

Half-Yearly Report



Good Food, Good Life

January–June 2009



www.nestle.com

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

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Overview

Paul Bulcke, CEO of Nestlé: “With 3.5% organic growth and a 30 basis point EBIT margin improvement, Nestlé delivered a combination of growth and increased profitability in the first half of the year, and this in a very challenging business environment. The success of our efficiency initiatives enabled increased investment in consumer-facing marketing and R&D, which leads me to expect an acceleration in organic growth in the second half of 2009. Furthermore, Nestlé’s healthy cash flow over the first half allowed us to return about CHF 6.5 billion in cash to shareholders. The Group remains committed to its strategic direction focused on sustainable, long-term profitable growth and is well placed to capture opportunities as economic conditions improve.”

Group sales, profitability and financial position

In the first six months of 2009, Nestlé achieved organic growth of 3.5%, including 0.5% real internal growth. Divestitures, net of acquisitions, reduced Group sales by 0.7%, whilst the currency effect resulted in a 4.3% reduction due to the strength of the Swiss franc compared to many other currencies. These factors resulted in a decline in Nestlé Group sales of 1.5%, to CHF 52.3 billion. Food and Beverages’ sales reached CHF 48.3 billion, with organic growth of 3.4%, including real internal growth of 0.1%. This builds on the strong first half of 2008 when Nestlé achieved organic growth of 8.9%.

The Group’s EBIT grew to CHF 7.4 billion, resulting in an increased EBIT margin of 14.1% of sales. This represents a 30 basis points improvement, both in constant and reporting

currencies. Food and Beverages’ EBIT margin was up 20 basis points in constant currencies and 10 basis points reported, to 12.4%.

The acceleration of Nestlé Continuous Excellence, the Group’s efficiency programme, contributed to a 30 basis points decline in both the cost of goods sold and distribution costs. The Group’s commitment to brand building, including innovation and renovation, is reflected in the 10 basis points increase in consumer-facing marketing and in the 20 basis points increase in Research and Development.

Nestlé’s net profit margin reached 9.7% of sales. Underlying earnings per share grew by 3.5% to CHF 1.46, up 8.5% in constant currencies.

On 30 June 2009, the Group’s operating cash flow was CHF 6.4 billion, significantly up from CHF 3.5 billion in the first half of 2008, reflecting its commitment to capital efficiency. The Group’s net debt was CHF 17.4 billion, down from CHF 25.8 billion at the end of June 2008. The continuing Share Buy-Back programme and the payment of the dividend together resulted in about CHF 6.5 billion of cash returned to shareholders in the first half of 2009.

Share Buy-Back programme

On 28 July 2009, Nestlé completed the first stage of its CHF 25 billion Share Buy-Back programme, amounting to CHF 15 billion. A second stage of this programme, amounting to CHF 10 billion, will start on 13 August 2009. Nestlé’s CHF 25 billion Share Buy-Back programme is foreseen to be completed by end of 2010.

Sales and EBIT margin by operating segment

In the first half of 2009, the organic growth of Nestlé's overall Food and Beverages activities amounted to 0.5% in Europe, 4.6% in the Americas and 6.6% in Asia, Oceania and Africa.

Zone Europe: sales of CHF 10.8 billion, 0.2% organic growth and –1.5% real internal growth. The EBIT margin was 11.8%, the same level as a year ago. Savings from the acceleration of the Nestlé Continuous Excellence Programme compensated temporary volume softness, additional pension costs and continued investment in marketing. Great Britain and Eastern Europe, particularly Russia and the Ukraine, as well as the regional petcare business and soluble coffee, achieved high organic growth.

Zone Americas: sales of CHF 15.2 billion, 6.6% organic growth and 1.9% real internal growth. The EBIT margin improved by 20 basis points due to growth and significant cost savings from the Nestlé Continuous Excellence Programme. Both North and Latin America experienced strong organic growth, particularly the US, Brazil and Mexico. Soluble coffee and beverages, frozen food and petcare did particularly well.

Zone Asia, Oceania and Africa: sales of CHF 7.7 billion, 5.9% organic growth and 2.2% real internal growth. The EBIT margin improved by 60 basis points due to growth leverage and operational efficiencies. There were good performances across the emerging markets with Africa, China, India and the Philippines, amongst others, achieving double-digit organic growth. Soluble coffee, ambient culinary, powdered and ready-to-drink beverages, petcare and chocolate all delivered strong organic growth. Popularly Positioned Products (PPPs), aimed at emerging consumers, continued to achieve double-digit organic growth.

