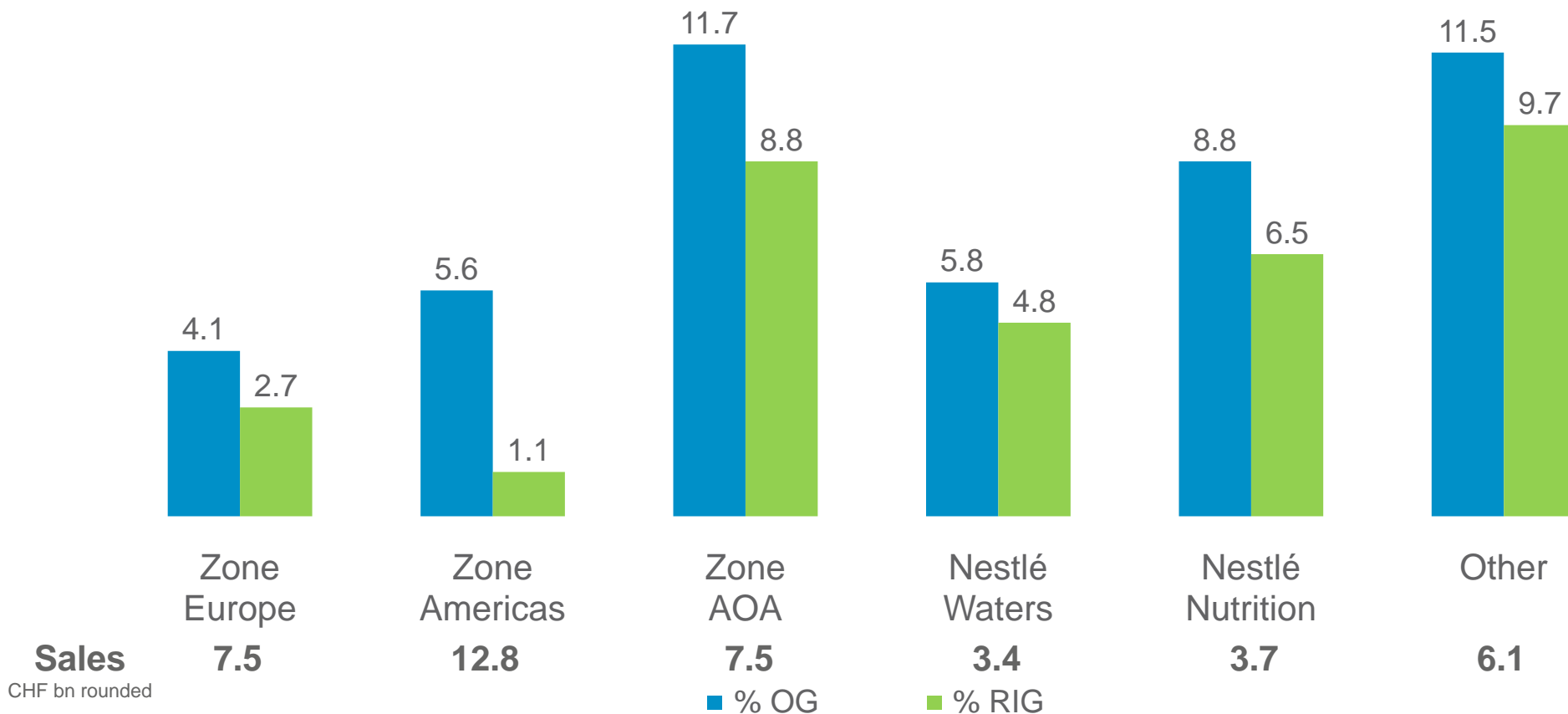
## USD/CHF negative impact in H1...



