

Full Year 2011: 7.5% organic growth, +60 basis points margin improvement

- Sales of CHF 83.6 billion, 7.5% organic growth, 3.9% real internal growth
- Trading operating profit of CHF 12.5 billion, margin 15.0%, +60 basis points, +90 basis points in constant currencies on continuing operations
- Strengthened market positions globally, with emerging markets growth 13.3% and developed markets 4.3%
- Continued investment in innovation and platforms for growth including the Chinese partnerships and Nestlé Health Science
- Underlying earnings per share CHF 3.08 up 7.8% in constant currencies
- Proposed dividend of CHF 1.95 per share.
- Positive 2012 Outlook: Organic growth of 5-6%, improved margin and underlying earnings per share in constant currencies

Paul Bulcke, Nestlé CEO: “We delivered good performance, top and bottom line, in both emerging and developed markets in 2011. It was a challenging year, and we do not expect 2012 to be any easier. We have continued to invest for the future and strengthen our capabilities across the world. We have established new partnerships in China. Nestlé Health Science has got off to a good start. Our innovation is creating opportunities in all categories, whether bringing new consumers to our brands in emerging markets, or building on our consumers’ engagement with our brands in the developed world. Our people are aligned behind our strategic roadmap, which is as relevant in today’s new reality as ever, to drive sustainable performance improvement. We are therefore well positioned in 2012 to deliver the Nestlé Model of organic growth between 5% and 6% as well as an improved margin and underlying earnings per share in constant currencies.”

Note: As previously announced, Nestlé made certain changes in presentation for revenue and operating profit as of January 2011 which have no impact on net profit and earnings per share. The 2010 figures have been restated for the changes to be on a comparable basis, which excludes Alcon, except for earnings per share and cash flow which include the contribution from Alcon. This is reflected in the analysis below.

Vevey, 16 February 2012 - For 2011 the Nestlé Group reported sales of CHF 83.6 billion and 7.5% organic growth on top of good growth in recent years. The organic growth was composed of 3.9% real internal growth and pricing of 3.6%. Foreign exchange had a negative impact of 13.4% and divestitures, net of acquisitions, a further 4.2%, mainly Alcon. Excluding the impact of the sale of Alcon, sales were down by 4.8%.

- The Group's **trading operating profit** was CHF 12.5 billion. The margin increased 60 basis points (90 basis points in constant currencies) to 15.0%.
- **Nestlé Continuous Excellence** in all areas of the company continued to create significant savings ahead of target, helping to partially offset major input cost pressures.
- Higher input costs increased the **cost of goods sold** by 190 basis points.
- **Total marketing costs** were down 100 basis points, mainly the result of leveraging our sales and marketing structures. **Consumer facing marketing** remained at almost the same level after two years of double-digit increases, which allowed us to further build our market positions in most categories.
- **Administrative costs** were down 80 basis points.
- **Net profit** was CHF 9.5 billion, up 8.1% on a continuing basis.
- The **underlying earnings per share (EPS)** increased 7.8% in constant currencies.
- **Operating cash flow** was CHF 9.8 billion, a similar level to 2010 excluding Alcon's cash flow in 2010 and the impact of foreign exchange in 2011.

Business Review

- The Nestlé Group continued to grow in all regions of the world, with 5.0% organic growth in Europe, 6.4% in the Americas and 13.1% in Asia, Oceania and Africa. Our business grew 13.3% in emerging markets and 4.3% in developed markets.
- Trading operating profit margin for the Group as a whole and in many of our businesses improved in a year characterised by severe cost pressure and intensified competition around the world. Growth leverage combined with Nestlé Continuous Excellence contributed significantly.
- We continued to build our capabilities, investing in areas for future growth. Our two new partnerships with Yinlu and Hsu Fu Chi will deepen our engagement with Chinese consumers. Nestlé Health Science and the Nestlé Institute of Health Sciences are off to a good start in their first year of operation. These initiatives along with other investments are creating major growth platforms for the future.

Zone Americas

Sales of CHF 26.8 billion, 6.2% organic growth, 1.1% real internal growth; 18.4% trading operating profit margin, -30 basis points.

