



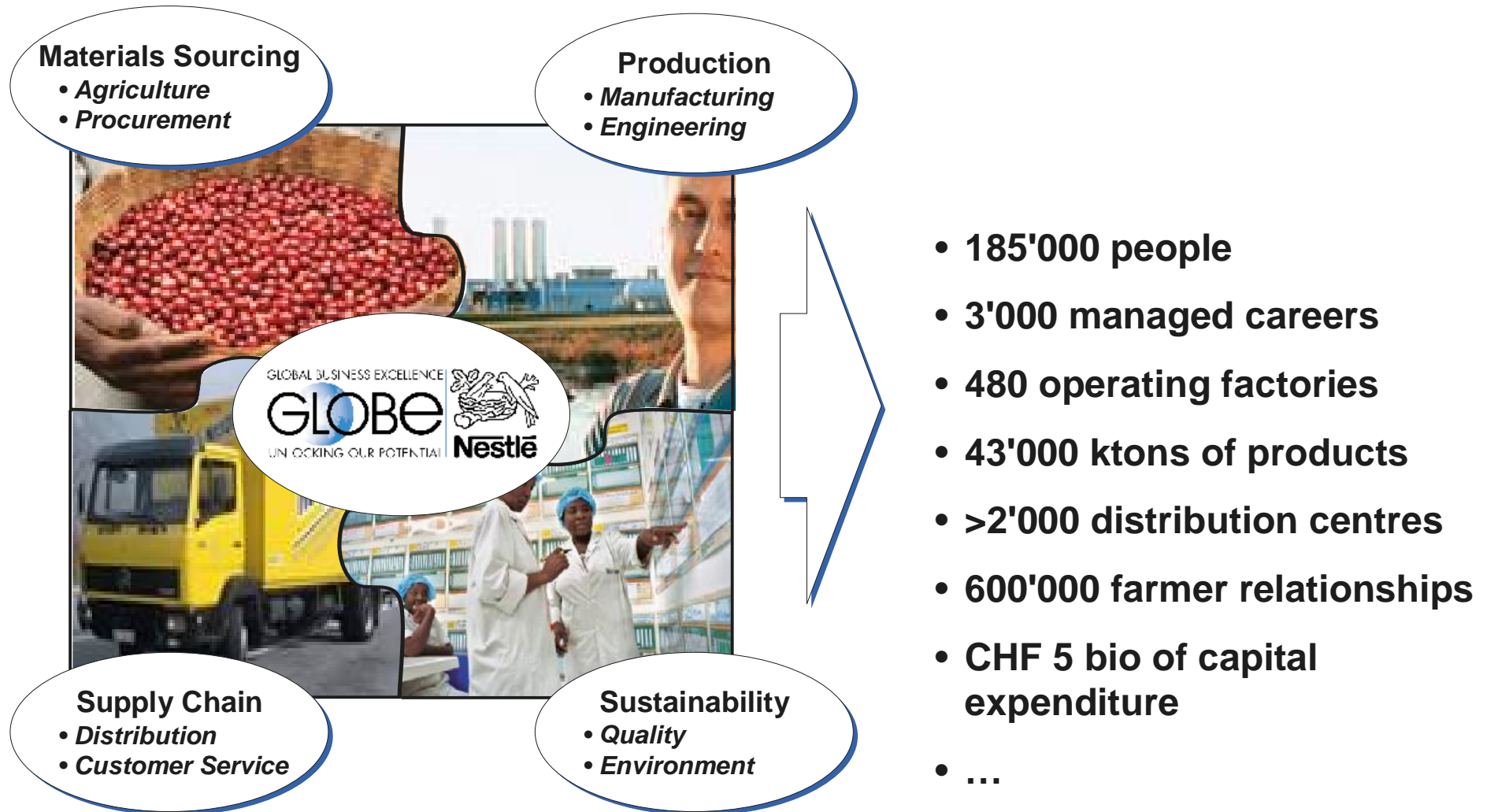
Creating
Performance
Gaps versus
Competition