...with a similar pattern for the EUR/CHF



# Strong, Broad-based Operating Performance



# Zone Americas

**Sales** CHF 12.8 bn    **TOP Margin** 17.3% -10 bps

**OG** 5.6%    **RIG** 1.1%

- North America subdued: consumer sentiment in US
- Frozen category remains weak; but successful launches help share in Pizza and *Stouffer's*
- PetCare growing share
- *Skinny Cow* launched into Confectionery
- Snacks strong in Ice Cream
- *Nescafé* & *Coffee-Mate* performing well



- Good performance in Latin America
- Most markets and categories are double-digit
- PPPs enhancing to growth



# Zone Europe

**Sales** CHF 7.5 bn

**TOP Margin** 16.4% +200 bps

**OG** 4.1%

**RIG** 2.7%



- The Zone: strong second quarter for RIG & OG Innovation driving growth
- Western Europe achieved positive growth in most key markets and categories
- PIGS deliver – PPPs, *Nescafé*, Ice cream, *Maggi*
- Strong share performances in Germany, UK and France & for Zone as a whole
- Russia impulse business remained weak, but good growth elsewhere – Ukraine, Baltic region





# Zone AOA

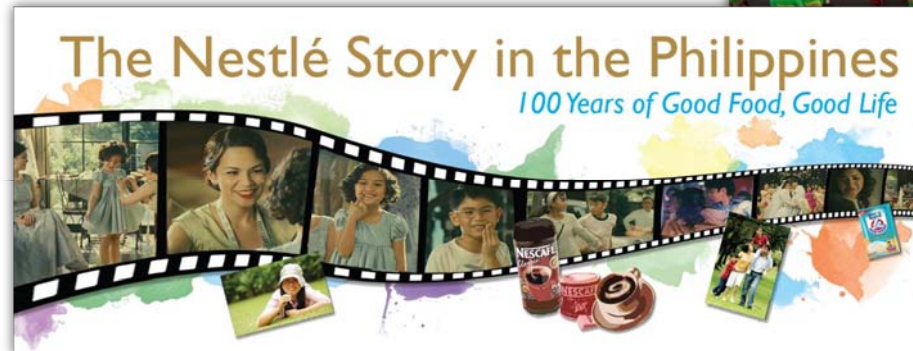
**Sales** CHF 7.5 bn

**TOP Margin** 19.5% +50 bps

**OG** 11.7%

**RIG** 8.8%

- A very strong first half despite high impact events
- RIG down as Japan normalises
- Greater China growing over 20% – PPPs
- Central West Africa a highlight – dairy & powdered beverages
- South Asia region (inc India) over 20% – culinary & chocolate
- PPPs accretive to Zone's growth



# Nestlé Nutrition

**Sales** CHF 3.7 bn      **TOP Margin** 21.1% -90 bps

**OG** 8.8%

**RIG** 6.5%

**Infant nutrition:** growing double-digit & growing share

- Emerging markets dynamic – Europe, AOA & Americas
- US market share now at 17%
- Delivering better innovation, communication, distribution, consumer preference, competitive intensity, scale leverage

**BabyNes:** Launch off to good start

**Performance nutrition:** Performing well, specially Europe, Oceania

**Weight management:** doing well in France & UK

- Impacted in US by economy and competitive environment





# Nestlé Waters

**Sales** CHF 3.4 bn

**TOP Margin** 8.6% -140 bps

**OG** 5.8%

**RIG** 4.8%



- RIG high in many markets
- Pricing has turned positive
- France: double-digit growth & share gains
- Emerging markets: double-digit
- *Perrier & S. Pellegrino, Vittel, Acqua Panna, Nestlé Pure Life* all high-single to double-digit
- North America challenging: pricing hits RIG
- Europe very strong: France, Germany, Italy, UK