Nestlé Waters: sales of CHF 4.7 billion, –2.9% organic growth and –3.7% real internal growth. The EBIT margin increased by 110 basis points, benefiting from lower oil-related costs, efficiencies and supply chain optimisation. The organic growth reflects the current environment in the bottled water industry as a whole, particularly in Western Europe and North America. The emerging market businesses achieved double-digit organic growth. *Nestlé Pure Life* maintained good momentum around the world and drove market share gains in the US.

Nestlé Nutrition: sales of CHF 5.0 billion, 1.5% organic growth and –2.4% real internal growth. The EBIT margin decreased by 110 basis points, reflecting upfront investments in media campaigns and increased support for the accelerating *NaturVes* launch in Europe. All divisions accelerated during the first half from their first quarter performance. The infant nutrition business showed signs of improving momentum in Europe and the US during the period, and maintained good organic growth in Latin America, Asia, Oceania and Africa, supported by a strong innovation and renovation pipeline.

Other Food and Beverages: sales of CHF 4.9 billion, 6.1% organic growth and 2.4% real internal growth. The EBIT margin increased by 20 basis points due to growth leverage and operational efficiencies. Cereal Partners Worldwide and Nespresso continued to perform well. Nestlé Professional was affected by a softer out-of-home market in developed countries but delivered strong performances in many emerging markets such as Greater China, the Philippines and the Middle East, resulting in virtually flat organic growth.

Pharma: sales of CHF 4.0 billion, 5.0% organic growth and 5.1% real internal growth. The EBIT margin improved by 80 basis points, mainly due to growth, operational efficiencies and a positive product mix.

Sales and EBIT margin by product

Powdered and Liquid Beverages: sales of CHF 9.2 billion, 9.7% organic growth and 4.7% real internal growth. The EBIT margin declined by 110 basis points, mainly due to the increased support for the enlarged *Nescafé Dolce Gusto* roll-out and raw material cost pressures. The strong growth confirms the dynamism of Nestlé's billionaire brands *Nescafé*, *Nesquik*, *Nespresso*, *Milo* and *Nestea*. These brands benefited from a strong pipeline of new products, ranging from PPP offerings to super-premium. The successful roll-out of *Nescafé Dolce Gusto* continued and allowed Nestlé to increase its market share in the fast-growing portioned coffee segment. Nespresso continued its outstanding performance with organic growth over 25%. Overall, the product segment achieved double-digit growth in Eastern Europe, the Americas, Asia, Oceania, the Middle East and Africa.

Milk products and Ice cream: sales of CHF 9.6 billion, 0% organic growth and –1.3% real internal growth. The EBIT margin declined by 20 basis points due to lower pricing in ambient dairy in anticipation of falling raw material costs. The EBIT margin in ice cream increased due to efficiencies and the exit from underperforming markets. There were the first signs of a pick up in consumer demand for ambient dairy in emerging markets after the high prices seen in 2008. Ice cream's organic growth improved over the first half of 2009 thanks to innovations such as *Häagen Dazs 5* in North America and the successful launch of *Nestlé Extrême all natural* in Switzerland.

Prepared dishes and cooking aids: sales of CHF 8.2 billion, 1.0% organic growth and 0% real internal growth. The EBIT margin improved by 90 basis points due to product range rationalisation. *Maggi* achieved double-digit organic growth in Africa, Asia and Eastern Europe. In the US, *Hot Pockets*, *Stouffer's* and *Lean Cuisine* frozen prepared meals delivered a good first half performance. In Europe, frozen prepared meals were weak while the pizza business continued to perform well.

Confectionery: sales of CHF 5.1 billion, 4.3% organic growth and –1.3% real internal growth. The EBIT margin increased by 60 basis points due to efficiencies and product lines streamlining. *Kit Kat* continued its excellent performance with strong organic growth and market share gains. The UK business continued to perform well with its focus on its seven key brands, as did the US. Overall, the emerging markets in Asia, Africa, the Middle East and Latin America continued to deliver strong organic growth.

PetCare: sales of CHF 6.4 billion, 9.1% organic growth and 2.7% real internal growth. The EBIT margin increased by 120 basis points due to continued growth of high value-added strategic brands, together with pricing to offset input cost pressures. The global petcare business' excellent performance was driven by resilient demand for key premium and super premium brands such as *One*, *Beneful*, *Cat Chow*, *Pro Plan* and *Friskies*.