- The Zone achieved growth in both North America and Latin America.
- In **North America** most of our businesses contributed to the positive performance despite subdued consumer confidence. Pizza strengthened its lead over its competitors with a good performance by *DiGiorno*. Ice cream saw growth in snacks, *Häagen-Dazs* and *Skinny Cow*. The extension of the *Skinny*

Cow brand into the chocolate category helped to drive growth there. Soluble coffee achieved good growth with *Taster's Choice* and *Nescafé Clásico*. *Coffee-mate* benefited from the successful launch of *Natural Bliss*. The frozen segment continued to be challenging but *Lean Cuisine* held share. Petcare built on its leading market position with strong growth from *Purina ONE Beyond* and *Dog Chow*, and achieved share gains in all categories and channels.

- There was double-digit growth in **Latin America** where demand remained strong. Several markets recorded growth in double digits with Mexico a highlight. It was a similar story in many categories including powdered beverages with *Nescau* and *Nestea*, soluble coffee with *Nescafé* and ambient culinary. *Maggi* achieved excellent growth in key markets helped by the successful launches of new innovations, *Maggi Doble Gusto* bouillon cubes and *Maggi Caldo Casero* bouillon. For petcare *Purina Proplan*, *Dog Chow* and *Cat Chow* also saw double-digit growth.
- The Zone's **trading operating profit margin** was 30 basis points lower as higher input costs were not fully compensated by efficiencies and pricing.

Zone Europe

Sales of CHF 15.2 billion, 4.0% organic growth, 1.8% real internal growth; 15.6% trading operating profit margin, +230 basis points.

- The Zone achieved growth in Western and Central / Eastern Europe.
- In **Western Europe** all markets overcame tough economic conditions to deliver real internal growth. Portugal, Italy, Greece and Spain collectively achieved 3.7% organic growth. France, the Benelux countries and Great Britain did well. All the key categories grew with soluble coffee, chilled culinary, frozen pizza and petcare among the highlights.
- In **Central and Eastern Europe** there were strong performances in Ukraine and Romania and in the Adriatic region. Trading conditions remained tough in Russia and Poland.
- Innovation continued to drive our European growth with a major contribution from brands like *Nescafé Dolce Gusto*, *Nescafé Sensazione* in soluble coffee and *Herta* in chilled culinary. The *Juicy* range of spice-filled roasting bags continued to be a strong contributor for *Maggi* in culinary. Growth in Popularly Positioned Products (PPPs) was more than twice the level of that achieved by the Zone as whole. In petcare *Felix* did well, particularly the successful rollout into Central and Eastern Europe.
- The Zone's **trading operating profit margin** improved 230 basis points. Key drivers included the growth in Western Europe, pricing, efficiencies, as well as the benefits of past restructuring including changes to retirement plans.

Zone Asia, Oceania and Africa

Sales of CHF 15.3 billion, 11.9% organic growth, 7.9% real internal growth; 18.9% trading operating profit margin, +90 basis points.

- The Zone achieved growth in emerging and developed markets.

- Nestlé's presence in the region is deep-rooted, demonstrated by four 100 year anniversaries: Turkey in 2009, Philippines in 2011, and Malaysia and India in 2012.
- The **emerging markets** produced double-digit growth. The highlights included China, India, Pakistan, North Africa, Central West Africa despite the conflict in Côte d'Ivoire, and Egypt in spite of the turmoil endured for much of the year. In a volatile environment the Zone remained focused on deepening distribution, aiming to service an additional one million small retail outlets between 2010 and 2012. We invested in line extensions and new factories across the Zone. We also established promising partnerships in China with Yinlu and Hsu Fu Chi.
- There were many successful initiatives involving Popularly Positioned Products (PPPs) which were the key drivers of the Zone's growth. For example, *Maggi* bouillons in Africa and *Nido Essentia* in Egypt. Innovation also played a significant role with successful launches for *Nescafé Milky* in China, *Nescafé 3:1* in Thailand, *Nido Fortified* in several African countries and the continuing roll-out of peelable ice cream. The *Maggi* flavour world and noodles range was expanded in markets across the Zone.
- The **developed markets'** performance was helped by a strong year for Japan, our people reacting fast and creatively in a market badly affected by natural disasters. There was a good performance in the coffee systems market by *Nescafé Dolce Gusto* and *Barista*, as well as in premium with *Nescafé Kouvabaisen*. *KitKat Black* also continued to enjoy strong sales there.
- The Zone's **trading operating profit margin** was up 90 basis points largely thanks to innovation and renovation across all areas and initiatives such as distribution, manufacturing and procurement supported by Nestlé Continuous Excellence.

