



**Luis Cantarell**

Zone Europe – NECIC Meeting  
15<sup>th</sup> September 2006



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NECIC September 2006

## Group / Zone Europe - Performance 2006

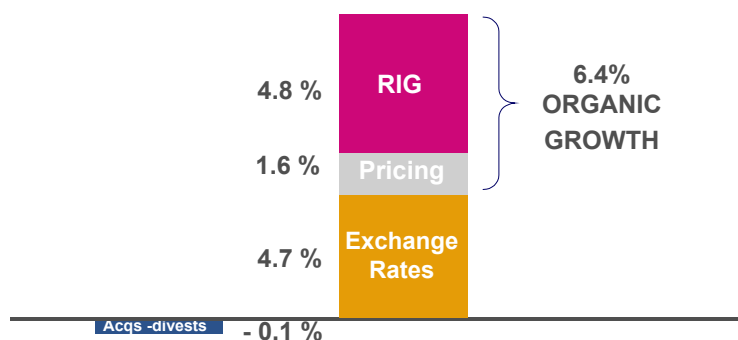
- **Results end June 2006**
- **Outlook end 2006**

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- Total sales growth 11% to CHF 47.1 billion
- Strong organic growth at 6.4%
- Food and Beverage delivers 6% organic growth
- EBIT increases 14.5% to CHF 6.1 billion; + CHF 768 million
- EBIT margin up to 12.8%
- Net profit increases 11.4% to CHF 4.15 billion
- Working capital improves by 40 bps to 9% of sales

Sales improved by 11% to CHF 47.1 billion

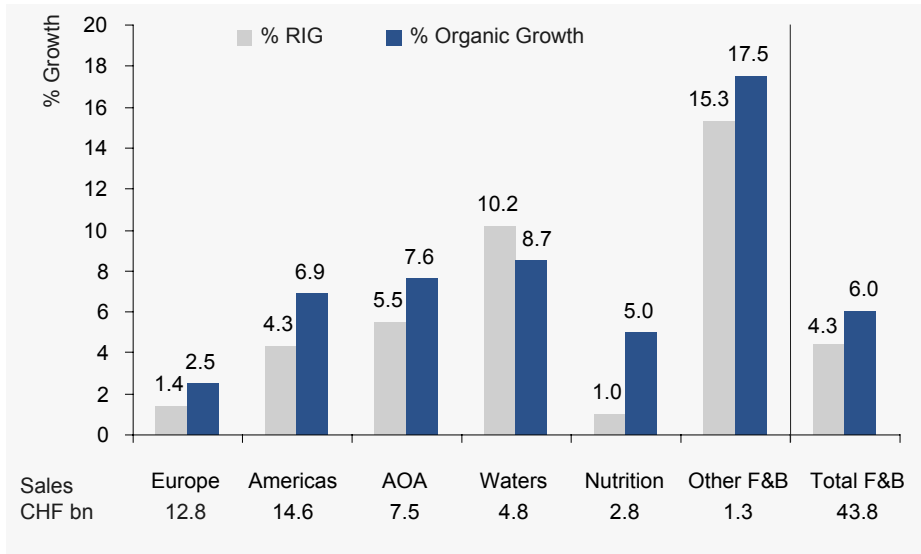


Food and Beverage achieved 6.0% OG and 4.3% RIG

Primary reporting: above market growth



Group

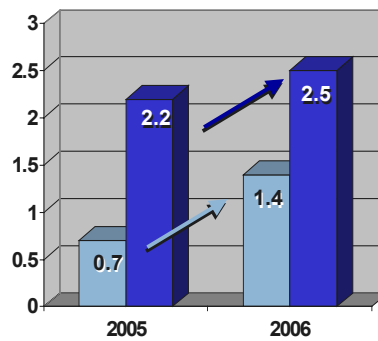
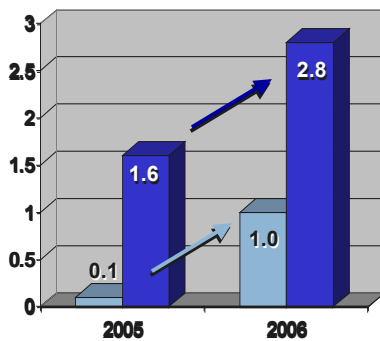