Outlook

Nestlé's first half performance of 3.5% organic growth combined with a 30 basis points EBIT margin improvement reflects the Group's strength in challenging times while making it fitter for the future. Indeed, Nestlé's successful efficiency programmes enabled it both to invest for growth and deliver this EBIT margin improvement. The Group expects volume-driven organic growth to accelerate in the second half as well as an EBIT margin improvement in constant currencies for the full year. The Group remains committed to its strategic direction focused on sustainable, long-term profitable growth and is well placed to capture opportunities as economic conditions improve.

Key figures (consolidated)

In millions of CHF (except for per share data)	January–June 2009	January–June 2008
Sales	52 267	53 066
EBIT (Group) Earnings Before Interest, Taxes, restructuring and impairments	7 383	7 341
as % of Sales	14.1%	13.8%
EBIT (Food and Beverages)	6 013	6 077
as % of Sales (Food and Beverages)	12.4%	12.3%
Profit for the period attributable to shareholders of the parent (Net profit)	5 071	5 214
as % of Sales	9.7%	9.8%
Capital expenditure	1 521	1 643
as % of Sales	2.9%	3.1%
Equity attributable to shareholders of the parent, end June	50 361	46 233
Market capitalisation, end June	146 688	171 539
Operating cash flow	6 431	3 461
Free cash flow ^(a)	4 420	1 542
Net financial debt	17 449	25 806
Per share		
Total basic earnings per share	CHF 1.41	1.39
Total fully diluted earnings per share	CHF 1.40	1.39
Equity attributable to shareholders of the parent, end June	CHF 13.98	12.35

^(a) Operating cash flow less capital expenditure, sale of property, plant and equipment, expenditure on and sale of intangible assets, cash flows with associates as well as with non-controlling interests

Principal key figures in USD and EUR (Illustrative)

Income statement figures translated at average rate; balance sheet figures at ending June exchange rate

In millions of USD (except for per share data)	January–June 2009	January–June 2008
Sales	46 233	50 620
EBIT (Group) Earnings Before Interest, Taxes, restructuring and impairments	6 531	7 003
Profit for the period attributable to shareholders of the parent (Net profit)	4 486	4 974
Equity attributable to shareholders of the parent, end June	46 650	45 416
Market capitalisation, end June	135 879	168 506
Per share		
Total basic earnings per share	USD 1.25	1.33
Equity attributable to shareholders of the parent, end June	USD 12.95	12.13

In millions of EUR (except for per share data)

Sales	34 701	33 050
EBIT (Group) Earnings Before Interest, Taxes, restructuring and impairments	4 902	4 572
Profit for the period attributable to shareholders of the parent (Net profit)	3 367	3 247
Equity attributable to shareholders of the parent, end June	33 029	28 762
Market capitalisation, end June	96 204	106 717
Per share		
Total basic earnings per share	EUR 0.94	0.87
Equity attributable to shareholders of the parent, end June	EUR 9.17	7.68

Consolidated income statement for the period ended 30 June 2009

In millions of CHF	Notes	January–June 2009	January–June 2008
Sales	3	52 267	53 066
Cost of goods sold		(22 214)	(22 697)
Distribution expenses		(4 215)	(4 457)
Marketing and administration expenses		(17 484)	(17 676)
Research and development costs		(971)	(895)
EBIT Earnings Before Interest, Taxes, restructuring and impairments	3	7 383	7 341
Net other income/(expenses)	5		
Other income		146	132
Other expenses		(348)	(366)
		(202)	(234)
Profit before interest and taxes		7 181	7 107
Net financing cost			
Financial income		73	100
Financial expense		(394)	(637)
		(321)	(537)
Profit before taxes and associates		6 860	6 570
Taxes		(1 646)	(1 591)
Share of results of associates	6	521	612
Profit for the period		5 735	5 591
of which attributable to non-controlling interests		664	377
of which attributable to shareholders of the parent (Net profit)		5 071	5 214
As % of Sales			
EBIT Earnings Before Interest, Taxes, restructuring and impairments		14.1%	13.8%
Profit for the period attributable to shareholders of the parent (Net profit)		9.7%	9.8%
Earnings per share (in CHF)			
Basic earnings per share		1.41	1.39
Fully diluted earnings per share		1.40	1.39