# Other

**Sales** CHF 6.1 bn

**TOP Margin** 17.5% -140 bps

**OG** 11.5%

**RIG** 9.7%

**Professional** building momentum

- EMs double-digit, China 20%+
- North America and Europe both growing

**Nespresso** accelerates slightly from Q1

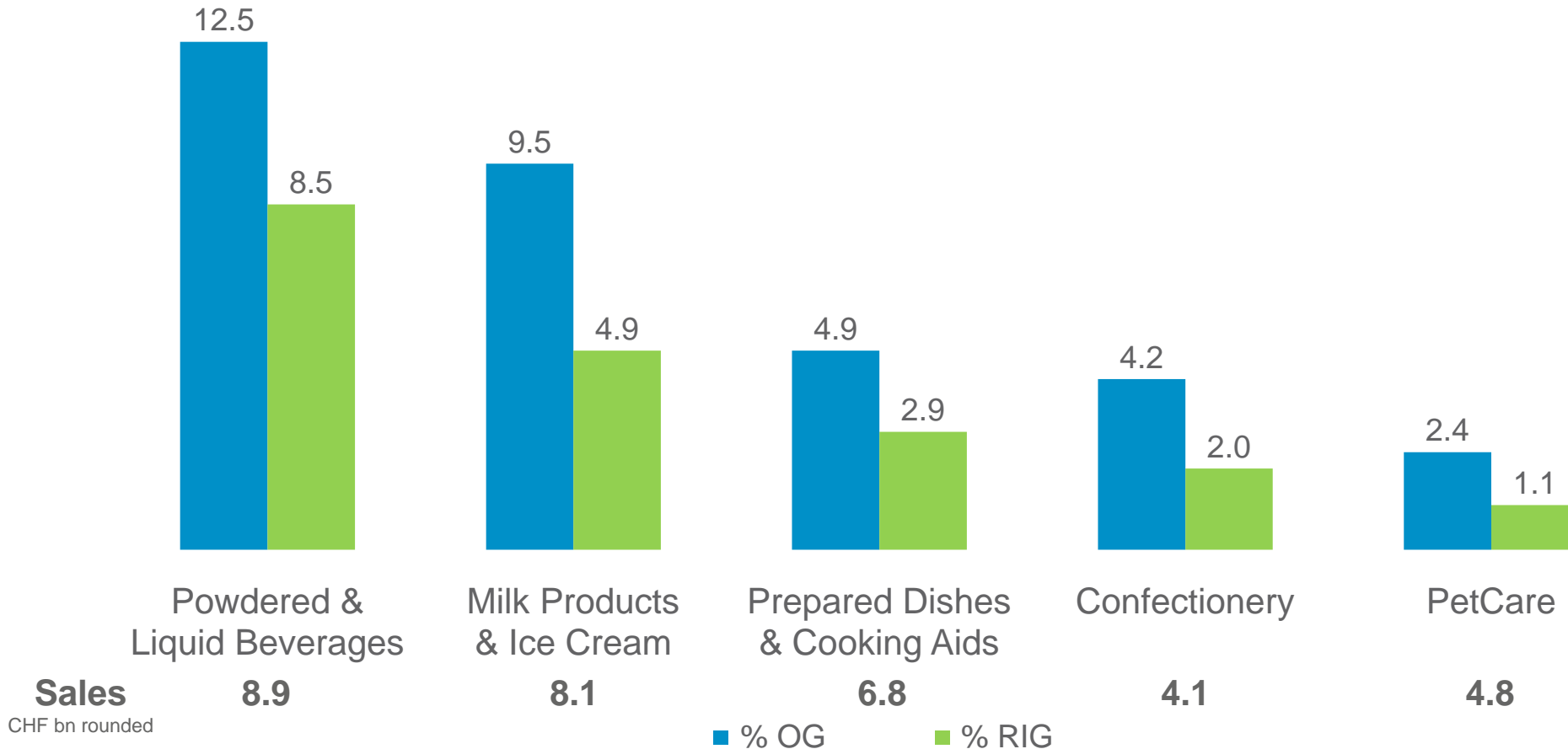
- High level of marketing spend – global Pixie launch
- New boutique openings continue

