
Annual Report
2009



Key figures (consolidated)

In millions of CHF (except per share data)	2008	2009
Sales	109908	107618
EBIT (Group) Earnings Before Interest, Taxes, restructuring and impairments	15676	15699
as % of sales	14.3%	14.6%
EBIT (Food and Beverages) Earnings Before Interest, Taxes, restructuring and impairments	13103	13083
as % of sales (Food and Beverages)	12.8%	13.1%
Profit for the year attributable to shareholders of the parent Net profit ^(a)	18039	10428
as % of sales	16.4%	9.7%
as % of average equity attributable to shareholders of the parent	34.9%	20.9%
Capital expenditure	4869	4641
as % of sales	4.4%	4.3%
Equity attributable to shareholders of the parent before proposed appropriation of profit of Nestlé S.A.	50774	48915
Market capitalisation, end December	150409	174294
Operating cash flow	10763	17934
Free cash flow ^(b)	5033	12369
Net financial debt	14596	18085
Ratio of net financial debt to equity (gearing)	28.7%	37.0%
Per share		
Total basic earnings per share ^(a)	CHF 4.87	2.92
Underlying ^(c)	CHF 2.82	3.09
Equity attributable to shareholders of the parent before proposed appropriation of profit of Nestlé S.A.	CHF 13.71	13.69
Dividend as proposed by the Board of Directors of Nestlé S.A.	CHF 1.40	1.60

(a) 2008 comparatives benefited from the profit on disposal of 24.8% of Alcon outstanding capital.

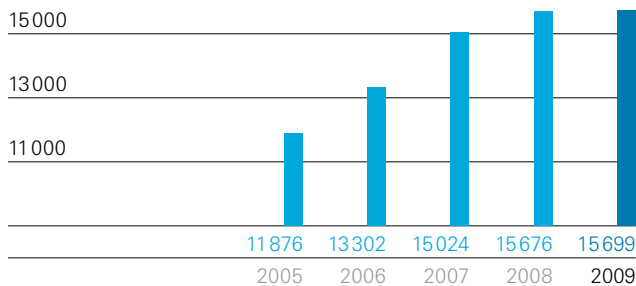
(b) Operating cash flow less capital expenditure, disposal of tangible assets, purchase and disposal of intangible assets, movement with associates as well as with non-controlling interests.

(c) Profit per share for the year attributable to shareholders of the parent before impairments, restructuring costs, results on disposals and significant one-off items. The tax impact from the adjusted items is also adjusted for.

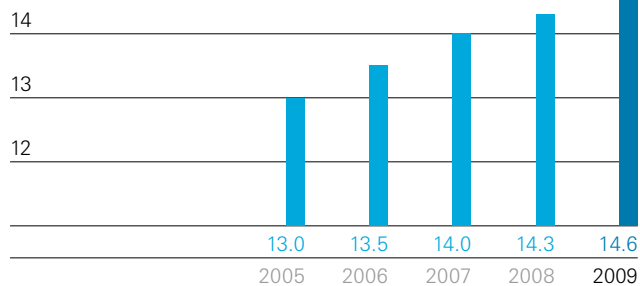
(d) ROIC calculation was amended in 2009 following changes in segment reporting. 2008 figures have been restated accordingly.

EBIT

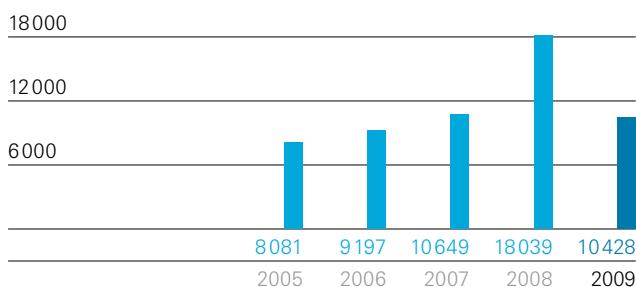
In millions of CHF

**EBIT margin**

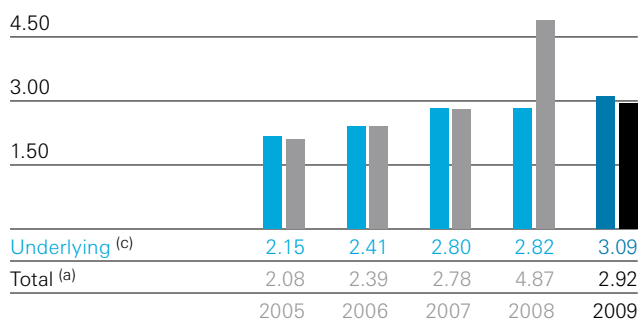
In %

**Net profit (a)**

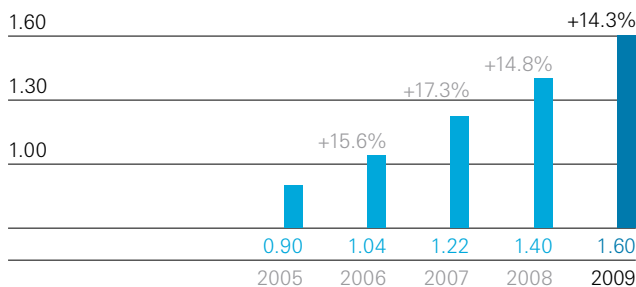
In millions of CHF

**Earnings per share**

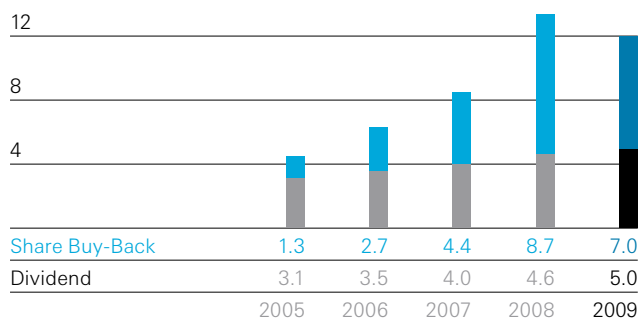
In CHF

**Dividend per share**

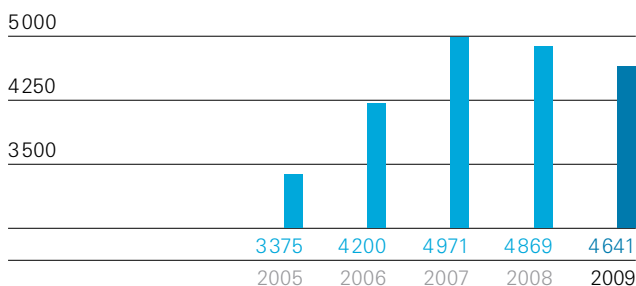
In CHF

**Total cash returned to shareholders**

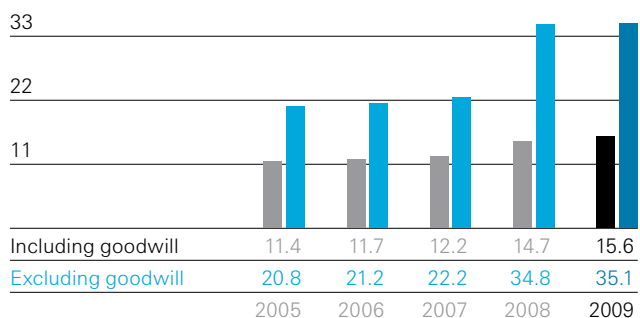
In billions of CHF

**Capital expenditure**

In millions of CHF

**Return on invested capital (d)**

In %



Our objective is to be the recognised leader in Nutrition, Health and Wellness and the industry reference for financial performance

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Creating Shared Value Summary Report 2009



Corporate Governance Report 2009; 2009 Financial Statements

The brands in italics are registered trademarks of the Nestlé Group.

Highlights 2009

Strong operating performance
Broad-based: all operating segments contribute

4.1% organic growth – momentum accelerated through the year

CHF 15.7 billion EBIT

30 basis points EBIT margin improvement, **40 basis points** in constant currencies

30 basis points Food and Beverages EBIT margin improvement, **40 basis points** in constant currencies

9.6% increase in underlying earnings per share, **16.3%** in constant currencies

67% increase in operating cash flow to **CHF 17.9 billion**

30 basis points increase in return on invested capital, excluding goodwill, to **35.1%**

90 basis points increase in return on invested capital, including goodwill, to **15.6%**

Nestlé's commitment to shareholder value creation

CHF 12 billion of cash returned to shareholders in 2009 through **CHF 5 billion** dividend and **CHF 7 billion** share buy-back

CHF 5.6 billion or a **CHF 1.60** dividend per share (proposed) for 2009, an increase of **14.3%**

CHF 10 billion likely to be spent by the Group on its share buy-back in 2010

CHF 15.6 billion likely to be returned to shareholders in 2010 through dividend and share buy-back

2010: A year of economic uncertainty, especially in the developed world

Nestlé expects Food and Beverages organic growth to accelerate from 2009 level and to further improve its EBIT margin in constant currencies

Letter to our shareholders

Fellow shareholders,

In our letter last year we said that we hoped that 2009 would shape a world which would be more stable and sustainable, and ultimately more just and prosperous for everyone. Although we are not there as yet, there are signs of improvement, as economies begin to recover and consumer confidence returns, driven by government intervention, economic stimuli and hopes of a sustained improvement in standards of living. The global economic recovery remains somewhat fragile, however, with high unemployment and deficits as well as slow growth in the developed world. So, whilst we believe there will be a better environment in 2010, the degree of improvement is not certain.

We said in 2009 that we thought the notion of trust was central to the crisis. Trust, therefore, is central also to the recovery: between business partners, between legislators and industry, and between companies and the consumers of their products. Nestlé, as a food and beverage company whose products are consumed around the world, could be described as being in the business of trust. We know that trust needs to be earned with all stakeholders product by product, brand by brand, consumer by consumer, and we understand that trust is also about corporate behaviour. This, perhaps, is truer than ever in a time of crisis and was one reason why we increased our investment in

consumer communication in 2009: to ensure that we understood how consumers' needs and priorities were changing and to keep them abreast of how we were adapting our product ranges and offerings to their needs.

Your Company has the privilege of being deeply integrated into households around the globe, with many consumers buying our products on a daily basis. This gives us a wonderful opportunity to contribute meaningfully to the quality of their lives through our mission of "Good Food, Good Life". That mission is to provide consumers with the best tasting, most nutritious choices in a wide range of food and beverage categories and eating occasions, from morning to night, and thereby to help them to live enjoyable, healthy lives.

That close integration also means, however, that Nestlé was likely to be touched by a recession that impacted families around the world, and especially in developed countries. The resulting weak level of consumer demand as well as raw material cost pressure and related pricing, intense competition amongst branded and non-branded manufacturers, as well as currency depreciations and political uncertainty in different parts of the world all combined to make 2009 a particularly challenging year. Equally, the economic slowdown in many countries caused their currencies to fall in value compared with Nestlé's reporting currency, the Swiss franc.

The Company's performance should be seen in that context, and with progress made in all key financial metrics, and with all major operations and all parts of the world contributing, it demonstrates the strength and resilience of your Company.