Consolidated statement of comprehensive income for the period ended 30 June 2009

In millions of CHF	January–June 2009	January–June 2008
Profit for the period recognised in the income statement	5 735	5 591
Currency retranslations	1 605	(3 252)
Fair value adjustments on available-for-sale financial instruments		
– Unrealised results	(84)	(228)
– Recognition of realised results in the income statement	2	8
Fair value adjustments on cash flow hedges		
– Recognised in hedging reserve	30	162
– Removed from hedging reserve	142	(18)
Actuarial gains/(losses) on defined benefit schemes	(360)	(33)
Share of other comprehensive income of associates	(311)	(1 138)
Taxes	(121)	63
Other comprehensive income for the period	903	(4 436)
Total comprehensive income for the period	6 638	1 155
of which attributable to non-controlling interests	731	238
of which attributable to shareholders of the parent	5 907	917

Consolidated balance sheet as at 30 June 2009

In millions of CHF	Notes	30 June 2009	31 December 2008	30 June 2008
Assets				
Current assets				
Cash and cash equivalents		6 031	5 835	7 301
Short term investments		1 560	1 296	2 671
Inventories		9 835	9 342	10 534
Trade and other receivables		14 013	13 442	14 494
Prepayments and accrued income		828	627	851
Derivative assets		1 479	1 609	1 008
Current income tax assets		590	889	533
Assets held for sale		23	8	74
Total current assets		34 359	33 048	37 466
Non-current assets				
Property, plant and equipment		21 936	21 097	20 890
Goodwill		31 462	30 637	31 045
Intangible assets		6 912	6 867	7 014
Investments in associates		7 844	7 796	7 668
Financial assets		3 893	3 868	3 784
Employee benefits assets		80	60	1 294
Deferred tax assets		2 748	2 842	1 746
Total non-current assets		74 875	73 167	73 441
Total assets		109 234	106 215	110 907

In millions of CHF	Notes	30 June 2009	31 December 2008	30 June 2008
Liabilities and equity				
Current liabilities				
Financial liabilities		16 669	15 383	29 234
Trade and other payables		12 044	12 608	12 558
Accruals and deferred income		2 903	2 931	3 230
Derivative liabilities		1 611	1 477	543
Current income tax liabilities		813	824	869
Liabilities directly associated with assets held for sale		5	–	11
Total current liabilities		34 045	33 223	46 445
Non-current liabilities				
Financial liabilities		8 371	6 344	6 544
Employee benefits liabilities		5 761	5 464	4 439
Provisions		3 797	3 663	3 135
Deferred tax liabilities		1 401	1 341	1 039
Other payables		1 251	1 264	944
Total non-current liabilities		20 581	18 076	16 101
Total liabilities		54 626	51 299	62 546
Equity				
Share capital	7	365	383	383
Treasury shares		(2 494)	(9 652)	(5 147)
Translation reserve		(9 550)	(11 103)	(9 415)
Retained earnings and other reserves		62 040	71 146	60 412
Total equity attributable to shareholders of the parent		50 361	50 774	46 233
Non-controlling interests		4 247	4 142	2 128
Total equity		54 608	54 916	48 361
Total liabilities and equity		109 234	106 215	110 907

Consolidated cash flow statement for the period ended 30 June 2009

In millions of CHF	Notes	January–June 2009	January–June 2008
Operating activities			
Profit for the period		5 735	5 591
Non-cash items of income and expense	8	1 574	1 259
Decrease/(increase) in working capital		(1 356)	(2 963)
Variation of other operating assets and liabilities		478	(426)
Operating cash flow		6 431	3 461
Investing activities			
Capital expenditure		(1 521)	(1 643)
Expenditure on intangible assets		(182)	(296)
Sale of property, plant and equipment		68	54
Acquisitions of businesses	9	(151)	(665)
Disposals of businesses	9	53	127
Cash flows with associates		344	349
Other investing cash flows		(70)	(101)
Cash flow from investing activities		(1 459)	(2 175)
Financing activities			
Dividend paid to shareholders of the parent	7	(5 047)	(4 573)
Purchase of treasury shares		(1 544)	(3 542)
Sale of treasury shares		157	144
Cash flows with non-controlling interests		(650)	(282)
Bonds issued	10	2 997	1 923
Bonds repaid	10	(1 122)	(1 874)
Increase in other non-current financial liabilities		94	213
Decrease in other non-current financial liabilities		(47)	(45)
Increase/(decrease) in current financial liabilities		448	7 724
Decrease/(increase) in short-term investments		(204)	(22)
Cash flow from financing activities		(4 918)	(334)
Currency retranslations		142	(245)
Increase/(decrease) in cash and cash equivalents		196	707
Cash and cash equivalents at beginning of year		5 835	6 594
Cash and cash equivalents at end of period		6 031	7 301