ZEUR - Accelerated Growth in 1st Half



End March

End June



Real Internal Growth  
Organic Growth

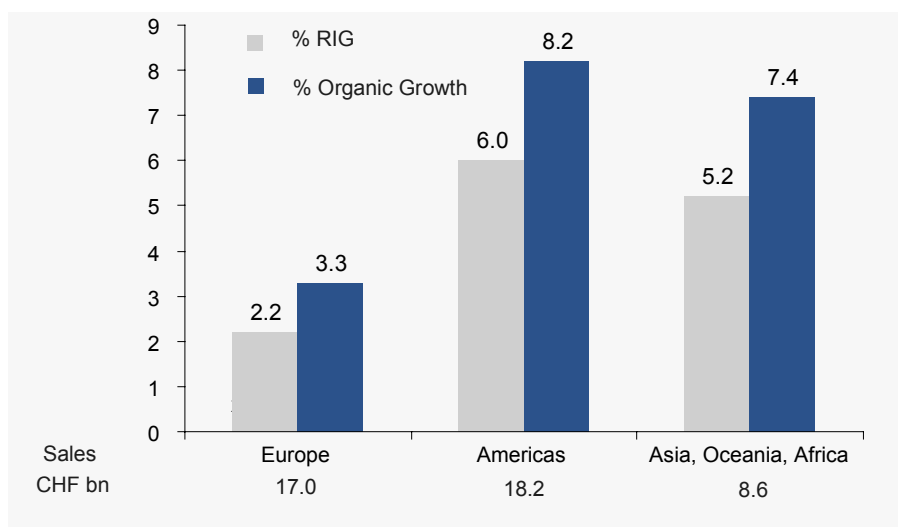
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Nestlé's Zones do not give an accurate picture of the geographic sales performance of Nestlé's Food and Beverage business

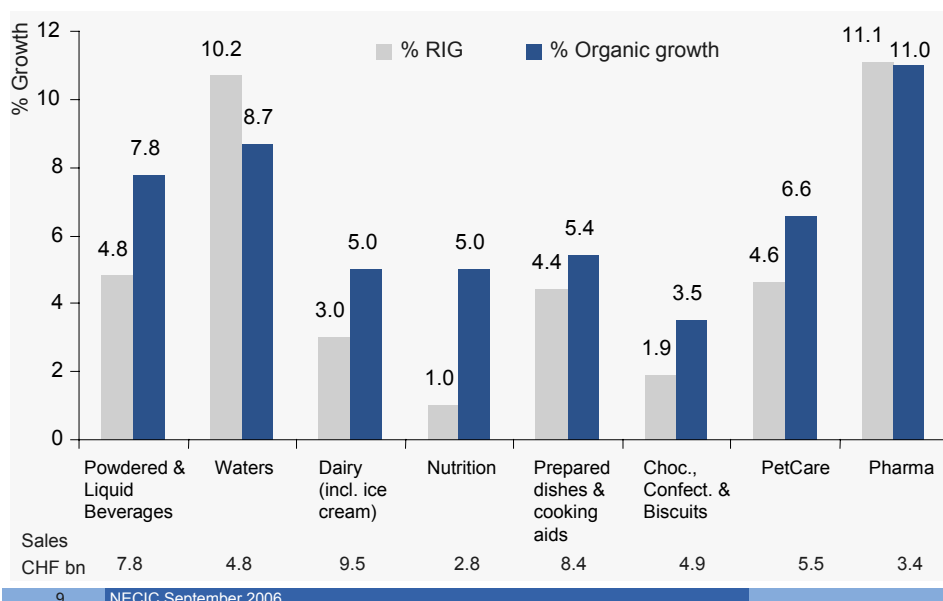
Because:

- Zone Europe represents 76% of Nestlé's F&B sales in Europe
- Zone Americas represents 80% of Nestlé's F&B sales in the Americas
- Zone AOA represents 87% of Nestlé's F&B sales in Asia, Oceania and Africa

Group



## Group - Growth by Product Groups in 1st Half



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## Group - EBIT Margin improves by 40 bps