Nestlé's organic sales growth was 4.1%, including real internal growth (RIG) of 1.9% and pricing of 2.2%. This growth, achieved despite many countries having a negative GDP development, is testament to the strength of our brands, as well as to the speed with which our people responded to the challenging

environments they faced. It also demonstrates the benefit of our policy, regardless of the economic environment, of investing continuously in our brands through R&D and marketing. Both increased again in 2009. The strength of the Swiss franc relative to many other currencies had a -5.5% impact on Nestlé's reported sales which, with a -0.7% impact from divestitures, net of acquisitions, resulted in a fall of -2.1% to CHF 107.6 billion.

Despite the higher levels of investment in marketing and R&D, the EBIT rose to CHF 15.7 billion and the EBIT margin increased by 30 basis points to 14.6%, or by 40 basis points in constant currencies. Our Food and Beverages business achieved 3.9% organic growth and a 30 basis points improvement in its EBIT margin, 40 basis points in constant currencies. The foundation for this performance was a strong delivery, above target, of efficiency gains in our operations, distribution activities and administrative costs, as well as the continued positive trend in organic growth. The underlying earnings per share were up by 9.6% to CHF 3.09 per share. The reported net profit in 2009 is not comparable to 2008 because of the profit on the sale of 24.8% of Alcon in 2008.

The quality of the Group's 2009 performance met the demands of our total performance framework, in that the operating cash flow and the return on invested capital both also improved. A key contributor to the CHF 7.2 billion increase in operating cash flow was the improvement in working capital. The Group's return on invested capital increased by 90 basis points to 15.6%, including goodwill, and by 30 basis points, excluding goodwill, to 35.1%.

Nestlé is known for its long-term thinking, characterised in 2009 by our continued investment in our people, our operations and distribution, our brands and innovation, but it was our short-term action-oriented entrepreneurialism that made the difference to our performance in 2009. This performance demonstrated



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the significant benefit of having our people aligned behind a consistent, clear and cohesive strategy, combined with a high level of discipline in timely execution, as well as a focus on acceleration in operational performance. These are all aspects of our roadmap, discussed later in this report. Our policy, meanwhile of having devolved responsibilities throughout the organisation, has enabled our people to respond quickly to the changing dynamics in their markets.

We continued to invest for the future in 2009. Capital expenditure was 4.3% of sales, as we opened new factories and R&D centres. We remained vigilant for bolt-on acquisitions that combine a good strategic fit with appropriate financial returns. The most significant of these was the acquisition of Kraft Pizza announced on 5 January 2010. Your Board also announced an increase of CHF 3 billion in the amount of our shares to be bought back in 2009, to CHF 7 billion. We continued to challenge underperformers with an active programme of product rationalisation, and to prune some non-strategic assets, as well as to simplify our business and reduce associated costs in areas such as legal structures.

The most significant divestment was announced on 4 January 2010, with the agreement to sell our remaining holding in Alcon, for about USD 28 billion. The completion of this transaction will bring the total value realised from the three-part disposal of Alcon to over USD 40 billion. Alcon was acquired by Nestlé in 1977 for USD 280 million. The enormous value created for Nestlé's shareholders over that time is a great credit to the past and present management of Alcon, as well as to Nestlé, and we thank everybody who has contributed.

The completion of the Alcon disposal will strengthen your Company's balance sheet in 2010 and beyond. Your Board has reviewed Nestlé's capital structure and believes that, over the longer term, a structure

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that is in line with Nestlé's 2009 credit ratings is appropriate. With that in mind, we announced our intention to buy back at least an additional CHF 10 billion of Nestlé's shares over the next two years, once the current programme is completed, meaning that we will buy back about CHF 15 billion of shares during 2010 and 2011, and about CHF 35 billion between 2007 and 2011.

We will be proposing to shareholders a dividend of CHF 1.60 per share, an increase of 14.3%. This represents a payout ratio of 51.8% and reflects a dividend policy of sharing the underlying earnings of the Company with shareholders every year. We believe that this dividend policy, together with the Share Buy-Back Programmes, underlines your Board's commitment to sustainably enhance the Company's value creation for its shareholders.

Your Board has always believed that a company can only create long-term value for its shareholders if it is also creating value for society as a whole. Nestlé, as the largest food and beverages manufacturer in the world, is one of the most geographically diverse companies and touches more communities than most. As such, our objective to create value for society at large is integral to our way of doing business and is encapsulated in what we call "Creating Shared Value". In April 2009, we announced that we would focus particularly on three areas that are very close to our business: addressing nutritional deficiencies, the challenge of water scarcity and the development of rural communities in emerging countries. These areas can benefit the people we touch and are essential building blocks for Nestlé to become the world's recognised leading Nutrition, Health and Wellness company. As such they are also absolutely aligned with "Good Food, Good Life". They are discussed in more detail in the accompanying Creating Shared Value Summary Report.

There was one change to the Executive Board during 2009.

Francisco Castañer retired at the end of the year after 45 years with the Group and 12 years on the Executive Board. We would like to thank him for his great service, as well as for agreeing to continue to represent Nestlé on the Boards of Alcon, L'Oréal and Galderma. Jean-Marc Duvoisin, who joined Nestlé in 1986, will take over responsibility for Human Resources and Center Administration. He was appointed to the Executive Board as a Deputy Executive Vice President on 1 January 2010.

Two new directors will be proposed to shareholders at the 2010 Annual General Meeting. Mrs Titia de Lange, a Dutch national, is a specialist in cell biology and genetics and has a strong research background that will contribute significantly to the Board's scientific knowledge. Mr Jean-Pierre Roth, a Swiss national, is the former Chairman of the Governing Board of the Swiss National Bank and was the Chairman of the Board of Directors of the Bank for International Settlements. It was with great sadness that the Board of Directors learned of the death of Lord Edward George in April. He had been on the Board since 2004 and had brought to it the expertise, judgement and wisdom that had characterised his time as Governor of the Bank of England.

The economic environment made 2009 a tough year for everyone. We would like, therefore, more than ever, to thank our people all over the world for their commitment day after day to doing their best to make us continually better in everything that we do. We said last year that we would strive to improve our results in 2009, even despite the environment.

The fact that we were able to do so is due to the efforts of our people, and we thank them for their great contributions.

As for the trading environment in 2010, we have already said that it is far from clear how 2010 will unfold. Your Company has demonstrated its resilience and strength in 2009, and this gives us confidence that it will continue to make progress in 2010. 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.

Peter Brabeck-Letmathe
Chairman of the Board

Paul Bulcke
Chief Executive Officer

Board of Directors of Nestlé S.A.

at 31 December 2009

Helmut O. Maucher
Honorary Chairman

David P. Frick
Secretary to the Board

KPMG SA Geneva branch
Independent auditors.
Term expires 2010 ⁽¹⁾



Peter Brabeck-Letmathe ^(3, 5)
Chairman
Term expires 2012 ^(1, 2)



Paul Bulcke ⁽³⁾
Chief Executive Officer
Term expires 2011 ^(1, 2)



Andreas Koopmann ^(3, 4, 5)
1st Vice Chairman
Former CEO,
Bobst Group.
Term expires 2011 ^(1, 2)



Rolf Hänggi ^(3, 6)
2nd Vice Chairman
Chairman, Rüd,
Blass & Cie AG,
Bankers.
Term expires 2011 ^(1, 2)



Jean-René Fourtou ^(3, 4)
Chairman of
the Supervisory
Board, Vivendi.
Term expires 2011 ^(1, 2)



Daniel Borel ⁽⁴⁾
Co-founder and Board
member, Logitech
International S.A.
Term expires 2012 ^(1, 2)



Jean-Pierre Meyers ⁽⁴⁾
Vice Chairman,
L'Oréal S.A.
Term expires 2011 ^(1, 2)



André Kudelski ⁽⁶⁾
Chairman and CEO,
Kudelski Group.
Term expires 2011 ^(1, 2)



Carolina Müller-Möhl ⁽⁵⁾
President,
Müller-Möhl Group.
Term expires 2012 ^(1, 2)



Steven G. Hoch ⁽⁵⁾
Founder and
Senior Partner,
Highmount Capital.
Term expires 2011 ^(1, 2)



Naïna Lal Kidwai ⁽⁶⁾
Group General
Manager and Country
Head of HSBC Group
Companies in India.
Term expires 2011 ^(1, 2)



Beat Hess ⁽⁶⁾
Group Legal Director,
Royal Dutch Shell plc.
Term expires 2011 ^(1, 2)

(1) On the date of the Annual General Meeting.
(2) As Nestlé's revised Articles of Association, adopted on 10 April 2008, provide for three-year terms, all members of the Board will be re-elected over the course of the following three years.
(3) Chairman's and Corporate Governance Committee.

(4) Compensation Committee.
(5) Nomination Committee.
(6) Audit Committee.

For further information on the Board of Directors please refer to the Corporate Governance Report 2009, enclosed.

Executive Board of Nestlé S.A.

at 31 December 2009

Executive Board

(from left to right):

John J. Harris

José Lopez

Richard T. Laube

Petraea Heynike

David P. Frick

Francisco Castañer

Paul Bulcke

Marc Caira

James Singh

Laurent Freixe

Luis Cantarell

Frits van Dijk

Werner Bauer

Paul Bulcke

Chief Executive Officer

Members Executive Board

Francisco Castañer

EVP, Pharmaceutical and Cosmetic Products,
Liaison with L'Oréal, Human Resources

Werner Bauer

EVP, Innovation, Technology, Research
and Development

Frits van Dijk

EVP, Asia, Oceania, Africa, Middle East

Luis Cantarell

EVP, United States of America, Canada,
Latin America, Caribbean

José Lopez

EVP, Operations, GLOBE

John J. Harris

EVP, Nestlé Waters

Richard T. Laube

EVP, Nestlé Nutrition

James Singh

EVP, Finance and Control,
Global Nestlé Business Services,
Legal, Intellectual Property, Tax

Laurent Freixe

EVP, Europe

Petraea Heynike

EVP, Strategic Business Units, Marketing
and Sales

Marc Caira

Deputy EVP, Nestlé Professional

David P. Frick

SVP, Corporate Governance, Compliance
and Corporate Services

Yves Philippe Bloch

Corporate Secretary

EVP: Executive Vice President

SVP: Senior Vice President

For further information on the Executive Board,
please refer to the Corporate Governance
Report 2009, enclosed.



The Nestlé Roadmap to Good Food, Good Life

Nestlé's objectives are to be recognised as the world leader in Nutrition, Health and Wellness, trusted by all its stakeholders, and to be the reference for financial performance in its industry. We believe that leadership is not just about size; it is also about behaviour. Trust, too, is about behaviour; and we recognise that trust is earned only over a long period of time by consistently delivering on our promises. These objectives and behaviours are encapsulated in the simple phrase, "Good Food, Good Life", a phrase that sums up our corporate ambition.

We are seeking to achieve that leadership and earn that trust by satisfying the expectations of consumers, whose daily choices drive our performance, of shareholders, of the communities in which we operate and of society as a whole. We believe that it is only possible to create long-term sustainable value for our shareholders if our behaviour, strategies and operations are also creating value for the communities where we operate, for our business partners and, of course, for our consumers. We call this "Creating Shared Value".

The Nestlé Roadmap is intended to create alignment for our people behind a cohesive set of strategic priorities that will accelerate the achievement of our objectives. These objectives demand from our people a blend of long-term inspiration needed to build for the future and short-term entrepreneurial actions, delivering the necessary level of performance.