**Nestlé Health Science** growing well

- M&A strategy building future growth platforms
- Increased costs for new organisational set-up



# All Categories Growing



# Powdered & Liquid Beverages

**Sales** CHF 8.9 bn

**TOP Margin** 24.3% -20 bps

**OG** 12.5%

**RIG** 8.5%

**Nescafé** grows double-digit

- Aligned innovation: *Nescafé Dolce Gusto, 3-in-1, Green Blend*
- Highlights: Iberia, France, Germany, Indochina, Central West Africa, China, Philippines, US, Mexico,

**Powdered beverages** has strong half, specially *Milo*

- Highlights: Central West Africa, Indonesia, Thailand, Colombia, Chile
- *Nesquik* highlights include Russia and Italy

**Liquid beverages** performs well

- *Nescafé* in China, Japan, Malaysia and Indochina



# Milk Products & Ice cream

**Sales** CHF 8.1 bn

**TOP Margin** 14.1% +100 bps

**OG** 9.5%

**RIG** 4.9%

**Milk Products** accelerates – RIG & price

- Growing double-digit: predominantly an emerging markets business
- Innovations driving market share gains in all zones
- Growth is balanced between RIG and price

**Ice cream** reported positive growth in all zones

- Highlights include China, France, Germany, Egypt, Latin America
- Growth drivers: (NHW, PPP, out-of-home, premiumisation)
- Innovations: peelable in new geographies & variants, cones, shakes, Nescafé Frappé Latte





# Prepared Dishes & Cooking Aids

Sales CHF 6.8 bn

TOP Margin 13.4% +30 bps

OG 4.9%

RIG 2.9%

## Frozen Food

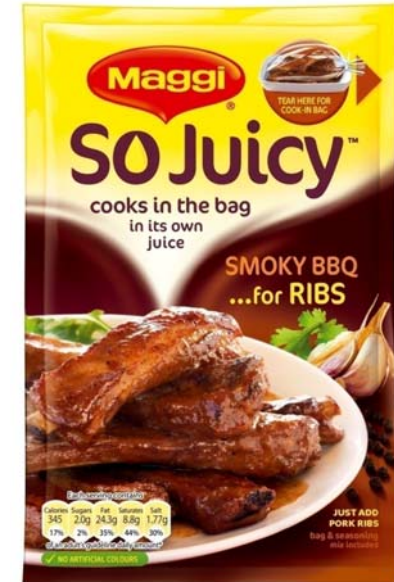
- Strong performance of Pizza  
(Buitoni, Wagner, DiGiorno)

## Chilled

- Good growth, primarily *Herta* and *Toll House*

## Culinary

- *Maggi* has a strong H1 – many highlights:  
India, China, Central West Africa, Malaysia,  
France, Latin America...



# Confectionery

Sales CHF 4.1 bn

TOP Margin 16.1% +230 bps

OG 4.2%

RIG 2.0%

- Good market share performance generally
- Successful Easter season – strong Q2
- Highlights include UK, Japan, Brazil, Canada, Ukraine, China
- *Skinny Cow* launch looks promising





# PetCare

**Sales** CHF 4.8 bn

**TOP Margin** 20% -120 bps

**OG** 2.4%

**RIG** 1.1%



- Momentum building from Q1
- Europe performing well – 2010 innovations & Eastern European launches
- Share gains in all three zones, though market subdued
- Double-digit growth in Latin America
- Outpacing category growth globally by 184 basis points