Nestlé Waters

Sales of CHF 6.5 billion, 5.2% organic growth, 3.4% real internal growth; 8.0% trading operating profit margin, +90 basis points.

- Nestlé Waters grew in all three zones.
- **North America** grew both in the retail channel and home & office. *Nestlé Pure Life* and the international brands *S.Pellegrino*, *Perrier* and *Aqua Panna* performed well, offsetting a tough competitive environment for the regional brands.
- The **European** business gained share with strong performances in most markets including France, Italy, Germany and the UK.
- We continued to grow double-digit and build a stronger presence in the **emerging markets**, where our sales exceeded CHF 1 billion.
- *Nestlé Pure Life* continued to produce double-digit growth worldwide. There was high single-digit growth from the international brands, all strong contributors globally. *Vittel* and *Hépar* performed well in Europe, whilst *Ice Mountain* and *Ozarka* were the strongest of the regional US brands.
- The Nestlé Waters **trading operating profit margin** increased 90 basis points due to rigorous cost management, especially in Europe, pricing and the strong growth in Europe and emerging markets.

Nestlé Nutrition

Sales of CHF 7.2 billion, 7.3% organic growth, 4.5% real internal growth; 20.0% trading operating profit margin, - 30 basis points.

- **Infant Nutrition**, representing about 90% of the division's sales, enjoyed good growth overcoming relatively subdued developed market trading conditions. This was due to a well supported strong innovation pipeline, broad-based market share gains and double-digit growth in emerging markets for both infant formula and infant cereals. The launch of the *BabyNes* system in Switzerland, a promising breakthrough innovation, had a good reception in its first months.
- **Weight Management** in North America was affected by weak consumer spending and intensified competition. We are taking steps to address the situation. The international *Jenny Craig* business is performing well with good growth in Oceania and promising momentum in Europe. Growth at **Performance Nutrition** was strong in Europe and Oceania.
- The Nestlé Nutrition **trading operating profit margin** declined by 30 basis points. The main impacts were input cost pressures and the tough trading environment for weight management in the US.

Other

Sales of CHF 12.6 billion, 11.4% organic growth, 8.3% real internal growth; 16.8% trading operating profit margin unchanged.

- **Nestlé Professional** achieved good growth both in developed and emerging markets, especially in China, India and Brazil, in both beverages and food. We continued to roll out our innovative premium and super-premium beverage solutions (*Nescafé Alegria*, *Nescafé Milano* and *Viaggi*) to all regions. The established *Nescafé* and creamers businesses continued to perform well. The food business benefited from innovations such as *Maggi* Premium Bouillons and *Chef* Natural Flakes for sauces, with continued focus on growing our customised solutions, services capability and customer intimacy.
- **Nespresso** had another strong year, with growth over 20% on a sales base well in excess of CHF 3 billion. The continued strong consumption in Nespresso's core markets, as well as geographical expansion and the constant innovation of products and systems, ensured a strong performance in the face of intensified competition. The unique *Nespresso* service proposition including boutiques, e-commerce and call centres builds intimacy with our consumers which helps further reinforce our prospects for future growth.
- **Nestlé Health Science** in its first year of operations built up its capabilities with three significant investments. At the same time it achieved strong growth with contributions from innovative products like *Resource Thicken Up Clear*, the *Peptamen* range, and the relaunch of *Boost* which achieved high-teens growth in the US. Its core platforms; ageing medical care, critical care and surgery, and paediatric medical care all grew well, most of them double-digit. The 2011 acquisitions have been integrated and are delivering to expectation. Prometheus achieved double-digit sales growth. Vitaflo, acquired in 2010, also reported double-digit growth, driven by innovations for patients with metabolic conditions.