We are investing for the future to ensure the financial and environmental sustainability of our actions and operations: in capacity, in technologies, in capabilities, in people, in brands, in R&D. Our aim is to meet today's needs without compromising the ability of future generations to meet their needs, and to do so in a way which will ensure profitable growth year after year and a high level of returns for our shareholders and society at large over the long-term.

Four competitive advantages (page 10)

True competitive advantage comes from a combination of hard-to-copy advantages throughout the value-chain, built up over decades. There are inherent links

between great products and strong R&D, between the broadest geographic presence and an entrepreneurial spirit, between great people and strong values.

Four growth drivers (page 12)

These four areas provide particularly exciting prospects for growth. They are applicable across all our categories and around the world. Everything we do is driven by our

Nutrition, Health and Wellness agenda, Good Food, Good Life, which seeks to offer consumers products with the best nutritional profile in their categories.

Four operational pillars (page 14)

Nestlé must excel at each of these four inter-related core competences. They drive product development, renewal and quality, operational performance, interactive relationships with consumers and

other stakeholders and differentiation from our competitors. If we excel in these areas we will be consumer-centric, we will accelerate our performance in all key areas and we will achieve excellence in execution.

Competitive advantages

Unmatched research and development capability

Unmatched geographic presence

People, culture, values and attitude

Unmatched product and brand portfolio



Nutrition, Health and Wellness

Emerging markets and Popularly Positioned Products

Out-of-home consumption

Premiumisation

Consumer communication

Whenever, wherever, however

Operational efficiency

Innovation & renovation

Operational pillars

Growth drivers

Four competitive advantages

Key facts in 2009

Unmatched product and brand portfolio

90% of sales are No. 1 or No. 2 in their market;

28 brands had sales over **CHF 1 bio** and achieved **5.8%** organic growth in 2009;

Focused on 9 categories

Unmatched research and development capability

CHF 2.0 bio spend in R&D;

Over 5200 employees in Food & Beverages R&D;

300 external R&D relationships – open innovations

Unmatched geographic presence

140+ countries; **449** factories globally, with **220** in emerging markets;

540 000 farmers receive assistance from **950** agronomists directly employed by Nestlé;

3 400 000 people earn livelihoods from Nestlé supply chain in emerging markets

People, culture, values and attitude

100+ nationalities working at Nestlé; **Long-term** inspiration, short-term action;

Devolved responsibilities and accountabilities;

42% of local Management Committee members native to country in developing countries

Unmatched product and brand portfolio

Nestlé's product and brand portfolio is characterised by strong market positions, often leadership. It is focused and diverse: focused in that 75% of sales are accounted for by about 30 brands; diverse in that we have strong local brands, in a good spread of categories, cherished by consumers over many generations. Our consumer is local, with local taste preferences, local eating traditions and unique expectations. Our understanding of these differences ensures our global brands are relevant locally to consumers everywhere. *Nescafé* coffee, for example, comes in many variations, adapted to local tastes and preferences.

Unmatched research and development capability

Unseen behind our portfolio of brands is the impetus from R&D that provides fuel for growth through consumer-centric innovation and renovation, through creating product differentiation and by providing variety; through focusing on taste and those consumer benefits most relevant to Nestlé's products and by pushing barriers in nutritional science. But our R&D goes beyond food to encompass new products, packaging, technology and manufacturing, particularly focused on environmental performance.

Unmatched geographic presence

The uniqueness of Nestlé's global presence is linked to our history: soon after Nestlé was founded, it wanted to expand beyond its relatively small domestic Swiss market; today, Nestlé's presence in many markets, including emerging markets, dates back for many generations, over 100 years in some cases.

This has created very close relationships between our brands and their consumers, as well as an in-depth understanding of our consumers and an expertise in related trends. It has also enabled us to develop local management teams,

build local manufacturing and R&D and establish local supply-chain initiatives including long-term relationships with farmers and other suppliers.

People, culture, values and attitude

How can a CHF 100 billion company with 278 000 people really be entrepreneurial? Nestlé achieves this through a decentralised structure with devolved responsibilities and accountabilities that encourages an entrepreneurial spirit within our operations and is balanced by a cohesive strategic direction and tight financial controls. Strong cohesion is also consolidated through our embedded company culture based on sharing our common values. We manage for the longer term, we have patience as new initiatives gestate, we are open to risk, but we are also fast-moving and focused on the competitive challenges in the marketplace. It is these marketplaces, around the globe, that shape our world of food, and it is our people who are closest to these markets who take the key decisions about local innovation, communication and launches.

Nescafé Green Blend soluble coffee

A unique soluble coffee made of green and roasted coffee beans. Manufactured using proprietary technology the product contains up to 3 times more antioxidants than green tea. It can help to reduce oxidative stress in the body.

Pure Life Water
Nestlé Pure Life is the world's number 1 water brand, present in 27 countries. It is positioned as healthy family hydration, offering purity, safety and great taste.



NIDO 1+ Growing up milk
NIDO 1+ is a growing up milk solution with an exclusive product formulation including Nestlé's immune booster Lactobacillus Protectus and key nutrients to support a child's immunity, natural defenses and healthy growth.



KitKat 2 Finger chocolate wafer
Using our extensive R&D capabilities, KitKat now has improved chocolate, wafer and praline elements to ensure consumers will continue to enjoy its perfect lighter taste, at 107 calories.



Four growth drivers

Key facts in 2009

Nutrition, Health and Wellness

CHF 16.8 bio sales of products that went through 60/40+;
CHF 10.0 bio sales of Nestlé Nutrition;
CHF 5.0 bio sales achieved by products with Branded Active Benefits;
10 000 000+ children went through Nestlé programmes on nutrition

Emerging markets and Popularly Positioned Products

3.3 bio increase expected in population in emerging markets (2000–2050);
CHF 34.5 bio sales in emerging markets, with organic growth of **8.6%** in 2009;
12.7% organic growth achieved by PPP initiatives

Out-of-home consumption

Over 40% of food spend in developed world is out-of-home;
CHF 5.8 bio sales of Nestlé Professional

Premiumisation

All product categories have specific premiumisation strategies;
CHF 2.8 bio sales of Nespresso with **27.2%** organic growth;
50% of coffee beans to be sourced through Nespresso AAA Sustainable Quality programme in 2010

Nutrition, Health and Wellness

Nestlé's cornerstone, and its inspiration, is its Nutrition, Health and Wellness agenda, encapsulated in the expression "Good Food, Good Life". It is the non-negotiable starting point for the strategy of each of our food and beverage product groups. We make products which are consumed by millions of consumers on multiple occasions every day, and which meet the realities of consumers, such as their need for pleasure, balance and clear nutritional advice. Our Company's science-based nutritional expertise allows us to leverage our innovation across all our products and all of our brands. This gives us a privileged position to bring improved taste and nutrition, enjoyment and pleasure, to consumers in a meaningful way on multiple occasions throughout every day of their lives. We aim to do this by ensuring that our product launches are nutritionally superior to those of our main competitors and, of course, that they taste better. We call this 60/40+. It is important because, more and more, consumers want not just good taste but good nutrition too. This trend will accelerate, making Nutrition, Health and Wellness a growth driver for years to come. Consumers also seek products that address specific nutritional needs. We address some of those needs through Nestlé Nutrition, focused on infant nutrition, healthcare nutrition, performance nutrition and weight management. Our commitment to healthy nutrition is at the centre of all we do. "Good Food, Good Life" – these words capture the very essence of Nestlé and the promise we commit ourselves to, everyday, everywhere.

Emerging markets and Popularly Positioned Products

Nestlé's presence in emerging markets is both highly developed, with nearly CHF 35 billion of sales, and rich with opportunity as these markets continue to grow dynamically. Our businesses in these markets not only grow faster than the rest of the Group; they also

achieve good EBIT margins. The challenge we have is to accelerate that growth whilst further improving the margins. One way is to continue to deepen our distribution in these markets. Another is through specific business models to address specific consumer segments. For example, there is huge potential amongst emerging consumers: we estimate that over the coming years about one billion consumers will eat branded food products for the first time. To address this opportunity, we have created a low-cost, high-quality business model, with good financial returns, that we call Popularly Positioned Products, which focuses on creating items that are both highly nutritious and affordable on a daily basis for low-income consumers.

Out-of-home consumption

The out-of-home segment is growing faster than overall food consumption in both developed and emerging markets. Nestlé Professional, the largest branded manufacturer in this segment, is intent upon capitalising on the longer-term trends such as increased incomes and more leisure time which will see further growth in this market. Our business has two divisions, Branded Beverages, which is predominantly a system-based business, either front-of-house branded machines or back-of-house dispensers, and Customised Food Solutions, which has specific B-2-B and consumer brands and offers ancillary services for chefs.

Premiumisation

Increasing incomes and leisure time, as well as fast growth of more affluent communities in emerging markets are positive trends for the premium sector. Nespresso is one beneficiary, having created the premium single-serve coffee market, but each of our product groups has its own premium strategy, encompassing brands such as *S. Pellegrino*, *Mövenpick*, *Fancy Feast Appetizers*, *Cailler*, and *Nescafé Alta Rica*. This is an area of the food industry that should combine strong growth with high returns.

Maggi 2-Minute noodles

The combination of science-based nutrition and local taste preferences creates a "Great taste, great health" offering with protein, calcium fortification and a "Masala" taste signature, addressing the needs of the bottom of the pyramid.



The Skinny Cow ice cream

The Skinny Cow: the light-hearted side of nutrition for independent women who still want the freedom to indulge on their way to living and looking better. Portion control sizes for an exceptionally satisfying treat... that happens to be low in fat and calories.



NAN H.A. formula
Nestlé Nutrition has pioneered hypoallergenic infant formula. The protein in these formulas is less likely than normal proteins to trigger an allergic reaction because it has been broken down into smaller "peptides". Clinical studies demonstrate a reduced risk of developing allergies and allergy-related skin problems by up to 50%.

Nespresso Volluto coffee

A pure roast and ground coffee from South America, 100% sourced from the

Nespresso AAA Sustainable Quality programme, Volluto provides a unique sweet and fruity profile.



Four operational pillars

Key facts in 2009

Innovation & renovation (I&R)

7252 products renovated for nutrition or health considerations; **36%** of sales in 2009 accounted for by new products (I&R) launched between 2007 and 2009

Operational efficiency

CHF 1.5 bio of efficiency savings in 2009;
12.2% of onsite energy generated from renewable resources;
59% reduction of water withdrawal per tonne of product since 2000;
48% reduction of GHG emissions per tonne of product since 2000;
59000 tonnes reduction of total packaging material weight;
21.8% reduction of packaging weight (per litre of product) over 5 years – Nestlé Waters

Whenever, wherever, however

Global branded leader in OOH market;
Increased penetration in emerging markets;
Direct store distribution to “Mom & Pop” stores;
Improved customer service levels with major global customers

Consumer communication

10.1% increase in consumer-facing marketing spend;
10000000 1-on-1 interactions on consumer phone-lines

Innovation & renovation... to ensure products are new, or remain relevant to our consumers

Innovation at Nestlé is about taking big steps, about changing the rules of the game in a category or even about creating a new category. True innovation is hard to copy; its reward is profitable growth for decades to come. Renovation is about taking smaller steps, updating, adapting, extending products and brands to enhance their relevance to consumers and sharpen their competitive edge. Seventy years ago, innovation created *Nescafé* coffee; today continual renovation ensures *Nescafé* coffee remains the consumers' favourite, with more than 4000 cups drunk per second.