Consolidated statement of changes in equity for the period ended 30 June 2009

In millions of CHF

	Share capital	Treasury shares	Translation reserve	Retained earnings and other reserves	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
January–June 2008							
Equity as at 31 December 2007	393	(8 013)	(6 302)	66 549	52 627	2 149	54 776
Total comprehensive income			(3 113)	4 030	917	238	1 155
Dividend paid to shareholders of the parent				(4 573)	(4 573)		(4 573)
Dividends paid to non-controlling interests					–	(313)	(313)
Movement of treasury shares (net)		(2 622)		(266)	(2 888)		(2 888)
Changes in non-controlling interests					–	41	41
Equity compensation plans		209		(59)	150	13	163
Reduction in share capital	(10)	5 279		(5 269)	–		–
Equity as at 30 June 2008	383	(5 147)	(9 415)	60 412	46 233	2 128	48 361
January–June 2009							
Equity as at 31 December 2008	383	(9 652)	(11 103)	71 146	50 774	4 142	54 916
Total comprehensive income			1 553	4 354	5 907	731	6 638
Dividend paid to shareholders of the parent				(5 047)	(5 047)		(5 047)
Dividends paid to non-controlling interests					–	(653)	(653)
Movement of treasury shares (net)		(1 366)		(21)	(1 387)		(1 387)
Changes in non-controlling interests					–	5	5
Equity compensation plans		134		(20)	114	22	136
Reduction in share capital	(18)	8 390		(8 372)	–		–
Equity as at 30 June 2009	365	(2 494)	(9 550)	62 040	50 361	4 247	54 608

Notes

1. Accounting policies

Basis of preparation

These financial statements are the unaudited interim consolidated financial statements for the six-month period ended 30 June 2009. They have been prepared in accordance with IAS 34 – Interim Financial Reporting and should be read in conjunction with the 2008 Consolidated Financial Statements.

The accounting conventions and accounting policies are the same as those applied in the 2008 Consolidated Financial Statements, except for the changes mentioned below.

Changes in accounting policies

The Group has applied the following International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) as from 1 January 2009 onwards:

IFRS 7 amendments – Financial Instruments: Disclosures

The IFRS 7 amendments, which require entities to disclose information about the measurement hierarchy of financial instruments, will be included in the 2009 year-end Group financial statements. At the end of June 2009, most of the Group's financial instruments are measured on the basis of prices quoted on active markets (commodity futures) and on the basis of valuation techniques such as discounted cash flow calculations or other pricing models.

IFRS 8 – Operating segments

IFRS 8 requires separate reporting of segmental information for operating segments. Operating segments reflect the Group's management structure and the way financial information is regularly reviewed by the Group's chief operating decision maker, which is defined as the Executive Board.

The Group is focused in two areas of activity, Food and Beverages, and Pharmaceuticals. The Group's Food and Beverages business is managed through three geographic Zones and several Globally Managed Businesses (GMBs). Zones and GMBs, that exceed the quantitative threshold of 10% of sales, EBIT or assets, are presented on a standalone basis as reportable segments. Other GMBs that do not meet the threshold, like Nestlé Professional, Nespresso, and the food and beverages Joint Ventures, are aggregated and presented in Other Food and Beverages. The Group's pharmaceutical activities are also managed, and presented, separately. Therefore, the Group's operating segments are:

- Zone Europe;
- Zone Americas;
- Zone Asia, Oceania and Africa;
- Nestlé Waters;
- Nestlé Nutrition;
- Other Food and Beverages; and
- Pharma.

Comparative information has been restated, considering that, as from 1 January 2009, Nestlé Professional activities are managed separately from the three geographic Zones and, consequently, disclosed in Other Food and Beverages.

As some operating segments represent geographic zones, information by product is also disclosed. The eight product groups that are disclosed represent the highest categories of products that are followed internally. The water products are now disclosed separately from Powdered and Liquid Beverages, and the nutrition products from Milk products and Ice cream. Comparative information has been restated accordingly.

IAS 1 Revised – Presentation of financial statements

The standard includes non-mandatory changes of the titles of the financial statements. The Group has chosen the option to maintain the existing titles. The standard also introduces a statement of comprehensive income, but allows presenting a two statement approach with a separate income statement and a statement of comprehensive income, which is the option that the Group has chosen.