José Lopez
Head of Corporate
Operations

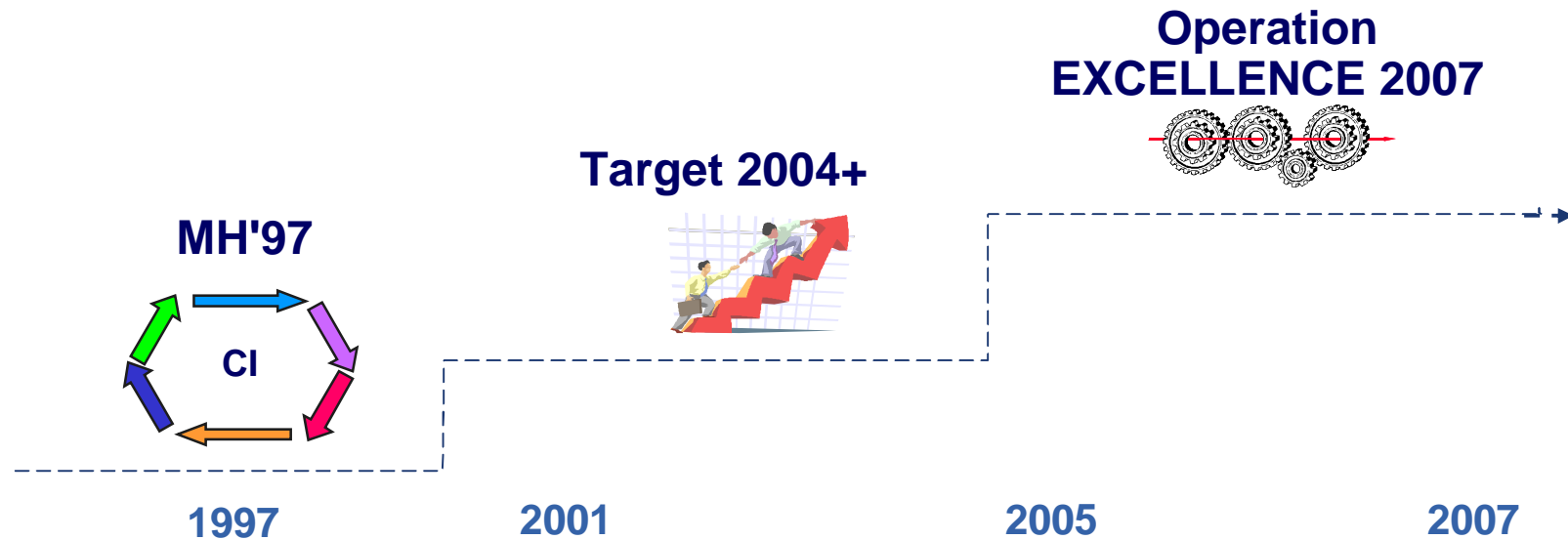
Disclaimer

This presentation 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.

- Operations in Nestlé: who we are and what we have done
- Our mission: create Shared Value
- Our strategy: Nestlé Continuous Excellence
- Our target: create performance gaps



We come from 10 years of successful cost improvement ...