Operational efficiency... to have the highest quality, the lowest cost, the best customer service

From supplier to customer, Nestlé wants to enhance its sustainability by being better, faster, more efficient, less wasteful, and, as a result, higher performing. We also want to help our suppliers, whether farmers or industrial, to be more efficient. Greater efficiency means we will lose cost and gain competitiveness; we will increase our eco-efficiency and reduce our environmental footprint; it means a safer working place and better job-satisfaction. It means getting things right first time and it leads to higher quality products, improved customer relationships and happier consumers.

Whenever, wherever, however... to have our products always in an arm's reach of our consumers

Simply, we believe that our products and brands should be available whenever, wherever and however consumers want them. At work or play, travelling or at home, in a restaurant or a hospital, in single-serve or a family pack, in the world's largest retailer or in the smallest village, we want our brands to be there, adapted to local habits, preferences and nutritional needs. And we have created specific

business models, distribution channels and product solutions to meet this objective.

Consumer communication... to excite consumers... and to learn from our consumers

Our brands are recognised instantly by consumers around the world, and are brought to life by consumers, with communication key to those relationships. Every year there are more touch-points between brands and their consumers, and these go beyond traditional marketing communication and beyond traditional media. We try to achieve deep levels of consumer understanding so that our brands' behaviour and communication are aligned with consumers' expectations. It is not just about trust and pleasure, or Nutrition, Health and Wellness, but is also about citizenship and responsibility, as perceived by consumers, and about understanding how consumer trends can play into our R&D efforts to ensure future profitable growth.

Consumer communication completes a virtuous circle that starts with hearing from our consumers about what they want; it circles through innovation and renovation that delivers on those desires, and keeps us at the forefront of consumer trends; it moves on to operational efficiency to offer the lowest cost with the highest quality products, delivered whenever, wherever and however the consumer wants them; and the circle is closed at consumer communication, both to inform consumers of what's new, but also to restart the circle by learning from them... before circling back through innovation & renovation and on...

NesVita cereal beverages
NesVita Tradition Selections were launched in China offering women a combination of the goodness of traditional Chinese ingredients with wholegrain cereal beverages.



Milo beverage with Protomalt
Protomalt is a new malt extract with less sugar but more longer-chain carbohydrates that are rapidly absorbed to generate the energy kids need.



Lean Cuisine meals
Lean Cuisine, the North American leader, delivers healthy frozen meals that are calorie reduced and have controlled fat and sodium levels, but do not compromise on taste, helping people manage their weight.

NaturNes baby food
 All *NaturNes* recipes are made with 100% natural ingredients. A revolutionary gentle steam cooking process better preserves nutrients and natural taste.



100% Ingrédients d'origine naturelle • Enrichi en vitamine C • Sans sucres ajoutés

Financial review

Sales

CHF 107.6 billion

Organic growth (OG)

4.1%

Real internal growth (RIG)

1.9%

EBIT Group

CHF 15.7 billion

EBIT margin Group

+30 bps
to 14.6%

EBIT margin Group
in constant currencies

+40 bps

EBIT margin Food and Beverages

+30 bps
to 13.1%

EBIT margin Food and Beverages
in constant currencies

+40 bps

Underlying earnings per share
in constant currencies

+16.3%

Operating cash flow

CHF 17.9 billion

Free cash flow

CHF 12.4 billion

Proposed dividend per share

+14.3%
to CHF 1.60

Principal key figures (illustrative)

Income statement figures translated at weighted average rate;
Balance sheet figures at year-end rate.

In millions of CHF (except per share data)	2008	2009
Sales	109908	107618
EBIT (Group) Earnings Before Interest, Taxes, restructuring and impairments	15676	15699
EBIT (Food and Beverages) Earnings Before Interest, Taxes, restructuring and impairments	13103	13083
Profit for the year attributable to shareholders of the parent Net profit ^(a)	18039	10428
Equity attributable to shareholders of the parent before proposed appropriation of profit of Nestlé S.A.	50774	48915
Market capitalisation, end December	150409	174294

Per share		
Total basic earnings per share ^(a)	CHF 4.87	2.92
Equity attributable to shareholders of the parent before proposed appropriation of profit of Nestlé S.A.	CHF 13.71	13.69

In millions of USD (except per share data)	2008	2009
Sales	101389	99361
EBIT (Group) Earnings Before Interest, Taxes, restructuring and impairments	14461	14495
EBIT (Food and Beverages) Earnings Before Interest, Taxes, restructuring and impairments	12087	12079
Profit for the year attributable to shareholders of the parent Net profit ^(a)	16640	9628
Equity attributable to shareholders of the parent before proposed appropriation of profit of Nestlé S.A.	48095	47449
Market capitalisation, end December	142473	169070

Per share		
Total basic earnings per share ^(a)	USD 4.49	2.70
Equity attributable to shareholders of the parent before proposed appropriation of profit of Nestlé S.A.	USD 12.98	13.28

In millions of EUR (except per share data)	2008	2009
Sales	69288	71259
EBIT (Group) Earnings Before Interest, Taxes, restructuring and impairments	9882	10395
EBIT (Food and Beverages) Earnings Before Interest, Taxes, restructuring and impairments	8260	8663
Profit for the year attributable to shareholders of the parent Net profit ^(a)	11372	6905
Equity attributable to shareholders of the parent before proposed appropriation of profit of Nestlé S.A.	34120	32922
Market capitalisation, end December	101074	117308

Per share		
Total basic earnings per share ^(a)	EUR 3.07	1.93
Equity attributable to shareholders of the parent before proposed appropriation of profit of Nestlé S.A.	EUR 9.21	9.22

(a) 2008 comparatives benefited from the profit on disposal of 24.8% of Alcon outstanding capital.

Overview

This section should be read in connection with the 2009 Consolidated Financial Statements.

The after-shocks of the financial crisis were still reverberating around the world as 2009 started, with projections of sharp declines in economic growth, and of rising unemployment leading to dramatic falls in consumer confidence. Looking forward in January it was therefore difficult to imagine how the year would unfold, both from a macro-context and for Nestlé. We did, however, have some certainties: our commitment to our strategy was unwavering, even if our execution was adaptable; we had a clear set of priorities and a roadmap for where we wanted to get to; we had instilled in the organisation a need for acceleration with discipline in all that we were doing and we had achieved the alignment of our people behind our roadmap, discussed in the previous chapter.

It was also clear that in an environment that was less conducive to growth than the previous few years we would need to step up our efficiency programmes and target our investment to capture growth wherever there was an opportunity to do so. This two-pronged approach was an example of our acceleration, and was particularly important because we were facing continued input cost pressure in an economic environment that was making consumers even more price-conscious.

Looking back at the Group's performance a year later, and analysing a strong, broad-based performance, it is clear that our businesses all over the world rose to their challenges to deliver good results despite the uncertainties that they faced. The alignment that we have achieved internally behind our roadmap is evident in our 2009 results, with a meaningful contribution to our EBIT margin coming from the faster growth of focus areas such as nutrition, health and wellness, premiumisation and Popularly Positioned Products. Our commitment to investing in consumer communication extends beyond just supporting our brands to building a close understanding of our consumers. This means that in 2009 we were attuned to consumer behaviour

changes, whilst our R&D abilities and our presence in almost every distribution channel meant that we were able to respond to those changing patterns of shopping behaviour with new channel-specific product offerings. Equally, our unmatched geographic presence meant that we were able to ride the wave of recovery in emerging markets, whilst benefiting from the resilience of North American consumers. During 2009 we further enhanced our relationships with our consumers and customers, with a continued focus on meeting their specific needs which are very different in different parts of the world, and we continued to improve our capabilities to leverage our scale and global reach by extending our R&D capabilities and presence.

Performance of billionaire brands: 5.8% organic growth

Organic growth



NESPRESSO

Over 20%



PURINA
Beneful

PURINA
DOG
CHOW

GALDERMA

10.1% to 20%

NESCAFÉ



Nestlé
NAN

PURINA

PURINA
ONE



7.6% to 10%



5.1% to 7.5%



Nestlé
Nutrition



3.1% to 5%



0.0% to 3%



Herta



LEANCUISINE

Below 0%

2009 sales

The Group achieved organic growth of 4.1%, with RIG reaching 1.9%. However, the weakness of our basket of currencies against the Swiss franc impacted sales by -5.5%, whilst divestitures were -0.8% and acquisitions 0.1%. Overall, the reported Swiss franc sales were down -2.1% at CHF 107.6 billion.

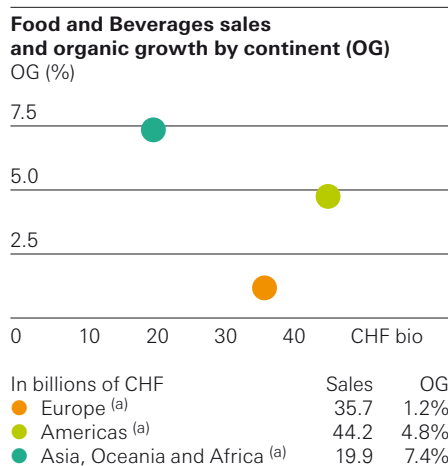
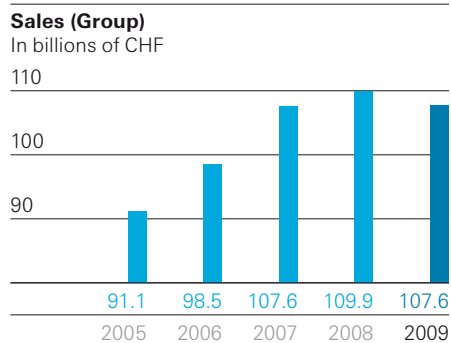
The Food and Beverages business had organic growth of 3.9%, with RIG of 1.6%. Currencies impacted the sales by -5.7%, divestitures, net of acquisitions, by -0.7%. Overall, the sales were down -2.5% at CHF 99.8 billion.

The difference between the Group and Food and Beverages sales numbers is accounted for by our Pharmaceutical activities, being Alcon and our two joint ventures with L'Oréal, Galderma and Laboratoires innéo. This segment achieved 6.7% organic growth.

Profitability

The cost of goods sold fell by 110 basis points, despite about 2.0% of raw and packaging material cost pressure. This reflects a very strong delivery against the cost saving targets for Nestlé Continuous Excellence (NCE), achieved by all the operating segments (the three Zones, Nestlé Waters, Nestlé Nutrition and Other Food and Beverages). NCE also benefited the other lines of the income statement, particularly distribution costs, which fell 40 basis points. This decline in distribution costs also reflects a mix-effect, with some more distribution-intensive businesses growing slower than the Group average.

Marketing and Administrative expenses rose by 110 basis points to 33.7% of sales. Our media spend increased, despite lower media rates in many countries. The administrative costs were impacted by increased pension costs. Our R&D costs increased by 10 basis points to 1.9% of sales due to increased spend in Food and Beverages.



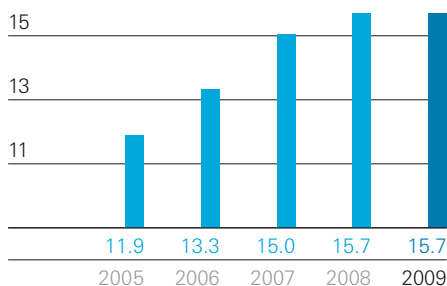
(a) Each region includes sales of the Zones, Nestlé Waters, Nestlé Nutrition, Nestlé Professional, Nespresso and Food and Beverages joint ventures.

