Press release

Nestlé
Good Food, Good Life

Strong top *and* bottom line performance in 2009

Organic growth +4.1%, EBIT margin 14.6%, +30 basis points

Nestlé Group

- Sales of CHF 108 billion, 4.1% organic growth, 1.9% real internal growth
- EBIT of CHF 15.7 billion, margin up 30 basis points, up 40 basis points in constant currencies
- Underlying earnings per share increase by 9.6% to CHF 3.09, +16.3% in constant currencies
- Operating cash flow rises by 67% or CHF 7.2 billion to CHF 17.9 billion
- Return on invested capital including goodwill up 90 basis points to 15.6%

Nestlé Food and Beverages

- Sales of CHF 100 billion, 3.9% organic growth, 1.6% real internal growth
- EBIT of CHF 13.1 billion, margin up 30 basis points, up 40 basis points in constant currencies

Shareholder returns

- Proposed dividend increase of 14.3% to CHF 1.60, a pay-out ratio of 51.8% based on underlying EPS
- CHF 10 billion of shares to be bought back in 2010

Paul Bulcke, Nestlé CEO: "With organic growth of 4.1% achieved in last year's challenging environment, we were able to grow substantially faster than our industry. Combined with the further significant improvement of the EBIT margin, we delivered on our projection in line with the long-term Nestlé Model. We stepped up investment in our brands and the pace of our innovation, adapted our products to the changing needs of consumers and further accelerated efficiencies. These actions, together with the disciplined alignment of our people behind clear strategic priorities, allowed us to again combine a strong top *and* bottom line performance in 2009, coming on top of excellent results in 2008. Our 2009 performance was broad-based across all categories and regions and demonstrates our ability to deliver in the short term whilst continuing to invest for the long term. For 2010, I expect our Food and Beverages business to achieve higher organic growth than in 2009 and a further EBIT margin increase in constant currencies. This confidence is also reflected in our increased dividend proposal as well as our share buyback plans for the year."

Group sales, profitability and financial position

Vevey, 19 February 2010 – In 2009, the Nestlé Group's sales reached CHF 107.6 billion, with organic growth of 4.1%, including real internal growth of 1.9%. Foreign exchange impacted sales by -5.5% and divestitures, net of acquisitions, by -0.7%. Food and Beverages' sales reached CHF 99.8 billion, with organic growth of 3.9%, including real internal growth of 1.6%. Foreign exchange impacted Food and Beverages' sales by -5.7% and divestitures, net of acquisitions, by -0.7%.

The acceleration of our efficiency drive as part of the ongoing *Nestlé Continuous Excellence* initiative yielded over CHF 1.5 billion in savings across all operational segments. Overall, cost of goods sold decreased by 110 basis points, and this in spite of a 2% increase of raw and packing material costs. Distribution costs fell by 40 basis points.

Marketing and administrative expenses rose by 110 basis points to 33.7% of sales. We increased our media spend by 10% in constant currencies, thereby taking further advantage of lower media rates in many markets. Investment in R&D was up 10 basis points, expanding our R&D capabilities – especially in developing countries – and further fuelling our innovation pipeline. These actions demonstrate our commitment to delivering in the short term whilst continuing to invest for the long term.

Our EBIT margin was up 30 basis points reported, and up 40 basis points in constant currencies, to 14.6%, with an EBIT of CHF 15.7 billion. The EBIT margin for Food and Beverages was also up 30 basis points reported, and up 40 basis points in constant currencies.

Underlying earnings per share rose by 9.6% from CHF 2.82 to CHF 3.09, or 16.3% in constant currencies. Net profit was CHF 10.4 billion in 2009 and earnings per share were CHF 2.92. These figures are not directly comparable with 2008 because of the CHF 9.2 billion profit on the disposal of 24.8% of Alcon in 2008.

The Group's operating cash flow rose by 67% or CHF 7.2 billion to CHF 17.9 billion, while free cash flow increased to CHF 12.4 billion. This improvement reflects a particularly strong working capital performance. The Group's net debt reached CHF 18.1 billion. The group's return on invested capital (ROIC) including goodwill increased by 90 basis points to 15.6% and by 30 basis points to 35.1% excluding goodwill. In line with changes in segment reporting, the ROIC calculation has been restated on a comparable basis.