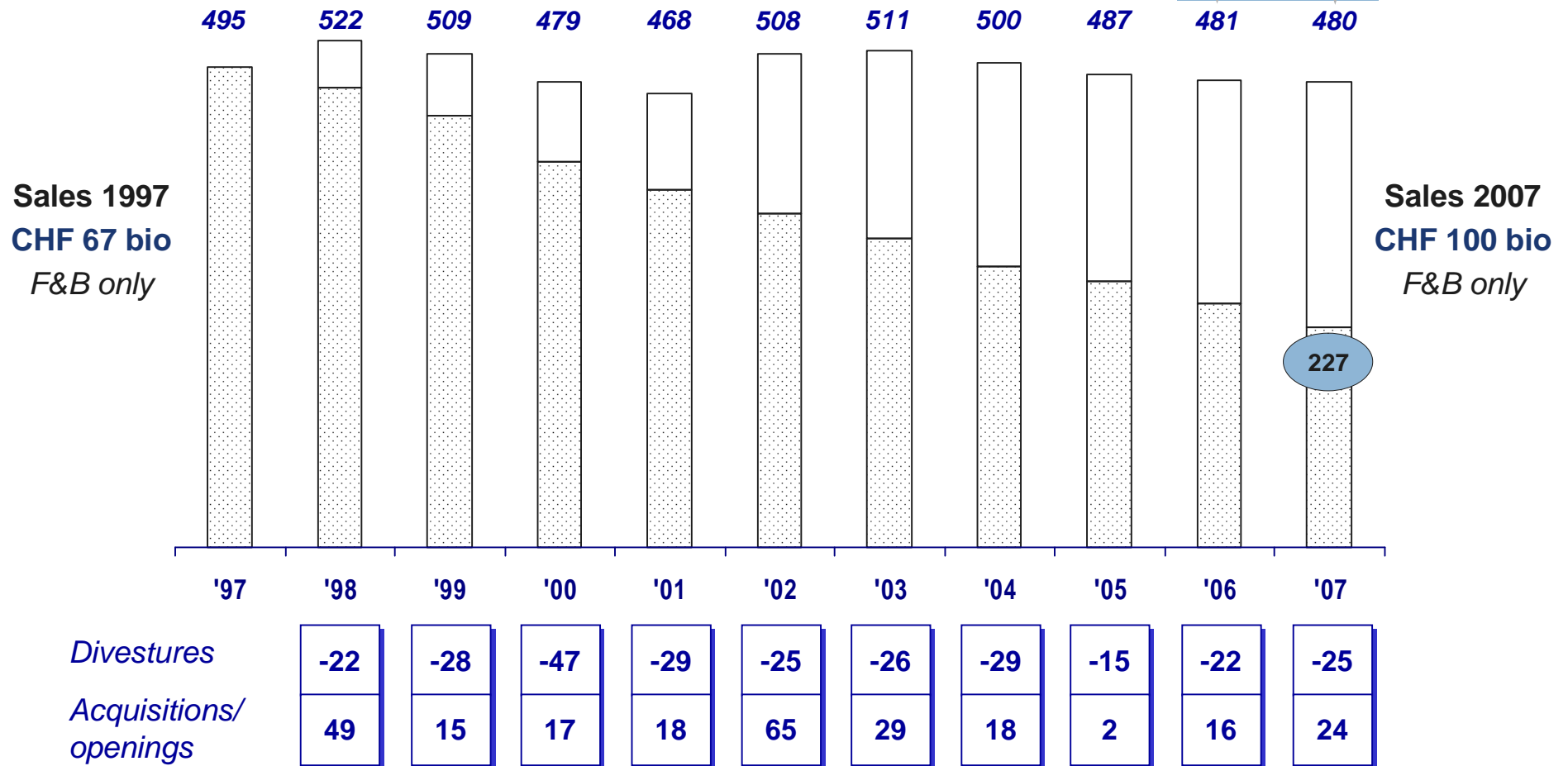
- Reducing Costs: **>11bn CHF**, 10% COGS reduction
- Building on each project's success
- Expanding deeper into the value chain

... during which we have changed ~50% of the industrial set-up to better support business growth



- Number of factories -

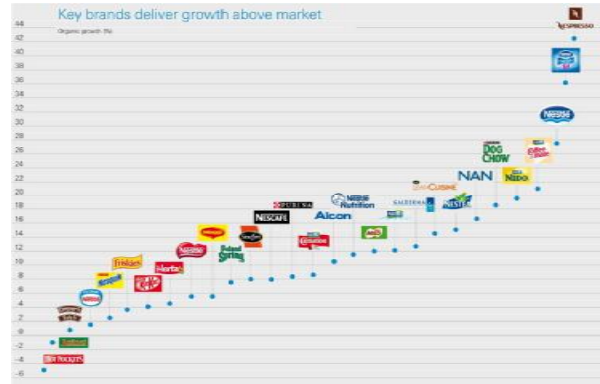
Sales
+ CHF 9 bio



A good vision is a continuous fight against Operations Myopia ...



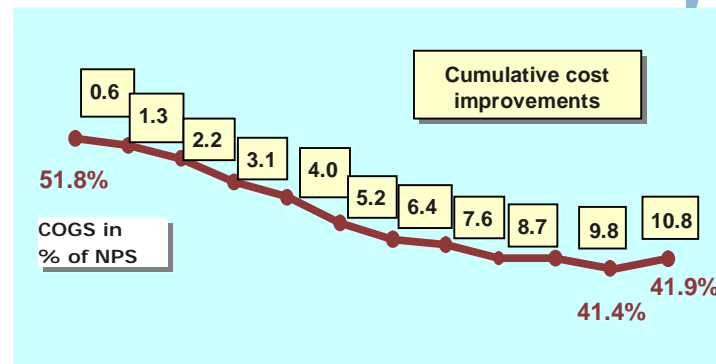
Technology & Competency Alignment



GLOBAL BUSINESS EXCELLENCE
Strategy Alignment = Execution Acceleration
 UNLOCKING OUR POTENTIAL