# P&L

	As % of sales	June 30 2010	June 30 2011	Difference in basis points/% (rounded)
<b>Continuing</b>				
	<b>Trading operating profit</b>	<b>14.9</b>	<b>15.1</b>	<b>+20</b>
	Net other operating income/expense	(0.1 )	(0.1)	0
	<b>Operating profit</b>	<b>14.8</b>	<b>15.0</b>	<b>+20</b>
	Net financial income/expense	(0.9)	(0.8)	+10
	<b>Profit before taxes and associates</b>	<b>13.9</b>	<b>14.2</b>	<b>+30</b>
	Taxes	(4.0)	(3.6)	+40
	Share of results of associates	1.4	1.3	-10
	<b>Profit for the period</b>	<b>11.3</b>	<b>11.9</b>	<b>+60</b>
	Attributable to non-controlling interests	0.4	0.4	0
	Attributable to shareholders of the parent	10.9	11.5	+60
<b>Group</b>				
	Net Profit	11.6	11.5	-10
	<b>Basic EPS (CHF) as reported</b>	<b>1.60</b>	<b>1.46</b>	-8.5%
	<b>Underlying EPS (CHF) constant currencies</b>			+5.2%

# Operating Cash Flow and Net Debt

## Operating Cash Flow: CHF 1.7 bn

- Alcon
- Currency translation & hedges
- Tactical increase in working capital

## Net Debt: CHF 14.5 bn

- Capital expenditure and M&A
- Dividend
- Share buyback & treasury shares
- Treasury investments (medium to long-term)

# Priority for Use of Cash

(In CHF bn)	Capital expenditure	M&A	Dividend	Share buyback	Medium/long-term investment
<b>2009</b>	4.6	0.8	5.0	7.0	-
<b>2010</b>	4.6	5.6	5.4	10.1	2.0
<b>2011</b> (rounded)	5.5 Committed	4 – 5 Announced	5.9 Paid	4.8 Committed	2.0 Invested

## Net debt

FY 2009: **18.1 bn**

FY 2010: **3.8 bn**

HY 2011: **14.5 bn**

# Capacity Increases: CHF 5bn-5.5bn committed



# Recent M&A: CHF 4.5bn announced



# The Nestlé Roadmap



Driving  
Performance  
for Today  
and  
Tomorrow



# Billionaire Brands: 8%+ organic growth

## Organic Growth

Over 20% 

10.1 to 20%



7.6 to 10%



5.1 to 7.5%



3.1 to 5%



0.0 to 3%



Below 0%

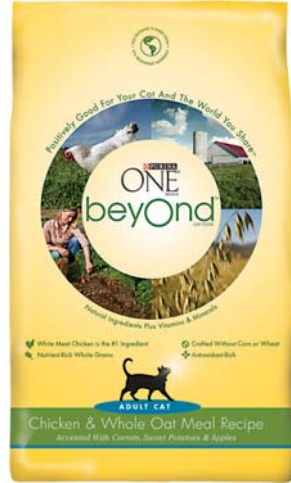
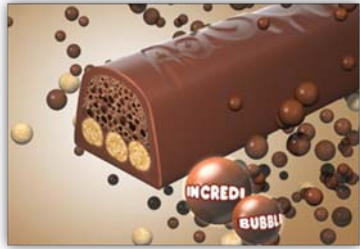


# Innovation as a Growth Driver





# Innovations in 2011



# 2011: another set of Challenges; another Opportunity to Outperform

- We understand the challenges we face
- We are taking a holistic, total value-chain approach to managing them
- Our innovation pipeline is rich – bringing differentiation & added value
- We have strong momentum with positive mix effect
- Our objective is to deliver the Nestlé Model

From our 2010 FY conference call

Long-term inspiration with short-term delivery

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Long-term inspiration with short-term delivery