Share buyback and proposed dividend

The Group bought back CHF 7 billion worth of its own shares in 2009, bringing the total value of repurchased shares between August 2007 and 31 December 2009 to CHF 20.1 billion. Once the remaining CHF 5 billion in shares are bought back in the course of 2010, the CHF 25 billion share buyback programme launched in 2007 will be completed. The Group will then launch a new CHF 10 billion programme with the intent to buy back an additional CHF 5 billion in shares before the end of the year. The necessary filing with the Swiss Takeover Board will be made in due course.

The Board will be proposing a dividend of CHF 1.60 per share to shareholders, representing an increase of 14.3%.

Sales and EBIT margin by operating segment

In 2009, the organic growth of Nestlé Food and Beverages amounted to 4.8% in the Americas, 1.2% in Europe and 7.4% in Asia, Oceania and Africa. The results were broad-based across all categories and regions, combining strong top *and* bottom line performance, thereby demonstrating the disciplined alignment of our people behind clear strategic priorities fuelled by higher levels of brand support and R&D investment.

	Jan.-Dec. 2009 Sales in CHF millions	Jan.-Dec. 2009 Organic Growth (%)	EBIT margins	
			Jan.-Dec. 2009	Change vs Jan.-Dec 2008
Food and Beverages				
• Zone Americas	32 168	+ 6.5	16.8%	+20 bps
• Zone Europe	22 528	+ 0.3	12.4%	0 bps
• Zone Asia, Oceania, Africa	15 891	+ 6.7	16.7%	+20 bps
Nestlé Waters	9 061	- 1.4	7.0%	+100 bps
Nestlé Nutrition	9 963	+ 2.8	17.4%	+10 bps
Other Food & Beverages	10 187	+ 6.8	15.7%	+80 bps
Nestlé Food and Beverages	99 798	+ 3.9	13.1%	+30 bps
Pharma (incl. Alcon)	7 820	+ 6.7	33.5%	-60 bps
Total Group	107 618	+ 4.1	14.6%	+30 bps

Nestlé Waters, Nestlé Nutrition and Other Food & Beverages are not included in the Zones. Nestlé Professional activities have also been taken out of the Zones and included in Other Food & Beverages.

Zone Americas
6.5% organic growth, 2.8% real internal growth, EBIT margin increased by 20 basis points to 16.8%

North America achieved real internal growth which was even higher than in 2008, a remarkable performance in view of prevailing economic conditions. Petcare, ambient dairy, soluble coffee and chocolate performed particularly well. In Latin America, Brazil achieved double-digit organic growth and there were good performances from Mexico and the rest of the region. By category, chocolate, soluble coffee, ambient culinary, petcare, biscuits and powdered and ready-to-drink beverages achieved double-digit organic growth. The Zone's EBIT margin improvement was due to strong growth and a positive evolution of the portfolio towards more premium and super premium products.

Zone Europe
0.3% organic growth, -0.9% real internal growth, EBIT margin unchanged at 12.4%

In one of the world's most challenging business environments, we succeeded in defending our market positions – with growth accelerating over the course of the year – as well as our margins. At the same time, we continued to support our brands and invest in innovation. In Western Europe, Great Britain, France and Switzerland were among the best performers. By category, there was strong organic growth in petcare, soluble coffee, powdered beverages and sugar confectionery. Eastern Europe achieved mid single-digit organic growth despite tough economic conditions in many countries. Soluble coffee, ambient culinary and powdered beverages all contributed.

Zone Asia, Oceania and Africa
6.7% organic growth, 4.6 % real internal growth, EBIT margin increased by 20 basis points to 16.7%

We stepped up our investment in brand support and distribution in emerging markets, achieving real internal growth above the 2008 level and further increasing our EBIT margin. There were good results across the Zone's emerging markets with Africa, Greater China, South Asia, the Philippines and Indonesia performing particularly well. By category, soluble coffee, ambient culinary, chocolate, petcare, ready-to-drink and powdered beverages achieved strong organic growth.