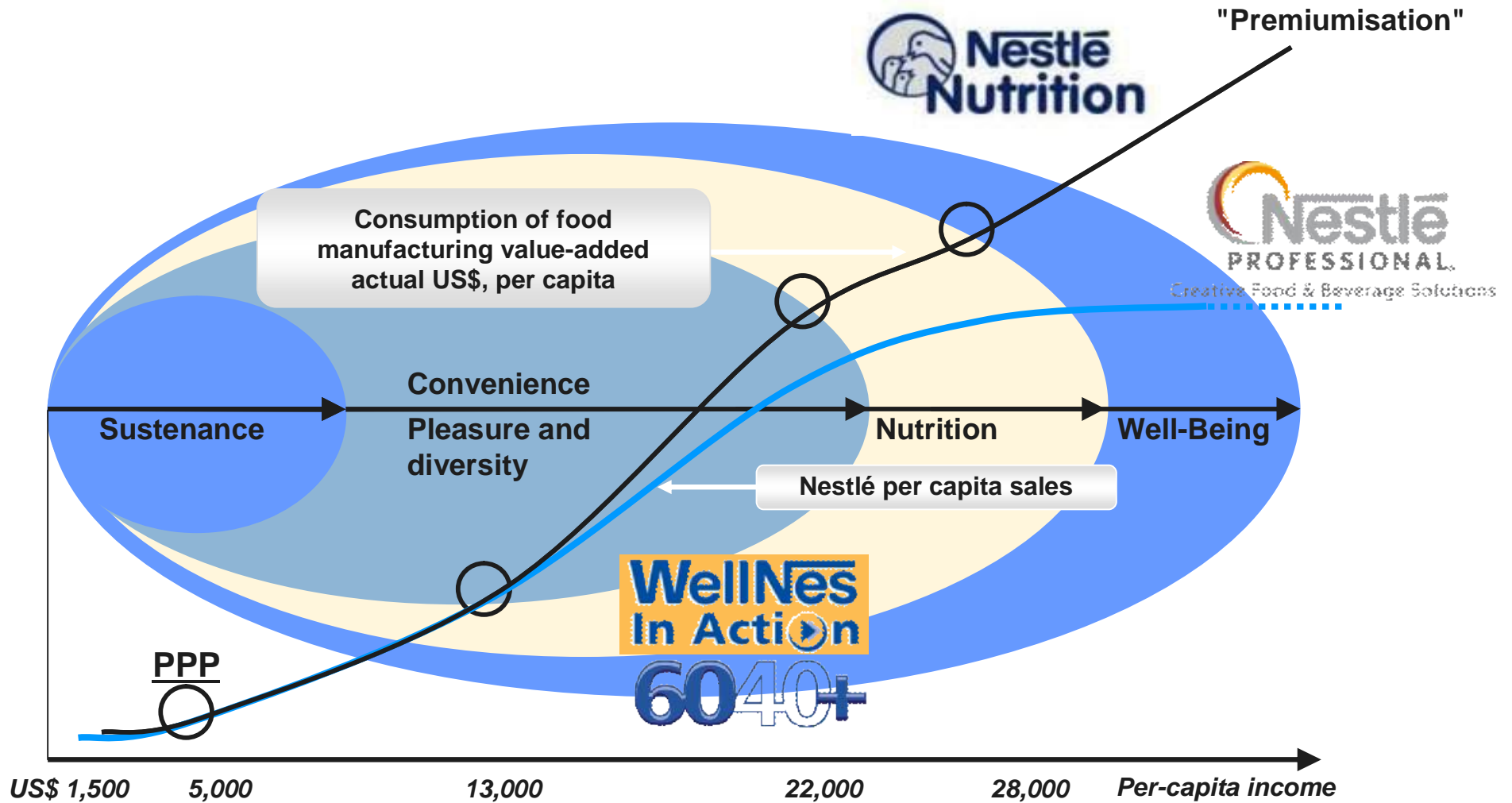


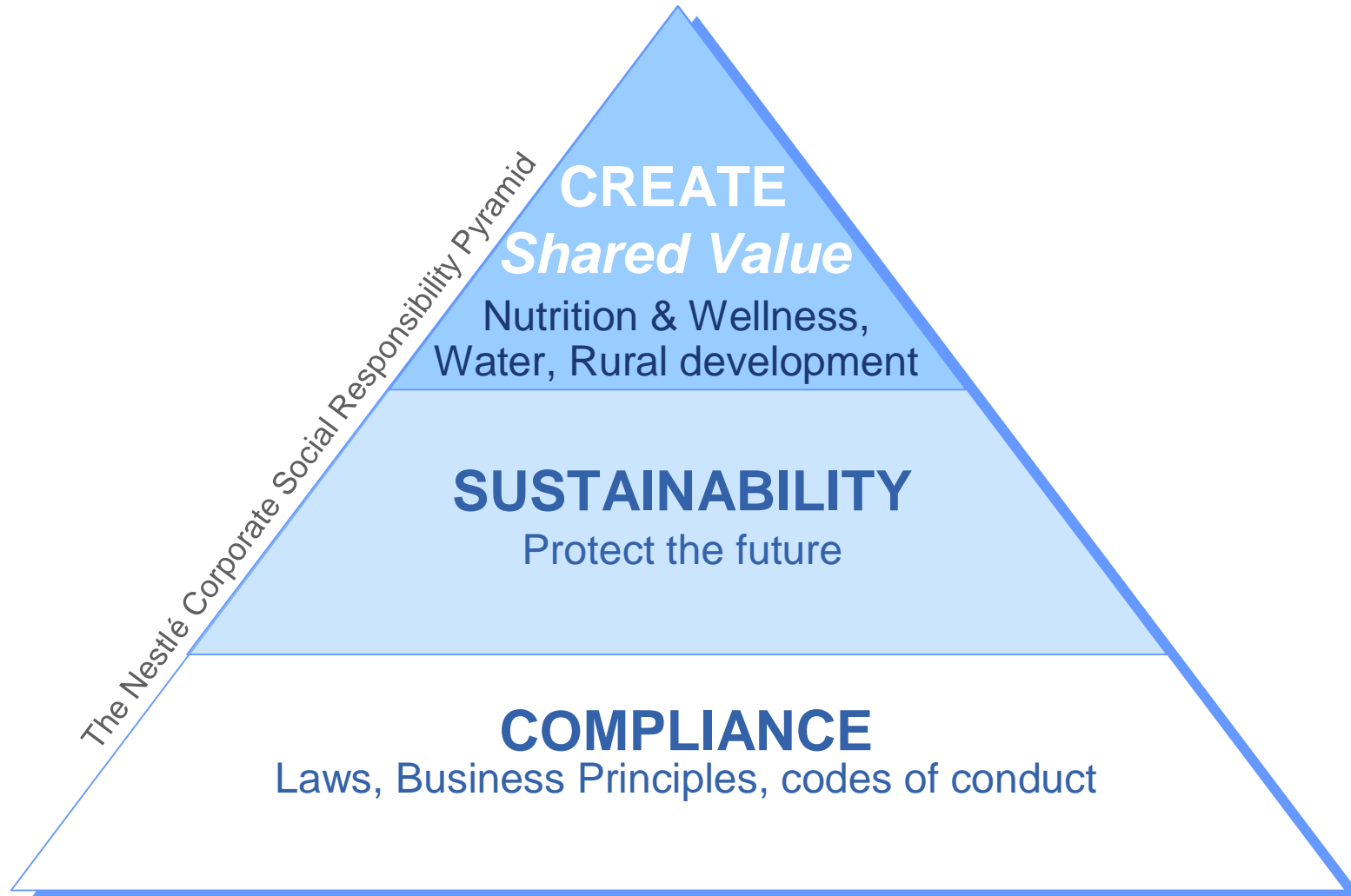
Customer & Consumer Alignment



... aligning Operations with the Business to deliver a new level of performance

Our transformational opportunity ...