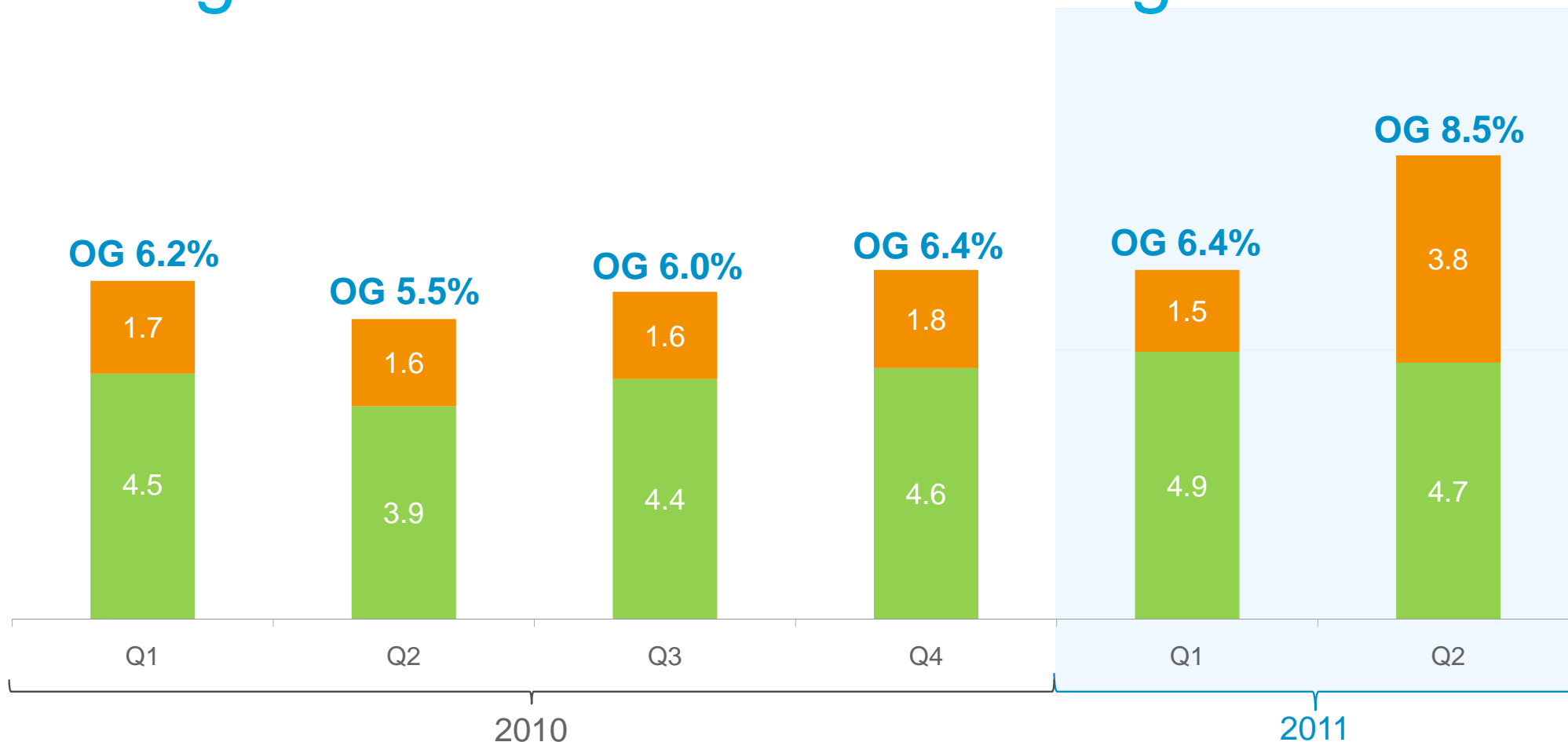
# Conclusion

- **Our H1 operational performance has demonstrated the strength of our business model and the appropriateness of our strategy in a challenging first half**
- **We have delivered in the more dynamic markets, but we have also delivered in the toughest environments**
- **The first half of 2011: A truly differentiating performance**
- **Tough economic environment : financial flexibility – to invest with confidence**