Nestlé Waters
-1.4% organic growth, -1.5% real internal growth, EBIT margin increased by 100 basis points to 7.0%

We substantially increased the EBIT margin of the segment thanks to supply chain efficiencies and lower input costs. While the sales performance of the industry as a whole was weaker, we continued to strengthen our market positions, particularly in North America and emerging markets. Organic growth in Europe and North America accelerated during the fourth quarter of the year, and emerging markets once again delivered double-digit organic growth. The world's biggest water brand, *Nestlé Pure Life,* present in both North America and emerging markets, achieved double-digit organic growth.

Nestlé Nutrition
2.8% organic growth, 0% real internal growth, EBIT margin increased by 10 basis points to 17.4%

Nestlé Nutrition's overall performance improved as the year progressed. Globally, Infant Nutrition gained market share over the year, achieving double-digit organic growth in many emerging markets. However, growth was affected by lower than expected performances in France and Germany, two major markets where we expect improvement in 2010.

Healthcare Nutrition finalized acquisition synergies and the streamlining of its product portfolio in 2009. This resulted in a growth acceleration in the second half of the year and created a strong basis for further growth in 2010 and beyond.

Performance Nutrition also showed good results thanks to a productive R&D pipeline.

Jenny Craig was impacted by lower consumer spend in the US but showed clear signs of recovery towards the end of the year.

Other Food and Beverages
6.8% organic growth, 3.6% real internal growth, EBIT margin increased by 80 basis points to 15.7%

Nestlé Professional, our globally-managed out-of-home business, focused on establishing its strategic priorities around branded beverages and customised food solutions. While the business was affected by depressed economic conditions in 2009, sales did gather momentum over the course of the year and contributed to the improvement of the segment's EBIT margin. Cereal Partners Worldwide enjoyed mid single-digit organic growth with good performances in emerging markets.

Nespresso once again achieved an outstanding top and bottom line performance. With over 7 million club members and 191 boutiques around the world, Nespresso has more than trebled its share of the portioned coffee market since 2000 with an average yearly organic growth of around 30%.

Pharma (including Alcon)
6.7% organic growth, 5.9% real internal growth, EBIT margin decreased by 60 basis points to 33.5%

Alcon and the joint ventures as a whole achieved good growth. As required by IFRS accounting rules, Alcon is now reported as a discontinued operation.

Sales and EBIT margin by product

	Jan.-Dec. 2009 Sales in CHF millions	Jan.-Dec. 2009 Organic Growth (%)	EBIT margins	
			Jan.-Dec. 2009	Change vs Jan.-Dec. 2008
Powdered and liquid beverages	19 271	+ 9.5	21.7%	-40 bps
Water	9 066	- 1.4	7.0%	+100 bps
Milk products and ice cream	19 557	+ 2.0	12.0%	+50 bps
Nutrition	9 965	+ 2.8	17.4%	+10 bps
Prepared dishes and cooking aids	17 205	+ 0.8	12.9%	+20 bps
Confectionery	11 796	+ 4.3	13.6%	+50 bps
PetCare	12 938	+ 7.9	16.3%	+60 bps
Nestlé Food and Beverages	99 798	+ 3.9	13.1%	+30 bps
Pharmaceutical products (incl. Alcon)	7 820	+ 6.7	33.5%	-60 bps
Total Group	107 618	+ 4.1	14.6%	+30 bps

The slight difference in the figures for water and nutrition between the "Sales by operating segment" and "Sales by product" tables is due to the fact that some water and nutrition products are also sold by operating segments other than Nestlé Waters and Nestlé Nutrition.

Powdered and liquid beverages
9.5% organic growth, 5.6% real internal growth, EBIT margin decreased by 40 basis points to 21.7%

The segment's EBIT margin reflected high levels of brand support and the continued roll-out of *Nescafé Dolce Gusto*, now sold in 24 countries. *Nescafé* benefited from the launch of renovated products such as *Alta Rica,* innovations such as *Nescafé Green Blend* and PPP initiatives, delivering high single-digit organic growth. In Zone Asia, Oceania and Africa, *Milo* continued to achieve good organic growth, as did *Nesquik* in Europe with an improved nutritional profile. *Nestea* powder had a strong year with launches such as *Nestea Litro* in the Philippines. The ready-to-drink business also performed well with good organic growth levels in the US, Mexico, Brazil and China amongst others.