IAS 23 Revised – Borrowing costs

The revised standard removes the option of recognising as an expense borrowing costs directly attributable to acquisition, construction or production of a qualifying asset as previously elected by the Group. This standard has no material impact on the Group financial statements, as the construction period of the Group's main assets is usually rather short.

IFRIC 13 – Consumer loyalty programmes

This interpretation requires that the fair value of the consideration related to award credits programmes be separately identified as a component of the sales transaction and recognised when the awards are redeemed by the customers and the corresponding obligations are fulfilled by the Group. Such programmes are not numerous in the Group and this interpretation has no material effect on its results. Therefore, no restatement of comparative information is required.

IFRIC 16 – Hedges of a net investment in a foreign operation

This interpretation deals with the nature of the hedged risk, its designation and where the hedging instrument can be held. This interpretation has no impact on the Group financial statements as the Group already complies with its requirements.

Improvements and other amendments of IFRSs or IFRICs

Improvements or other amendments effective in 2009 do not have a material effect on the Group financial statements.

Changes in IFRSs that may affect the Group after 31 December 2009

IFRS 3 Revised – Business combinations

This standard will be effective for the first annual reporting period beginning on or after 1 July 2009. The Group will thus apply it prospectively as from 1 January 2010 onwards. The revised standard will cause the following changes:

- acquisition costs will be expensed;
- for a business combination in which the acquirer achieves control without buying all of the equity of the acquiree, the remaining non-controlling interests are measured either at fair value or at their proportionate share of the acquiree's net identifiable assets;
- upon obtaining control in a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest at fair value and recognise a gain or a loss to the income statement; and
- changes in the contingent consideration of an acquisition will be accounted for outside goodwill, in the income statement.

IAS 27 Revised – Consolidated and separate financial statements

This standard will be applicable prospectively for the first annual reporting period beginning on or after 1 July 2009. The Group will thus apply it as from 1 January 2010 onwards. The revised standard stipulates that a change in the non-controlling interests of an acquiree that does not result in a loss of control shall be recognised in equity.

Amendments to IAS 39 – Financial Instruments: Recognition and Measurement

As part of the annual improvements to IFRSs published in April 2009, IAS 39 was amended to require options that are exchanged between a buyer and a seller in a business combination to buy or sell a business at a later date, to be accounted for as derivative financial instruments. Consequently, such options must be recognised on the balance sheet and be measured at fair value.

As mentioned in the 2008 Consolidated Financial Statements, on 7 July 2008, the Group sold 24.8% of Alcon's outstanding capital to Novartis. The agreement further included the option for Novartis to acquire Nestlé's

remaining shareholding in Alcon at a price of USD 181.– per share from January 2010 until July 2011. During the same period, Nestle will have the option to sell its remaining shareholding in Alcon to Novartis at the lower of either the call price of USD 181.– per share or the average share price during the week preceding the exercise plus a premium of 20.5%.

As at June 2009, the outstanding put and call options are not recognised in the financial statements. As a result of the amendment to IAS 39, they will have to be recognised as from 1 January 2010 onwards. The Group is currently assessing the impact of this amendment.

2. Modification of the scope of consolidation

There were no major acquisitions or disposals affecting the scope of consolidation for this interim period.

3. Analysis by segment

3.1 Operating segments

In millions of CHF

January–June
2008 ^(a)

	Zone Europe	Zone Americas	Zone Asia, Oceania and Africa	Nestlé Waters	Nestlé Nutrition
Sales	12 233	14 355	7 648	4 954	5 176
EBIT Earnings Before Interest, Taxes, restructuring and impairments	1 449	2 152	1 235	357	956
Impairment of segment assets	(29)	(11)	13	(15)	(2)
Restructuring costs	(50)	(16)	(18)	(44)	(7)
Net other income/(expenses) excluding restructuring and impairments					
Net financing cost					
Profit before taxes and associates					

January–June
2009

Sales	10 791	15 197	7 733	4 723	4 995
EBIT Earnings Before Interest, Taxes, restructuring and impairments	1 273	2 307	1 292	392	869
Impairment of segment assets	(29)	–	(1)	(9)	(1)
Restructuring costs	(62)	(25)	(8)	(16)	(8)
Net other income/(expenses) excluding restructuring and impairments					
Net financing cost					
Profit before taxes and associates					

^(a) Mainly Nespresso, Nestlé Professional and Food and Beverages Joint Ventures managed on a worldwide basis

^(b) Mainly corporate expenses as well as research and development costs for Food and Beverages

^(c) 2008 comparatives have been restated following first application of IFRS 8 to reflect internal changes in management responsibility as of 1 January 2009. Globally managed Nestlé Professional activities are now reclassified from the Zones to Other Food and Beverages.