The Group's EBIT was CHF 15.7 billion, slightly up from 2008. The EBIT margin increased by 30 basis points to 14.6%, and by 40 basis points in constant currencies. The Food and Beverages business achieved the same improvement in its EBIT margin, to 13.1%, and was also up 40 basis points in constant currencies.

This performance combines a meaningful improvement in the EBIT margin with a significant step-up in both our shorter-term brand-supporting marketing spend and our longer-term brand-building R&D investment. As such, it demonstrates Nestlé's commitment to deliver in the shorter term whilst continuing to invest for the longer term, even in particularly tough economic environments.

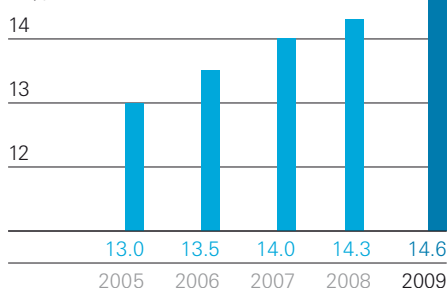
EBIT (Group)

In billions of CHF



EBIT margin (Group)

In %



Operating segments

The organic growth of Nestlé's Food and Beverages business accelerated in the fourth quarter to reach 3.9% for the year. Real internal growth increased to 1.6%. This improvement was evident in each region, with organic growth for the total Food and Beverages business in the Americas of 4.8%, of 1.2% in Europe and of 7.4% in Asia, Oceania and Africa.

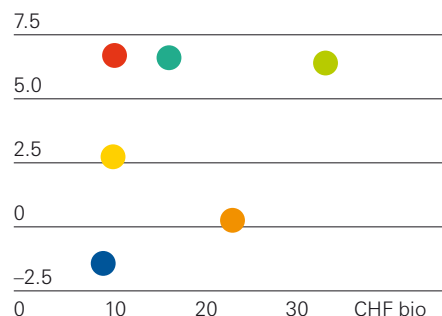
Zone Americas had sales of CHF 32.2 billion. Organic growth was 6.5% and RIG was 2.8%, above the level achieved in 2008. The EBIT margin increased by 20 basis points to 16.8%, reflecting the benefits of the strong growth and mix. In North America, petcare, ambient dairy, soluble coffee and chocolate performed particularly well. Overall, North America achieved higher RIG than in 2008. In Latin America, Brazil achieved double-digit organic growth and there were good contributions also from Mexico and the other regions. By category, there were strong performances from most categories in Latin America, with chocolate, soluble coffee, ambient culinary, petcare, biscuits and powdered and ready-to-drink beverages all achieving double digit organic growth.

Zone Europe had sales of CHF 22.5 billion. Organic growth was 0.3% and RIG was -0.9%. The EBIT margin was unchanged at 12.4%. This was a resilient EBIT margin performance during a year in which marketing spend increased noticeably. Great Britain, France and Switzerland achieved good growth. Amongst the categories there was strong growth in petcare, soluble coffee, powdered beverages and sugar confectionery. Eastern Europe achieved mid-single digit organic growth despite the tough economic environment in many countries. Soluble coffee, ambient culinary and powdered beverages all contributed well.

Zone Asia, Oceania and Africa had sales of CHF 15.9 billion. Organic growth was 6.7% and RIG was 4.6%. The EBIT margin increased by 20 basis

Operating segments: Food and Beverages sales and organic growth (OG)

OG (%)

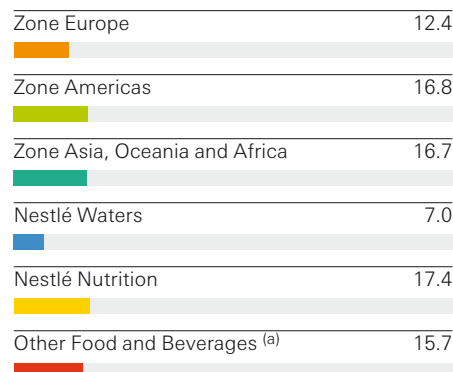


In billions of CHF

Segment	Sales (CHF billions)	OG (%)
Zone Europe	22.5	0.3%
Zone Americas	32.2	6.5%
Zone Asia, Oceania and Africa	15.9	6.7%
Nestlé Waters	9.0	-1.4%
Nestlé Nutrition	10.0	2.8%
Other Food and Beverages (a)	10.2	6.8%

Operating segments: Food and Beverages EBIT margin

In %



(a) Mainly Nestlé Professional, Nespresso and Food and Beverages joint ventures managed on a worldwide basis.

points to 16.7%. The Zone's EBIT margin benefited from the strong growth, particularly in emerging markets, and was achieved whilst increasing our investment in brand support and in distribution in emerging markets. Africa, Greater China, South Asia, the Philippines and Indonesia, in particular, performed well. Australia was the best of the developed markets. Amongst the categories, soluble coffee, ambient culinary, chocolate, petcare, ready-to-drink and powdered beverages had particularly strong growth.

Nestlé Waters had sales of CHF 9.0 billion. Organic growth was -1.4% and RIG was -1.5%. The EBIT margin increased by 100 basis points to 7.0% due to input cost benefits and supply chain optimisation. The division achieved its priorities of increasing margin whilst defending or building shares. The sales performance was similar in Europe and North America, with both regions improving slightly in the final quarter of a year that has seen consumers trade the inarguable health benefits of the category for savings in their household budgets. The emerging market business had a strong year, once again delivering double-digit growth. *Nestlé Pure Life*, the biggest water brand in the world, present in both emerging markets and North America, achieved 14.0% organic growth.

Nestlé Nutrition had sales of CHF 10.0 billion. Organic growth was 2.8% and RIG was 0%. The EBIT margin increased by 10 basis points to 17.4%. Infant Nutrition had a good year generally, achieving double digit growth in many emerging markets. However, its growth was affected by weaker than expected performance in Germany and France. There were very strong contributions to the margin improvement from Healthcare Nutrition, due to the delivery of acquisition synergies, and from Performance Nutrition where successful innovation had a positive impact. The improving growth trend evident earlier in the year across all four

divisions, continued in the final quarter, including for Jenny Craig, the weight management division, which was impacted through the year by lower consumer spend in the USA.

The Other Food & Beverages segment had sales of CHF 10.2 billion. Organic growth was 6.8% and RIG was 3.6%. The EBIT margin increased by 80 basis points to 15.7%, partly due to Nespresso which had another year of dynamic growth. Cereal Partners Worldwide enjoyed mid-single digit growth. Nestlé Professional, our recently formed globally managed business, has been focused on establishing its strategic priorities around branded beverages and customised food solutions. It achieved improving growth momentum through the course of 2009 and improved its EBIT margin.

Pharmaceutical products had sales of CHF 7.8 billion. Organic growth was 6.7% and RIG was 5.9%. The EBIT margin fell by 60 basis points to 33.5%. Alcon and the joint ventures as a whole achieved good growth.

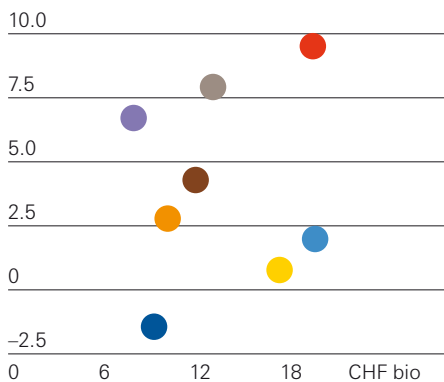
Products

Powdered and liquid beverages had sales of CHF 19.3 billion. Organic growth was 9.5% and RIG was 5.6%. The EBIT margin fell by 40 basis points to 21.7%, due to increased levels of brand investment in soluble coffee and powdered beverages, raw material cost pressure and the investment in the continuing successful roll-out of *Nescafé Dolce Gusto*, now in 24 countries. Soluble coffee achieved good growth in all three zones. It benefited from the continued roll-out of renovated *Nescafé* brands such as *Alta Rica*, innovations such as *Nescafé Green Blend* and initiatives such as PPP in Asia and Latin America, and targeting Hispanic consumers in the USA with *Nescafé Clásico*. Powdered beverage brands such as *Milo* and *Nesquik* also grew well around the world. *Milo* enhanced its favoured position with consumers in Zone AOA whilst *Nesquik* enjoyed a resurgence in Europe following a renovated recipe with an improved nutritional profile and accompanying communication. *Nestea* powder had a strong year, with launches such as *Nestea Litro* in the Philippines. The ready-to-drink business, incorporating those same brands, also performed well with good growth in the USA, Mexico, Brazil and China amongst others.

Milk products and Ice cream had sales of CHF 19.6 billion. Organic growth was 2.0% and RIG was 1.3%. The EBIT margin increased by 50 basis points to 12.0%. There were savings from the lower dairy costs in the milk business. These were reinvested in brand support and promotional activity. The Ice cream business achieved a good improvement in its EBIT margin, with most markets contributing. The challenge for the milk business in 2009 has been to re-engage with emerging market consumers about value following the extreme high raw-material price in 2007 and 2008. The increasing growth momentum through the year suggests that this has been achieved, both through communication and through the continued roll-out of

Products: sales and organic growth (OG)

OG (%)



In billions of CHF

Product Category	Sales	OG
Powdered and liquid beverages	19.3	9.5%
Water	9.0	-1.4%
Milk products and Ice cream	19.6	2.0%
Nutrition	10.0	2.8%
Prepared dishes and cooking aids	17.2	0.8%
Confectionery	11.8	4.3%
PetCare	12.9	7.9%
Pharmaceutical products (a)	7.8	6.7%

(a) Including Alcon discontinued operations.

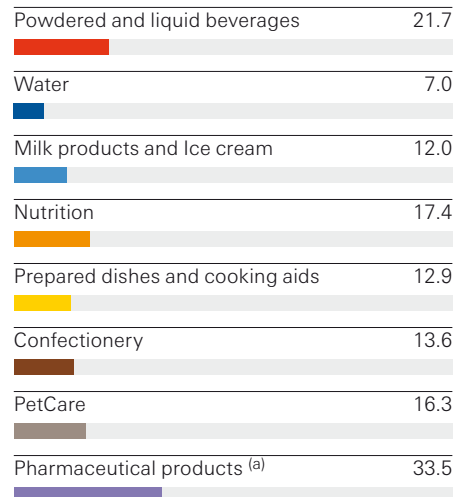
products such as the *Nido* PPP range, which achieved double digit growth, and *Nestlé Idéal*. Growth was also helped by a broad range of innovations, including nutritional milks for more elderly consumers in China. In North America, *Coffee-Mate* continued to contribute strongly. Its international presence is growing well. Ice cream's growth in Europe was impacted by rationalisation of some non-core markets. The North American business extended its leadership position, with accelerated growth compared to 2008. Among successes, were products that offered consumers good taste combined with nutritional advantages, such as *The Skinny Cow*, *Nestlé Extrême All Natural* and *Häagen-Dazs Five*.