Milk products and ice cream
2.0% organic growth, 1.3% real internal growth, EBIT margin increased by 50 basis points to 12.0%

Ambient dairy in emerging markets was driven by the continued roll-out of Popularly Positioned Products (PPPs) such as *Nestlé Idéal* and the *Nido* range, boosted by further brand support and promotional activities. In North America, *CoffeeMate* continued to contribute strongly. Ice cream's growth in Europe was impacted by the restructuring of underperforming businesses in some markets which, however, contributed to the EBIT margin improvement of the segment. The North American ice cream business extended its leadership position with nutrition-focused innovations such as *Skinny Cow*, *Nestlé Extrême All Natural* and *Häagen-Dazs Five*.

Prepared dishes and cooking aids
0.8% organic growth, 0.8% real internal growth, EBIT margin increased by 20 basis points to 12.9%

The ambient culinary business performed well, particularly in emerging markets: *Maggi* achieved double-digit organic growth in Asia, Oceania and Africa as well as in the Americas, benefiting from its PPP range and continued innovation. In the US, *Hot Pockets* and *Stouffer's* family meals benefited from more consumers staying at home. However, demand for single-serve *Stouffer's* and *Lean Cuisine* products was weaker, although the latter maintained share in its category. The *Wagner* and *Buitoni* pizza business as well as *Herta* contributed to real internal growth.

Confectionery
4.3% organic growth, -1.0% real internal growth, EBIT margin increased by 50 basis points to 13.6%

The chocolate business grew strongly in the Americas as well as in Asia, Oceania and Africa. In Europe, Great Britain, France and Switzerland were among the better performers, whilst Russia experienced weaker results. *Kit Kat* once more achieved excellent results with organic growth of 7.1%, benefiting from increased brand support. Biscuits had a strong year in Latin America, with double-digit organic growth in Brazil. These strong performances were the main contributors to the segment's improved EBIT margin.

PetCare
7.9% organic growth, 3.1% real internal growth, EBIT margin increased by 60 basis points to 16.3%

The performance of petcare was driven by resilient demand for premium and super premium brands. The Purina business, supported by increased brand investment, outperformed its market with mid to high single-digit organic growth in all three zones. Innovation in key brands such as *Bakers*, *ONE*, *Friskies* and *Beneful* continued to drive growth, whilst new launches such as the *Chef Michael's* super-premium brand, targeted at smaller dogs, achieved encouraging momentum.

Board proposals to the Annual General Meeting

In Nestlé's Articles of Association, as revised in 2008, the terms of office of members of the Board of Directors were reduced to three years in order to reflect prevailing corporate governance practice. Accordingly, the Board is proposing the individual re-election of Messrs. Peter Brabeck-Letmathe, Steven G. Hoch and André Kudelski for further terms of three years at the Annual General Meeting of 15 April 2010. Mr Jean-René Fourtou, due to the age limit set out in the Board Regulations, will stand for re-election for a two-year term.

The Board will propose the election of two new members: Mrs. Titia de Lange, a Dutch citizen, is the Leon Hess Professor at Rockefeller University, New York, where she is also the Associate Director of the Anderson Cancer Center. She is a specialist in Cell Biology and Genetics and currently serves on a number of scientific advisory boards, award committees of universities and other research centres around the world.

Furthermore, the Board will propose the election of Mr. Jean-Pierre Roth, a Swiss citizen and former Chairman of the Governing Board of the Swiss National Bank. He was also Chairman of the Board of Directors of the Bank for International Settlements and represented Switzerland as Governor on the International Monetary Fund and on the Financial Stability Board.

2010 outlook

Capitalising on the momentum of an excellent year in 2008, Nestlé's 2009 results combined strong top *and* bottom line performance in a very challenging environment, thereby reconfirming the group's long-term commitment to the Nestlé Model. This performance was broad-based across all categories and regions, demonstrating our commitment to delivering in the shorter term whilst continuing to invest for longer-term profitable growth. Consequently, in spite of continued economic uncertainty in 2010, especially in developed countries, Nestlé expects its Food and Beverages business to achieve higher organic growth than in 2009 and further increase its EBIT margin in constant currencies for the year as a whole.

Contacts	Media	Robin Tickle	Tel.: +41 21 924 22 00
	Investors	Roddy Child-Villiers	Tel.: +41 21 924 36 22