The analysis of sales by geographic area is stated by customer location. Inter-segment sales are not significant.

Other Food and Beverages ^(a)	Unallocated items ^(b)	Total Food and Beverages	Pharma	Total	
4 957		49 323	3 743	53 066	Sales
787	(859)	6 077	1 264	7 341	EBIT Earnings Before Interest, Taxes, restructuring and impairments
(6)	–	(50)	(45)	(95)	Impairment of segment assets
(4)	–	(139)	(22)	(161)	Restructuring costs
				22	Net other income/(expenses) excluding restructuring and impairments
				(537)	Net financing cost
				6 570	Profit before taxes and associates
4 874		48 313	3 954	52 267	Sales
786	(906)	6 013	1 370	7 383	EBIT Earnings Before Interest, Taxes, restructuring and impairments
–	–	(40)	(21)	(61)	Impairment of segment assets
(7)	–	(126)	(23)	(149)	Restructuring costs
				8	Net other income/(expenses) excluding restructuring and impairments
				(321)	Net financing cost
				6 860	Profit before taxes and associates

January–June
2008 ^(c)

January–June
2009

3.2 Products

In millions of CHF

January–June
2008 ^(b)

	Powdered and Liquid Beverages	Water	Milk products and Ice cream	Nutrition	Prepared dishes and cooking aids	Confectionery
Sales	9 038	4 957	10 270	5 180	8 555	5 430
EBIT Earnings Before Interest, Taxes, restructuring and impairments	2 071	357	1 148	956	969	583
Impairment of segment assets	(1)	(15)	(7)	(2)	(16)	–
Restructuring costs	(12)	(44)	(23)	(8)	(35)	(13)
Net other income/(expenses) excluding restructuring and impairments						
Net financing cost						
Profit before taxes and associates						

January–June
2009

Sales	9 242	4 726	9 628	4 997	8 221	5 118
EBIT Earnings Before Interest, Taxes, restructuring and impairments	2 016	393	1 057	869	1 003	576
Impairment of segment assets	(2)	(9)	(6)	(1)	(5)	(17)
Restructuring costs	(22)	(16)	(35)	(8)	(24)	(17)
Net other income/(expenses) excluding restructuring and impairments						
Net financing cost						
Profit before taxes and associates						

^(a) Mainly corporate expenses as well as research and development costs for Food and Beverages

^(b) 2008 comparatives have been restated following first application of IFRS 8. The water products are now disclosed separately from Powdered and Liquid Beverages, and the nutrition products from Milk products and Ice cream.

PetCare	Unallocated items ^(a)	Total Food and Beverages	Pharmaceutical products	Total	
5 893		49 323	3 743	53 066	Sales
852	(859)	6 077	1 264	7 341	EBIT Earnings Before Interest, Taxes, restructuring and impairments
(9)	–	(50)	(45)	(95)	Impairment of segment assets
(4)	–	(139)	(22)	(161)	Restructuring costs
				22	Net other income/(expenses) excluding restructuring and impairments
				(537)	Net financing cost
				6 570	Profit before taxes and associates
6 381		48 313	3 954	52 267	Sales
1 005	(906)	6 013	1 370	7 383	EBIT Earnings Before Interest, Taxes, restructuring and impairments
–	–	(40)	(21)	(61)	Impairment of segment assets
(4)	–	(126)	(23)	(149)	Restructuring costs
				8	Net other income/(expenses) excluding restructuring and impairments
				(321)	Net financing cost
				6 860	Profit before taxes and associates

January–June
2008 ^(b)

January–June
2009

4. Seasonality

The business of the Group does not present pronounced cyclical patterns, seasonal evolutions in some countries or product groups being compensated within the Group.

5. Net other income/(expenses)

In millions of CHF	January–June 2009	January–June 2008
Other income		
Profit on sale of property, plant and equipment	26	12
Profit on disposal of businesses	17	64
Other	103	56
	146	132
Other expenses		
Loss on disposal of property, plant and equipment	(33)	(1)
Loss on disposal of businesses	(12)	(25)
Restructuring costs	(149)	(161)
Impairment of property, plant and equipment	(41)	(39)
Impairment of goodwill and intangible assets	(20)	(56)
Other	(93)	(84)
	(348)	(366)
Net other income/(expenses)	(202)	(234)

6. Share of results of associates

This item includes mainly our share of the estimated results of L'Oréal, after consideration of its own shares.