Prepared dishes and cooking aids had sales of CHF 17.2 billion. Both the organic growth and the RIG were 0.8%. The EBIT margin increased by 20 basis points to 12.9% despite all the segments increasing their marketing investment. There were particularly good performances from ambient and chilled culinary. The frozen and chilled business serves both the retail and out-of-home markets. Its retail business enjoyed some benefit from consumers eating at home, particularly in the USA, but conversely, the out-of-home business suffered from the same trend. Consumers in the USA favoured the value proposition exemplified by *Stouffer's* family meals and *Hot Pockets*, both of which performed well, over single-serve dishes, such as *Lean Cuisine*. In Europe, Pizza was the most dynamic category. The *Nestlé Toll House* dough business performed well in the USA, and the category enjoyed good growth in Europe. The culinary business, predominantly *Maggi*, enjoyed double digit growth in the Americas and Zone AOA due partly to its PPP range, as well as to nutritional innovation in areas such as noodles. In a highly competitive European environment, volumes improved during the year.

Confectionery had sales of CHF 11.8 billion. Organic growth was

Products: EBIT margin

In %



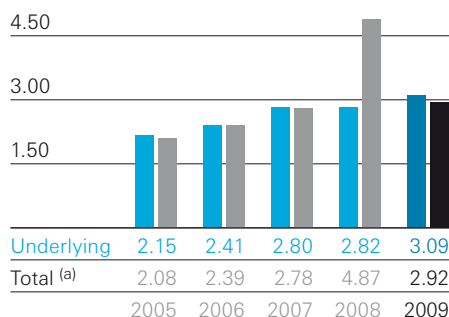
(a) Including Alcon discontinued operations.

4.3% and RIG was –1.0%. The EBIT margin increased by 50 basis points to 13.6%. This increase was due to improved profitability in the USA and a high delivery of cost efficiencies around the world, and was achieved whilst also increasing our brand support. The chocolate business grew dynamically in the Americas and Zone AOA. Great Britain, France and Switzerland were among the better performers in Europe. *KitKat* had another strong year, achieving organic growth of 7.1%. The US business performed well, driven by innovations such as cranberry *Raisinets*. Biscuits had a strong year in its main Zone, the Americas, with double digit growth in Brazil.

PetCare had sales of CHF 12.9 billion. Organic growth was 7.9% and RIG was 3.1%. The EBIT margin increased by 60 basis points to 16.3% due primarily to strong growth and the mix benefit from the faster development of premium and super-premium products. The performance of the PetCare category in 2009 proved its resilient qualities. 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 super-premium *Chef Michael's*, targeted at smaller dogs, achieved encouraging momentum. Two brands, *Beneful* and *ONE*, had sales over CHF 1 billion for the first time in 2009.

Earnings per share

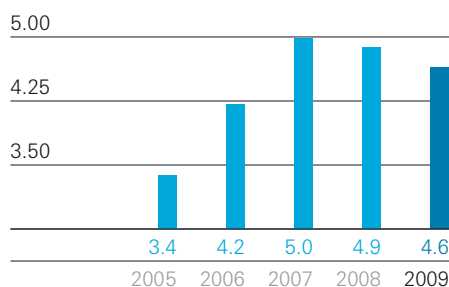
In CHF



(a) 2008 comparatives benefited from the profit on disposal of 24.8% of Alcon outstanding capital.

Capital expenditure

In billions of CHF



Net profit and earnings per share

Other income in 2008 included the CHF 9.2 billion profit on the disposal of 24.8% of Alcon, and it is therefore significantly lower in 2009. Other expenses also fell, mainly as a consequence of lower restructuring costs in 2009 and the one-off goodwill impairment on Nestlé Waters Home and Office Delivery business in Europe in 2008.

Net Financing cost decreased by CHF 530 million to CHF 615 million mainly as a result of lower interest rates in 2009 and a one-off charge related to fair value losses in trading securities recognised in 2008.

The Group's effective tax rate increased to 23.4% from 17.3% in 2008, when it was reduced by the tax free gain on the Alcon disposal. The underlying tax rate fell from slightly above 27% to 23%, mainly as a result of market mix.

The share of results of associates, mainly L'Oréal, fell from CHF 1.0 billion to CHF 0.8 billion.

The net profit decreased by CHF 7.6 billion in 2009 to CHF 10.4 billion. It is not directly comparable to the 2008 net profit because of the CHF 9.2 billion profit on the disposal of 24.8% of Alcon recognised in 2008. For the same reason, the 2009 earnings per share decreased from CHF 4.87 to CHF 2.92. The underlying earnings per share rose 9.6% from CHF 2.82 to CHF 3.09 and better reflects the performance achieved in 2009.

Cash flow

The Group's operating cash flow increased by 67%, or CHF 7.2 billion, to CHF 17.9 billion. This was achieved despite the impact of the decline in value of most currencies against the Swiss Franc. The improvements achieved in all key elements of working capital reflect an outstanding operational and financial performance, characterised by a high level of discipline and a particular focus on operational efficiencies. There were also some negative events that have reversed in 2009, particularly the impacts in 2008 of higher raw material costs and of our decision to increase our inventories of certain raw materials. The free cash flow increased by 145.8%, or CHF 7.3 billion, from CHF 5.0 billion to CHF 12.4 billion. The Group's level of capital investment was CHF 4.6 billion, representing 4.3% of sales.

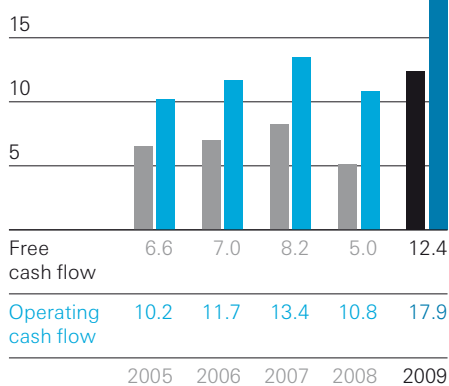
There were no major movements in the Group's investing activities in 2009. In 2008 the Group received CHF 10.7 billion from the sale of 24.8% of Alcon.

In respect of shareholder returns, the Group's financing activities comprise the Share Buy-Back Programme, in which CHF 7.0 billion was invested in 2009 and prior-year dividends which increased to CHF 5.0 billion (2008: CHF 4.6 billion).

The Group's net financial debt, as reported, increased from CHF 14.6 billion at the end of 2008 to CHF 18.1 billion at the end of 2009, although the major part of the increase is accounted for by Alcon, with CHF 2.9 billion of net cash being reported in Assets held for sale as required by IFRS accounting rules.

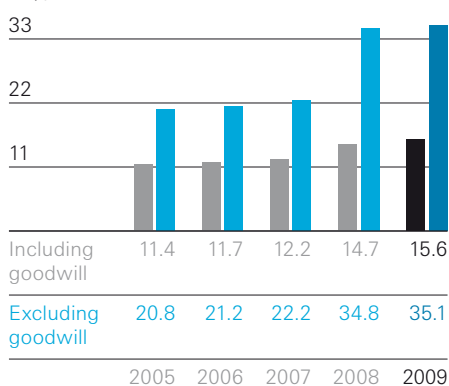
Cash flow

In billions of CHF



Return on invested capital (a)

In %



(a) ROIC calculation was amended in 2009 following changes in segment reporting. 2008 figures have been restated accordingly.

Financial position

The average trade net working capital improved 30 basis points to 10.6% of sales. The evolution is mainly due to the decrease in inventories as explained above in the cash flow review.

Nestlé's strong financial position has enabled the Board to propose a meaningful increase in the dividend per share in both 2008 and 2009, as well as to announce both an acceleration of the current CHF 25 billion Share Buy-Back Programme and a further CHF 10 billion Programme to be completed by the end of 2011. There were no significant acquisitions in 2009. In early 2010, however, we announced both the disposal of our remaining holding in Alcon for about USD 28 billion and the acquisition of Kraft's Pizza business for USD 3.7 billion.

Return on invested capital

The Group's return on invested capital increased by 90 basis points to 15.6% including goodwill, and by 30 basis points to 35.1% excluding goodwill. In line with the changes made in the segment reporting, the ROIC calculation has been amended and the 2008 figures have been restated on a comparable basis.

Principal risks and uncertainties

Group Risk Management

The Nestlé Group Enterprise Risk Management Framework (ERM) is designed to identify, communicate, and mitigate risks in order to minimise their potential impact on the Group. A “Top-Down” assessment occurs annually and focuses on the Group’s global risk portfolio. It involves the aggregation of individual “Top-Down” assessments of Zones, Globally Managed Businesses, and selected markets. It is intended to provide a high-level mapping of Group risk and allow Group Management to make sound decisions on the future operations of the Company. Risk assessments are the responsibility of line management; this applies equally to a business, a market or a function, and any mitigating actions identified in the assessments are the responsibility of the individual line management. If a Group-level intervention is required, responsibility for mitigating actions will generally be determined by the Executive Board. The results of the Group ERM are presented to the Executive Board and Audit Committee annually. In the case of an individual risk assessment identifying a risk which requires action at Group level, an ad hoc presentation is made to the Executive Board.

Factors affecting results

Nestlé’s reputation is based on consumers’ trust. Any major event triggered by a serious food safety or other compliance issue could potentially impact upon Nestlé’s reputation or brand image. The Group has all required policies, processes and controls in place to prevent against such an event.

Nestlé is dependant on sustainable supply of a number of raw materials, packaging materials and services/ utilities. Any major event triggered by natural hazards (drought, flood, etc.), change in macro-economic environment (shift in production patterns, “biofuels”, excessive trading) resulting in input price volatilities and/ or capacity constraints could

potentially impact upon Nestlé’s financial results. The Group has necessary policies, processes and controls in place to mitigate against such an event.

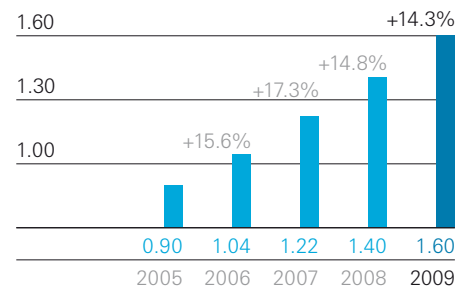
The Group’s liquidities/liabilities (currency, interest rate, derivatives, and/or hedging, pension funding obligations, commercial credit) could potentially be impacted by any major event in the financial markets. Nestlé has necessary policies, processes and controls in place to mitigate against such an event.

Nestlé is dependent on sustainable supply of finished goods for all product categories. A major event in one of Nestlé’s key plants, at a key supplier, contract manufacturers, co-packers, and/or key warehouse facility could potentially lead to a supply disruption and impact upon Nestlé’s financial results. Necessary business continuity plans are established and regularly maintained in order to mitigate against such an event.

Nestlé has factories in 83 different countries and its products are sold in more than 140 countries in the world. Security, political stability, legal & regulatory, macroeconomic, foreign trade, labour, and/or infrastructure risk(s) could potentially impact upon Nestlé’s ability to do business in a country or region. Events such as a human pandemic could potentially also impact upon the Group’s ability to operate. Any of these events could potentially lead to a supply disruption and impact upon Nestlé’s financial results. Regular monitoring and ad hoc business continuity plans are established in order to mitigate against such an event. The Group’s wide geographical and product category spreads represent a tremendous natural hedge.