# Appendix



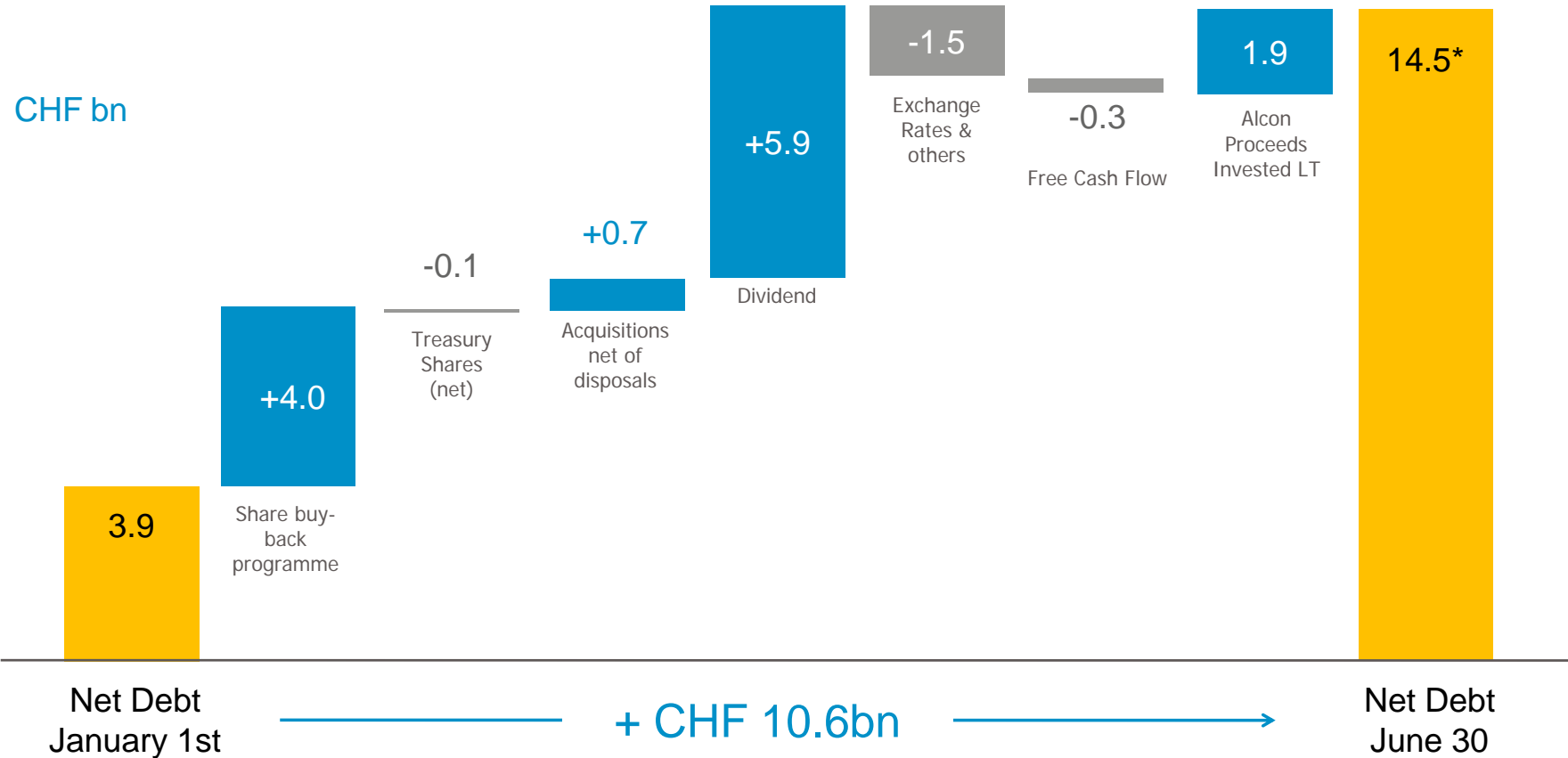
# Strong RIG Momentum as Pricing Increases



OG = Organic Growth  
RIG = Real Internal Growth

■ % RIG ■ % Pricing

# Net Debt Bridge



\* Adjusted Net Debt including LT investment of Alcon cash proceeds amounts to **CHF 10.8 bn**