7. Equity

Share capital

The share capital changed twice in the last two financial years as a consequence of the share buy-back programme launched in 2007; the cancellation of shares was approved at the Annual General Meetings of 10 April 2008 and 23 April 2009. In 2008, the share capital was reduced by 10 072 500 shares from CHF 393 million to CHF 383 million. In 2009, the share capital was further reduced by 180 000 000 shares from CHF 383 million to CHF 365 million.

At 30 June 2009, the share capital of Nestlé S.A. is composed of 3 650 000 000 of registered shares with a nominal value of CHF 0.10 each.

Dividend

The dividend related to 2008 was paid on 29 April 2009 in conformity with the decision taken at the Annual General Meeting on 23 April 2009. Shareholders approved the proposed dividend of CHF 1.40 per share, resulting in a total dividend of CHF 5047 million.

8. Non-cash items of income and expense

In millions of CHF	January–June 2009	January–June 2008
Share of results of associates	(521)	(612)
Depreciation of property, plant and equipment	1 348	1 294
Impairment of property, plant and equipment	41	39
Impairment of goodwill and intangible assets	20	56
Amortisation of intangible assets	321	300
Net result on disposal of businesses	(5)	(39)
Net result on disposal of assets	(74)	32
Non-cash items in financial assets and liabilities	212	113
Deferred taxes	227	(131)
Taxes in other comprehensive income	(121)	63
Equity compensation plans	126	144
	1 574	1 259

9. Acquisition and disposal of businesses

Cash outflows and inflows recognised in the first six months of 2008 and 2009 are related to several small acquisitions and disposals. The sales and the profit for the periods are not significantly impacted by acquisitions and disposals.

Since the valuation of the assets and liabilities of businesses recently acquired is still in process, the values are determined provisionally.

10. Bonds

The following bonds have been issued or repaid during the period:

January–June
2009

In millions of CHF

Issuer	Face value in millions	Coupon	Effective interest rates	Year of issue/ maturity	Comments
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New issues

Nestlé Holdings, Inc., USA	USD 275	2.00%	2.37%	2009–2013	(a)	307
Nestlé Finance International Ltd., Luxembourg	CHF 775	1.25%	1.40%	2009–2012	(b)	768
	CHF 875	2.00%	2.08%	2009–2013	(b)	879
	CHF 425	2.00%	2.04%	2009–2014	(b)	420
	CHF 275	2.13%	2.13%	2009–2014	(b)	277
	CHF 350	2.13%	2.20%	2009–2015	(b)	346
Total new issues						2 997

Repayments

Nestlé Holdings, Inc., USA	EUR 250	2.13%	2.97%	2005–2009	(a)	358
	GBP 200	5.13%	5.38%	2006–2009	(a)	437
Nestlé Finance International Ltd., Luxembourg	HUF 25000	7.00%	7.00%	2004–2009	(a)	154
(formerly Nestlé Finance-France S.A., France)	EUR 100	3.50%	3.52%	2006–2009	(a)	151
Other						22
Total repayments						1 122

^(a) Subject to an interest rate and/or currency swap that creates a liability at fixed or floating rates in the currency of the issuer.

^(b) Subject to a currency swap to hedge the CHF face value exposure.

Principal exchange rates

CHF per		June 2009	December 2008	June 2008	January–June 2009	January–June 2008
		Ending rates			Weighted average rates	
1 US Dollar	USD	1.080	1.056	1.018	1.131	1.048
1 Euro	EUR	1.525	1.488	1.607	1.506	1.606
1 Pound Sterling	GBP	1.806	1.527	2.031	1.682	2.071
100 Brazilian Reais	BRL	55.248	45.293	63.825	51.663	61.941
100 Japanese Yen	JPY	1.131	1.169	0.964	1.179	0.998
100 Mexican Pesos	MXN	8.206	7.672	9.888	8.170	9.883
1 Canadian Dollar	CAD	0.937	0.868	1.010	0.941	1.038
1 Australian Dollar	AUD	0.878	0.731	0.981	0.804	0.971
100 Philippine Pesos	PHP	2.245	2.224	2.268	2.367	2.502

Shareholder information

Stock exchange listings

Nestlé S.A. shares are 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.

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The Half-Yearly Report is available on-line as a PDF file in English, French and German.

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

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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

22 October 2009
Announcement of nine months 2009 sales figures;
Autumn press conference

19 February 2010
2009 Full Year Results; press conference

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