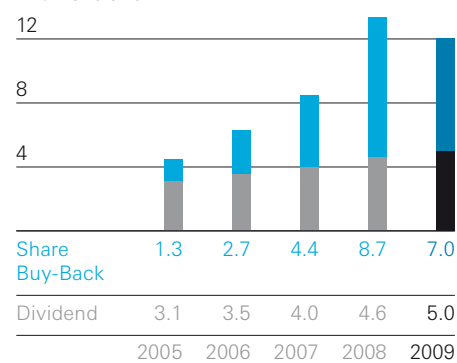
Dividend per share

In CHF



Total cash returned to shareholders

In billions of CHF



The Nestlé share

The Nestlé share price recovered well after its weakness in 2008. Having ended 2008 at CHF 41.60, it ended 2009 at CHF 50.20. This represents a +2.03% out-performance against the Swiss Market Index and a -8.95% under-performance against the Dow Jones Stoxx Food and Beverage Index.

Dividend

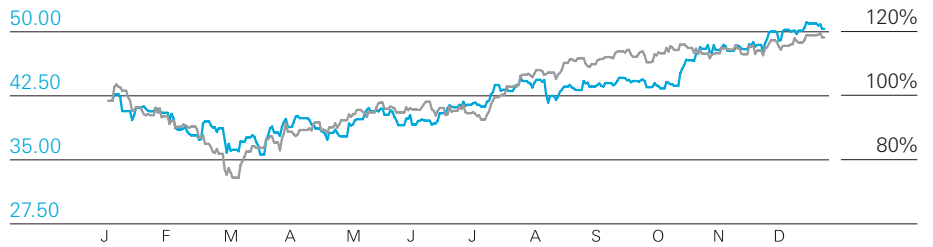
The Board is proposing to shareholders an increase in the dividend of 14.3% from CHF 1.40 to CHF 1.60 per share.

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.

Evolution of the Nestlé registered share in 2009

In CHF



- Registered share
- Nestlé relative to Swiss Market Index

Management responsibilities: Food and Beverages

In millions of CHF	2007 ^(a)	2008	2009		RIG (%)	OG (%)
Zone Europe						
Western	24476	20854	18941		84.1%	-0.4
Eastern and Central	3988	4244	3587		15.9%	-3.6
Powdered and liquid beverages	6168	5362	5072		22.5%	2.8
Milk products and Ice cream	3556	3147	2708		12.0%	-6.4
Prepared dishes and cooking aids	9254	7243	6288		27.9%	-0.6
Confectionery	5593	5416	4686		20.8%	-4.3
PetCare	3893	3930	3774		16.8%	2.1
Total sales	28464	25098	22528		100.0%	-0.9
EBIT	3412	3101	2802		12.4%	
Capital expenditure	932	885	759		3.4%	

Zone Americas

USA and Canada	20824	19106	19946		62.0%	2.8
Latin America and Caribbean	12093	12251	12222		38.0%	3.0
Powdered and liquid beverages	4007	3746	3830		11.9%	5.1
Milk products and Ice cream	10159	9884	9698		30.2%	2.7
Prepared dishes and cooking aids	6534	5291	5414		16.8%	1.7
Confectionery	4678	4632	4831		15.0%	1.2
PetCare	7539	7804	8395		26.1%	3.8
Total sales	32917	31357	32168		100.0%	2.8
EBIT	5359	5206	5402		16.8%	
Capital expenditure	1371	1341	1092		3.4%	

In millions of CHF	2007 ^(a)	2008	2009		RIG (%)	OG (%)
Zone Asia, Oceania and Africa						
Oceania and Japan	4571	4083	4085		25.7%	0.1
Other Asian markets	6983	6643	6886		43.3%	7.9
Africa and Middle East	5002	4981	4920		31.0%	3.9
Powdered and liquid beverages	5685	5331	5576		35.1%	5.2
Milk products and Ice cream	5572	5228	5013		31.5%	3.4
Prepared dishes and cooking aids	2714	2565	2680		16.9%	7.8
Confectionery	1886	1850	1852		11.7%	3.7
PetCare	699	733	770		4.8%	1.0
Total sales	16556	15707	15891		100.0%	4.6
EBIT	2697	2590	2658		16.7%	
Capital expenditure	675	656	761		4.8%	

Nestlé Waters

Europe	4551	4261	3765		41.6%	-3.1
USA and Canada	5118	4562	4442		49.0%	-2.9
Other regions	735	766	854		9.4%	11.0
Total sales	10404	9589	9061		100.0%	-1.5
EBIT	851	573	632		7.0%	
Capital expenditure	1043	768	493		5.4%	

Nestlé Nutrition

Europe	2807	2986	2746		27.6%	-1.3
Americas	3897	5475	5218		52.4%	-1.6
Asia, Oceania and Africa	1730	1914	1999		20.0%	6.2
Total sales	8434	10375	9963		100.0%	0.0
EBIT	1447	1797	1733		17.4%	
Capital expenditure	271	355	579		5.8%	

Other Food and Beverages ^(b)

Total sales	3458	10238	10187		100.0%	3.6
EBIT	548	1522	1603		15.7%	
Capital expenditure	269	348	362		3.6%	

(a) Nestlé Professional is included in the Zones.

(b) Mainly Nestlé Professional, Nespresso and Food and Beverages joint ventures managed on a worldwide basis.

Leading positions in dynamic categories

In millions of CHF	2007	2008	2009		RIG (%)	OG (%)	
Powdered and liquid beverages							
Soluble coffee	10371	10688	10564		54.8%	3.4	7.8
Other	7465	8191	8707		45.2%	8.5	11.8
Total sales	17836	18879	19271		100.0%	5.6	9.5
EBIT	4002	4176	4185		21.7%		

Water ^(a)

Total sales	10409	9595	9066		100.0%	-1.5	-1.4
EBIT	852	575	633		7.0%		

Milk products and Ice cream

Milk products	11742	12189	11662		59.6%	3.6	3.3
Ice cream	7521	6969	6573		33.6%	-2.6	-1.2
Other	1405	1398	1322		6.8%	1.8	6.0
Total sales	20668	20556	19557		100.0%	1.3	2.0
EBIT	2294	2357	2345		12.0%		

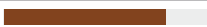



Nutrition ^(a)

Total sales	8438	10380	9965		100.0%	0.0	2.8
EBIT	1450	1798	1734		17.4%		

Prepared dishes and cooking aids

Frozen and chilled	10705	10247	9739		56.6%	-0.2	-1.8
Culinary and other	7799	7870	7466		43.4%	2.2	4.2
Total sales	18504	18117	17205		100.0%	0.8	0.8
EBIT	2414	2302	2226		12.9%		

In millions of CHF

	2007	2008	2009		RIG (%)	OG (%)	
Confectionery							
Chocolate	9 754	9 802	9 369		79.4%	-1.4	3.9
Sugar confectionery	1 207	1 145	1 109		9.4%	-1.1	4.1
Biscuits	1 287	1 423	1 318		11.2%	2.2	7.3
Total sales	12 248	12 370	11 796		100.0%	-1.0	4.3
EBIT	1 426	1 619	1 599		13.6%		

PetCare

Total sales	12 130	12 467	12 938		100.0%	3.1	7.9
EBIT	1 876	1 962	2 108		16.3%		

Alcon

Total sales	6 679	6 822	7 039		100.0%	6.1	6.4
EBIT	2 326	2 436	2 477		35.2%		

Health and beauty joint ventures

Nestlé's share of sales	640	722	781				
Nestlé's share of EBIT	109	137	139				

Associated companies

Nestlé's share of results	1 280	1 005	800				
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(a) 2008 comparatives have been restated following first application of IFRS 8. Moreover, the water products are now disclosed separately from Powdered and liquid beverages, and the nutrition products from Milk products and Ice cream. The figures between Operating segments and Products are slightly different due to the fact that some water and nutrition products are also sold by Operating segments other than Nestlé Waters and Nestlé Nutrition.

Geographic data: people, factories and sales

Employees by geographic area

	2008	2009
Europe (a)	34.0%	33.9%
Americas	38.7%	38.0%
Asia, Oceania and Africa	27.3%	28.1%
Total		

Employees by activity

In thousands

	2008	2009
Factories	147	149
Administration and sales	136	129
Total	283	278

Factories by geographic area

Nestlé has 449 factories in 83 countries around the world. This is a reduction from 456 in 2008. During the year, 10 factories were acquired or opened and 16 were closed or divested. Furthermore, the reorganisation of our factories resulted in a reduction of 1 factory due to satellisation.

	2008	2009
Europe	165	159
Americas	168	167
Asia, Oceania and Africa	123	123
Total	456	449

Sales by geographic area: total Food and Beverages

In millions of CHF

	2008	2009
Europe	39 127	35 690
Americas	43 781	44 226
Asia, Oceania, Africa	19 456	19 882
Total	102 364	99 798

Sales

In millions of CHF

By principal markets	Differences 2009/2008		2009
	in CHF	in local currency	
USA	+2.6%	+2.7%	30 698
France	-5.9%	-1.1%	8 055
Germany	-10.8%	-6.4%	5 805
Brazil	+2.1%	+10.5%	5 787
Italy	-12.5%	-8.1%	3 886
United Kingdom	-9.9%	+6.0%	3 730
Mexico	-12.6%	+6.2%	3 121
Spain	-8.2%	-3.6%	2 789
Greater China Region	+12.7%	+10.7%	2 514
Japan	+8.4%	0.0%	2 465
Switzerland	-1.0%	-1.0%	2 046
Rest of the World	-2.0%	(b)	36 722

By continent

Europe	-8.4%	(b)	37 801
USA + Canada	+2.1%	(b)	33 146
Latin America + Caribbean	-0.4%	(b)	15 462
Asia	+3.8%	(b)	15 262
Africa	+4.0%	(b)	3 111
Oceania	-4.1%	(b)	2 836
Total Group	-2.1%	(b)	107 618

(a) 9 086 employees in Switzerland in 2009.

(b) Not applicable.