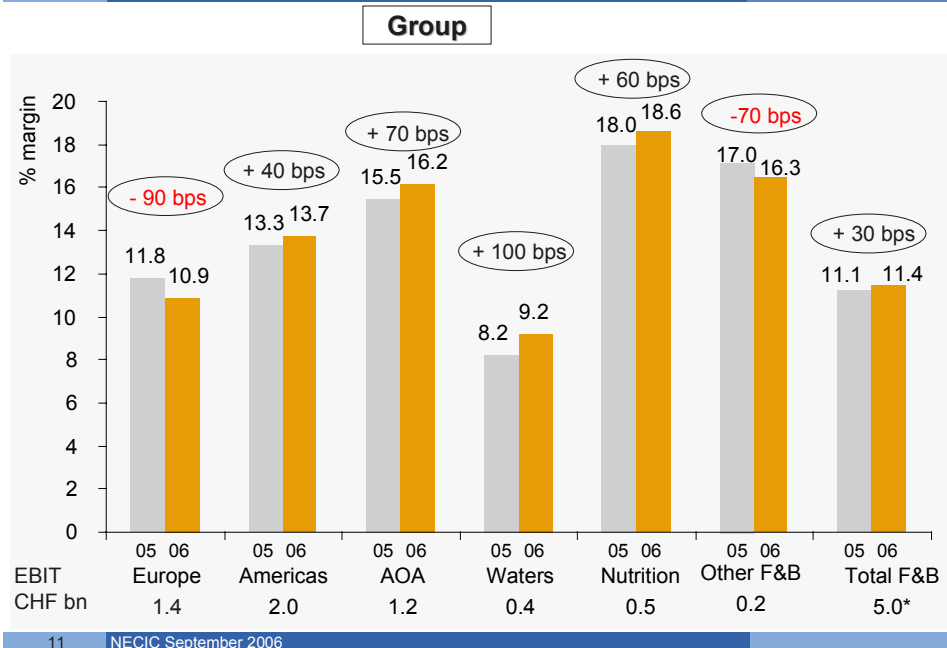


As % of sales	HY 2005 Restated	HY 2006	Diff. basis points (rounded)
<b>Sales (CHF million)</b>	<b>42'468</b>	<b>47'138</b>	<b>+11%</b>
Cost of goods sold	41.5%	41.1%	+40
Distribution	8.2%	8.4%	-20
Marketing & Admin	36.3%	36.0%	+30
R & D	1.6%	1.7%	-10
<b>EBIT</b>	<b>12.4%</b>	<b>12.8%</b>	<b>+40</b>

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## F&B: broad-based EBIT improvement



## ZEUR - EBIT Performance 1st Half



	<u>2005</u>	<u>2006</u>	
EBIT Margin	11.8%	10.9%	-0.9%

*Reflecting mainly:*

- Tactical Selling Pricing strategy
- Higher investments in competitiveness
- Slow start of Ice Cream season
- Higher Input costs in 1H 2006 (Coffee, Energy, etc.)
- Heavy Globe roll-out program

### Group

- Drive **simplicity** across the businesses  
e.g. SKUs, structures, reporting
- Leverage **scale** for competitive advantage  
e.g. GLOBE, Shared services, procurement
- Tackle **underperformers**  
Investment phase, core, non-core,
- Increase **discipline/execution** in all we do  
e.g. Dynamic forecast, real time data, project tracking

### Group

- To free up market resources to focus on demand generation – profitable growth
- To deliver back office support at competitive service levels and best-in-class cost
- To exploit the potential of GLOBE
- To scale up shared service initiatives to further leverage scale beyond Market / Region levels
- To standardize processes and structures

- Organic growth ahead of market, driven by key brands
- F&B the main contributor to margin improvement achieved, but some H1 weighting
- Progress on working capital
- The Nestlé Model reconfirmed for 2006: upper end of 5-6% organic growth target and improvement in constant currency EBIT margin

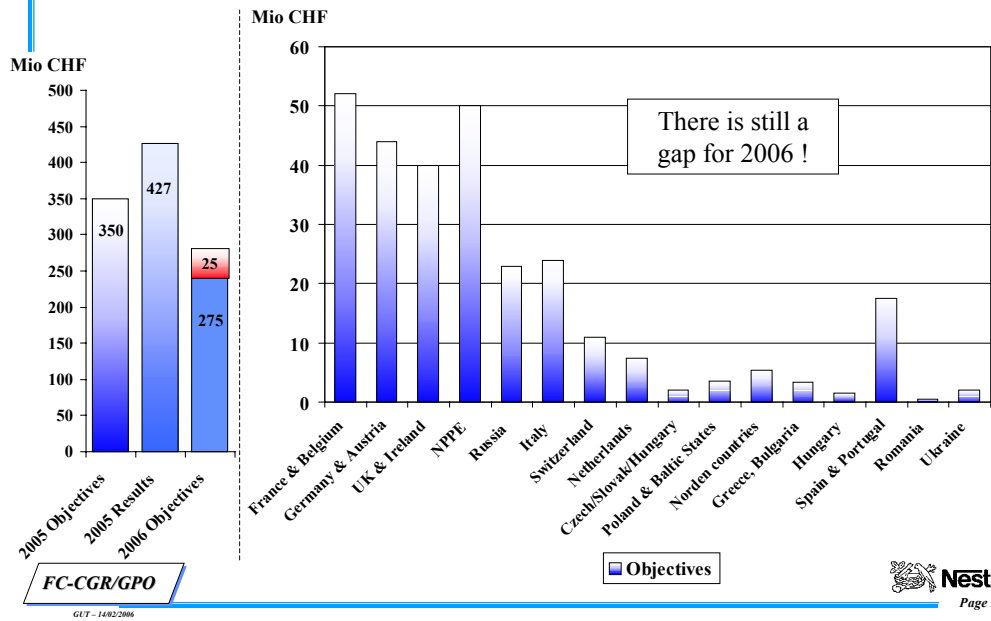


**Operational EXCELLENCE 2007**  
**Reported Figures 06-2006**

September 2006



## Operation EXCELLENCE 2007 – Objectives 2006 EUR



## Operation EXCELLENCE 2007 – Objectives/Actuals 06-2006 EUR