- **CPW** grew mid-single digit, achieving share gains in the majority of its markets. Trading conditions were toughest in Southern Europe, but growth was resilient in the rest of Europe and double-digit in many emerging markets. **BPW** had a positive year and will benefit in 2012 from its reshaping to cover Europe and Canada.
- **Galderma** grew double-digit and has successfully integrated Q-Med, acquired in March and accretive to growth. **Laboratoires innéov** made good progress with a particularly strong performance in Latin America.
- The 'Other' **trading operating profit margin** was unchanged at 16.8%, reflecting a mixed picture by constituent. Nespresso, Nestlé Health Science and the food and beverages joint ventures performed well, whilst Nestlé Professional was impacted by input costs despite a strong programme of savings.

Board proposals to the Annual General Meeting

At the Annual General Meeting on 19 April, the Board of Directors will propose a dividend of CHF 1.95 per share. The net dividend will be payable as from 26 April 2012. The Board will also propose the cancellation of the shares bought back under the CHF 10 billion buy-back programme completed in 2011.

The Board will propose the re-election of Daniel Borel as a director for a further term of three years, as well as the election of Henri de Castries. Mr de Castries is the Chairman and Chief Executive Officer of the AXA Group. He had a distinguished career in the French Finance Ministry before taking on several important executive roles within the AXA Group. Carolina Müller-Möhl and Jean-René Fourtou are not standing for re-election. The Board wishes to thank them for their highly appreciated services provided to our company over the past years.

Positive 2012 outlook

In view of continuing economic uncertainties and volatility, we don't expect 2012 to be any easier than previous years. But we continue to invest for the future and strengthen our capabilities across the world. Our innovation is creating opportunities in all categories, bringing new consumers to our brands in emerging markets, building on our consumers' engagement with our brands in the developed world. Our people are aligned behind our strategic roadmap, which is as relevant as ever, to drive sustainable performance improvement. We are therefore well positioned in 2012 to deliver the Nestlé Model of organic growth between 5% and 6%, as well as an improvement in the trading operating profit margin and underlying earnings per share in constant currencies.

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Annex

Full-year sales and trading operating profit margins overview

	Jan.-Dec. 2011 Sales in CHF millions	Jan.-Dec. 2011 Organic Growth (%)	Trading operating profit margins	
			Jan.-Dec. 2011 (%)	Change vs Jan.- Dec. 2010
By operating segment				
• Zone Americas	26,756	+6.2	18.4	-30 bps
• Zone Europe	15,243	+4.0	15.6	+230 bps
• Zone Asia, Oceania, Africa	15,291	+11.9	18.9	+90 bps
Nestlé Waters	6,520	+5.2	8.0	+90 bps
Nestlé Nutrition	7,233	+7.3	20.0	-30 bps
Other	12,599	+11.4	16.8	0 bps
Total Group/continuing operations	83,642	+7.5	15.0	+60 bps
By Product				
Powdered and liquid beverages	18,204	+13.0	22.7	-20 bps
Water	6,526	+5.2	8.0	+90 bps
Milk products and ice cream	16,406	+8.4	13.7	-30 bps
Nutrition & healthcare	9,744	+7.7	18.7	-20 bps
Prepared dishes and cooking aids	13,933	+4.6	14.5	+190 bps
Confectionery	9,065	+5.4	16.8	+200 bps
Pet care	9,764	+4.3	20.6	+20 bps
Total Group/continuing operations	83,642	+7.5	15.0	+60 bps

2010 and 2011 are not directly comparable due to the changes of presentation made to the Income Statement as of 1/1/2011 and the disposal of Alcon in August 2010. The 2010 figures have been restated for all the changes as a comparable basis and reported for continuing operations only. Other changes include the reclassification of Healthcare Nutrition, now part of Nestlé Health Science, from Nestlé Nutrition to "Other", which also includes Nestlé Professional, Nespresso and joint ventures managed on a worldwide basis. In the product groups, "Nutrition and healthcare" includes nutrition, healthcare and pharmaceutical products.