Europe

Austria	1	●■	■	■	■	■	■	■	■
Belgium	3	●■	■	■	■	■	■	■	■
Bulgaria	2	■	■	■	■	■	■	■	■
Czech Republic	3	■	■	■	■	■	■	■	■
Finland	2	■	■	■	■	■	■	■	■
France	30	●■	■	■	■	■	■	■	■
Germany	22	●■	■	■	■	■	■	■	■
Greece	4	●■	■	■	■	■	■	■	■
Hungary	3	●■	■	■	■	■	■	■	■
Italy	15	●■	■	■	■	■	■	■	■
Netherlands	2	■	■	■	■	■	■	■	■
Poland	8	●■	■	■	■	■	■	■	■
Portugal	4	●■	■	■	■	■	■	■	■
Republic of Ireland	1	■	■	■	■	■	■	■	■
Republic of Serbia	1	■	■	■	■	■	■	■	■
Romania	1	●■	■	■	■	■	■	■	■
Russia	11	●■	■	■	■	■	■	■	■
Slovak Republic	1	■	■	■	■	■	■	■	■
Spain	13	●■	■	■	■	■	■	■	■
Sweden	2	●■	■	■	■	■	■	■	■
Switzerland	12	●■	■	■	■	■	■	■	■
Turkey	4	●■	■	■	■	■	■	■	■
Ukraine	2	●■	■	■	■	■	■	■	■
United Kingdom	12	●■	■	■	■	■	■	■	■

Americas

Argentina	8	●■	■	■	■	■	■	■	■
Brazil	23	●■	■	■	■	■	■	■	■
Canada	10	●■	■	■	■	■	■	■	■
Chile	6	●■	■	■	■	■	■	■	■
Colombia	4	●■	■	■	■	■	■	■	■
Costa Rica	1	■	■	■	■	■	■	■	■
Cuba	3	●■	■	■	■	■	■	■	■
Dominican Republic	2	■	■	■	■	■	■	■	■
Ecuador	2	●■	■	■	■	■	■	■	■
Guatemala	1	■	■	■	■	■	■	■	■
Jamaica	1	●■	■	■	■	■	■	■	■
Mexico	13	●■	■	■	■	■	■	■	■
Nicaragua	1	■	■	■	■	■	■	■	■
Panama	1	■	■	■	■	■	■	■	■
Peru	1	●■	■	■	■	■	■	■	■
Trinidad and Tobago	1	●■	■	■	■	■	■	■	■
United States	81	●■	■	■	■	■	■	■	■
Uruguay	1	●■	■	■	■	■	■	■	■
Venezuela	7	●■	■	■	■	■	■	■	■

Asia, Oceania and Africa

Algeria	1	●■	■	■	■	■	■	■	■
Australia	11	●■	■	■	■	■	■	■	■
Bahrain	1	●■	■	■	■	■	■	■	■
Bangladesh	1	●■	■	■	■	■	■	■	■
Cameroon	1	■	■	■	■	■	■	■	■
Côte d'Ivoire	2	●■	■	■	■	■	■	■	■
Egypt	3	●■	■	■	■	■	■	■	■
Ghana	1	●■	■	■	■	■	■	■	■
Greater China Region	18	●■	■	■	■	■	■	■	■
Guinea	1	■	■	■	■	■	■	■	■
India	6	●■	■	■	■	■	■	■	■
Indonesia	3	●■	■	■	■	■	■	■	■
Iran	2	●■	■	■	■	■	■	■	■
Israel	9	●■	■	■	■	■	■	■	■
Japan	3	●■	■	■	■	■	■	■	■
Jordan	1	●■	■	■	■	■	■	■	■
Kenya	1	●■	■	■	■	■	■	■	■
Lebanon	1	●■	■	■	■	■	■	■	■
Malaysia	6	●■	■	■	■	■	■	■	■
Morocco	1	●■	■	■	■	■	■	■	■
New Caledonia	1	■	■	■	■	■	■	■	■
New Zealand	2	■	■	■	■	■	■	■	■
Nigeria	1	●■	■	■	■	■	■	■	■
Pakistan	4	●■	■	■	■	■	■	■	■
Papua New Guinea	1	●■	■	■	■	■	■	■	■
Philippines	4	●■	■	■	■	■	■	■	■
Qatar	1	●■	■	■	■	■	■	■	■
Republic of Korea	2	●■	■	■	■	■	■	■	■
Saudi Arabia	7	●■	■	■	■	■	■	■	■
Senegal	1	■	■	■	■	■	■	■	■
Singapore	1	●■	■	■	■	■	■	■	■
South Africa	9	●■	■	■	■	■	■	■	■
Sri Lanka	1	●■	■	■	■	■	■	■	■
Syria	1	●■	■	■	■	■	■	■	■
Thailand	6	●■	■	■	■	■	■	■	■
Tunisia	1	■	■	■	■	■	■	■	■
United Arab Emirates	2	●■	■	■	■	■	■	■	■
Uzbekistan	1	●■	■	■	■	■	■	■	■
Vietnam	3	●■	■	■	■	■	■	■	■
Zimbabwe	1	●■	■	■	■	■	■	■	■

The figure in black after the country denotes the number of factories.

● Local production (may represent production in several factories).

■ Imports (may, in a few particular cases, represent purchases from third parties in the market concerned).

- Beverages
- Milk products, Nutrition and Ice cream
- Prepared dishes and cooking aids
- Confectionery
- PetCare
- Pharmaceutical products

Corporate Governance and Compliance

Corporate Governance

Nestlé pursues a strategy of best practice of corporate governance. In 2008, the Annual General Meeting approved a complete revision of the Company's Articles of Association. 99% of the votes represented at the meeting were cast in favour of the revision. The new Articles have modernised our governance in the best interests of our Company and its stakeholders to aim for long-term, sustainable value creation, a statement which was expressly added to the new Articles.

While the new Articles have addressed many governance issues, compensation remains the subject of much political debate. In 2008, we produced for the first time a special annual compensation report describing our compensation system and the compensation granted. The report was approved by the shareholders as part of the approval of the annual financial statements. Since then, we kept in close contact with many of our shareholders and asked for their opinion regarding this issue. As a result, at the 2009 Annual General Meeting, we submitted our compensation report for the first time to a separate advisory vote of the shareholders, as per the alternative procedure foreseen in the Swiss Code of Best Practice for Corporate Governance. In 2010 we will again submit the report to a separate advisory vote as an interim solution until the new Swiss law is clarified on this topic.

We recognize that in turbulent times the corporate governance framework is of particular importance and take an active role in its development based on a continuous engagement with our investors and other stakeholders. In that spirit we undertook in 2009 another shareholder survey, this time among the shareholders attending our last shareholders' meeting, to receive their input and priorities regarding this event. The results (see www.nestle.com) confirmed support for our format and suggested topics to be covered in future meetings.

Compliance

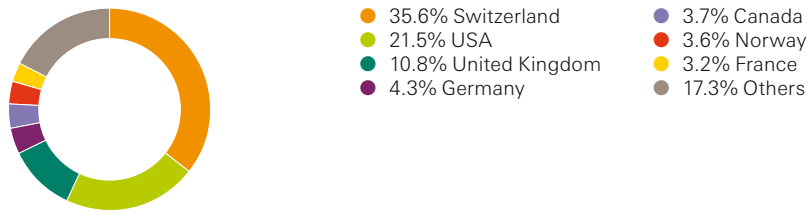
Compliance builds trust. It forms the base of how we do business and is the first layer of how we create shared value.

While responsibility for compliance is assigned to the markets as per the Custodian Concept, a small corporate Compliance function and a cross-functional Compliance Committee define the framework, facilitate the coordination between the various relevant support functions and provide guidance and best practices. Through the Compliance Committee and the Corporate Compliance Programme we build awareness and ensure a coordinated, holistic approach to compliance and risk management.

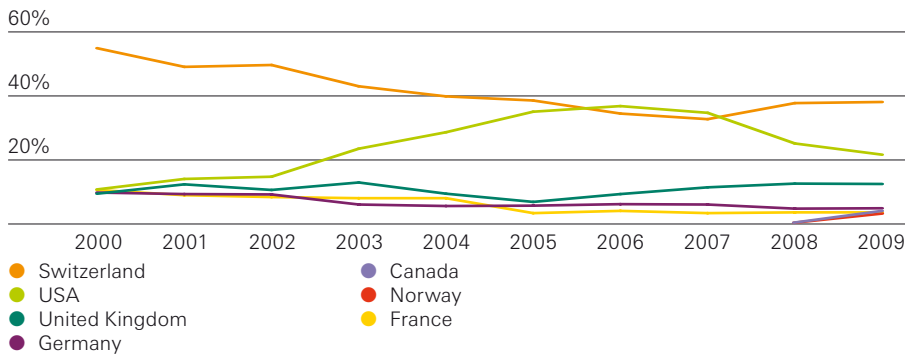
The implementation of the values enshrined in the Corporate Business Principles, the Nestlé Management and Leadership Principles and the Code of Business Conduct is the cornerstone of the Corporate Compliance Programme. In 2009 we focussed on the implementation of our Code of Business Conduct including a compliance e-learning tool and of our Supplier Code of Conduct. An anti-trust learning tool initially implemented in Zone Europe was launched across all Zones in locally adapted versions. The addition of a new integrity module to our CARE programme (Compliance Assessment of Human Resources, Safety & Health, Environment and Business Integrity, our audit

programme relating to the Corporate Business Principles using independent auditors), and the creation of a fraud database strengthened our audit efforts. Our anti-bribery programme and our internal complaints management were other focus areas. An internal Data Protection Office was registered with the authorities, and the annual self-assessment of the Group's internal control system and the annual Board risk assessment were performed.

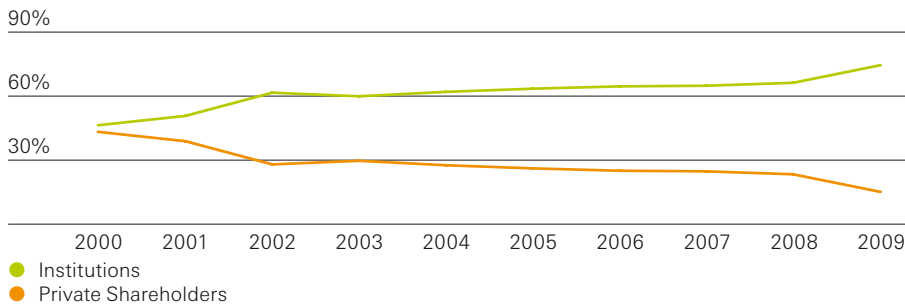
Shareholders by geography ^(a)



Distribution of Share Capital by geography ^(a)



Share Capital by Investor Type ^(a)



(a) Percentage derived from total number of registered shares. Registered shares represent 61.9% of the total share capital. Statistics are rounded, as at 31.12.2009.

Shareholder information

Stock exchange listing

At 31 December 2009, Nestlé S.A. shares were listed on the SIX Swiss Exchange (ISIN code: CH0038863350). American Depositary Receipts (ADRs) (ISIN code: US6410694060) representing Nestlé S.A. shares are offered in the USA by Citibank.

Registered Offices

Nestlé S.A.
Avenue Nestlé 55, CH-1800 Vevey (Switzerland)
tel.: +41 (0)21 924 21 11

Nestlé S.A. (Share Transfer Office)
Zugerstrasse 8, CH-6330 Cham (Switzerland)
tel.: +41 (0)41 785 20 20

Further information

To order additional copies of this document, please go to www.nestle.com/Media_Center/order.

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e-mail: ir@nestle.com

The Nestlé Annual Report, the Financial Statements and the Corporate Governance Report are available on-line as a PDF file in English, French and German. The consolidated income statement, balance sheet and cash flow statement are also available as Excel files.

As to information concerning the share register (registrations, transfers, address changes, dividends, etc.), please contact:

Nestlé S.A. (Share Transfer Office)
Zugerstrasse 8, CH-6330 Cham (Switzerland)
tel.: +41 (0)41 785 20 20
fax: +41 (0)41 785 20 24
e-mail: shareregister@nestle.com

The Company offers the possibility of depositing, free of charge, Nestlé S.A. shares traded on the SIX Swiss Exchange.

Nestlé URL: www.nestle.com

Important dates

15 April 2010
143rd Annual General Meeting, "Palais de Beaulieu", Lausanne

16 April 2010
Last trading day with entitlement to dividend

19 April 2010
Ex dividend date

22 April 2010
Payment of the dividend

22 April 2010
Announcement of first quarter 2010 sales figures

11 August 2010
Publication of the Half-yearly Report January/June 2010

22 October 2010
Announcement of nine months 2010 sales figures

17 February 2011
2010 Full Year Results; press conference

14 April 2011
144th Annual General Meeting, "Palais de Beaulieu", Lausanne

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(Switzerland)

The Annual Report 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.

In case of doubt or differences of interpretation, the English version shall prevail over the French and German text.

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