Agriculture and rural development

Environment, manufacturing & people

Products and consumers

Value for society

- Improved yield
- Reducing consumption

- Creating jobs
- Efficient systems




- Access to nutritional products
- Generating local investment

Value for Nestlé

- Securing supply
- Improving product quality

- Lowering costs
- Creating Competitive Advantage

- Entering new and emerging markets
- Competitive shareholder returns

		Variation 2003 - 2007	
Water Consumption	m ³		- 34%
Energy Consumption	gigajoules		- 24%
Greenhouse Gases	kg CO ²		- 31%

(per ton of product)



Delight Consumers

- *Minimize Consumer Complaints*
- *FreshNes as "measure" and "mindset"*

Deliver Competitive Advantage

- *Improve Customer Service & Inter-Market-Supply*
- *Enable delivery of year on year savings*

Excel in Compliance

- *Improvements in Quality & Safety*
- *Implement Nestlé Management Systems*

From project driven initiatives to a sustainable, attitude inspired approach ...



The 7 wastes in the Value Chain:



*“Nestlé Continuous Excellence will engage everybody’s heart & mind in a consumer-driven **War on Waste**”*

- Promote *passion* & obsession for *consumers* and *quality*
- Seed and foster the **ONE way** of working in Nestlé: **Zero Waste – 100% engagement**
- Disseminate **LEAN Thinking** mindset
- Improve **Freshness** and **Customer Service** through increased manufacturing **Flexibility**
- Push **cohesion and alignment** across the functions and with the business
- **Develop** talents to ensure **future leaders**
- Facilitate **flawless execution ...**



Nestlé Integrated Management System (NIMS)

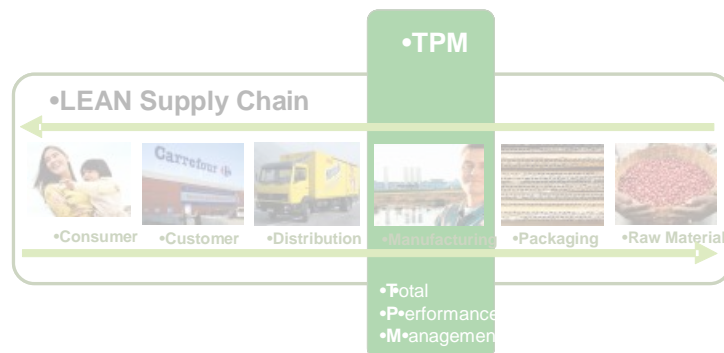
Quality, Safety, Environment, Standards, Business Excellence ...

Leadership Development

Nestlé Management & Leadership Principles, Business Principles, Nestlé on the Move ...

Goal Alignment

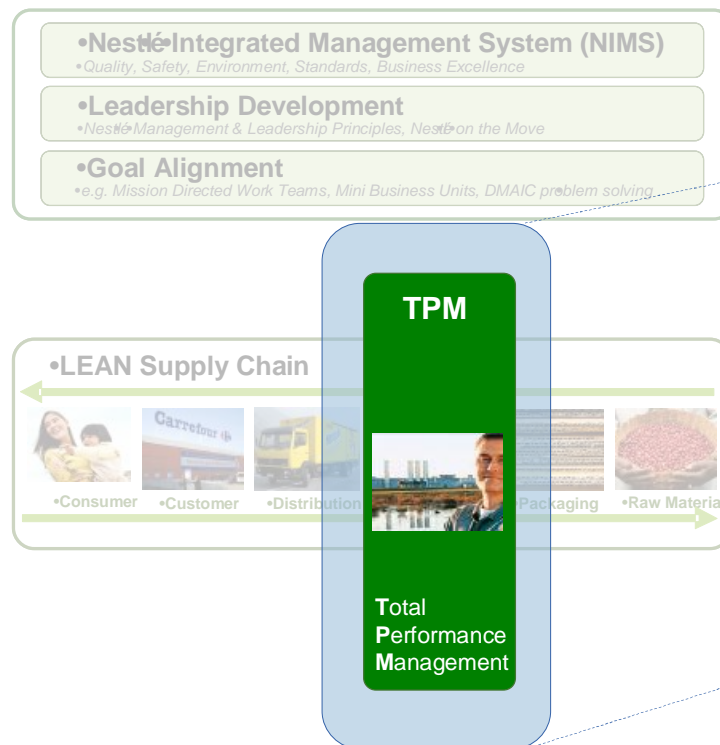
e.g. Mission Directed Work Teams, Mini Business Units, DMAIC problem solving ...



Excel in compliance with Nestlé and external standards to guarantee:

- Quality of our products
- Health & safety of our employees
- Protection of environment

**Excellence in Leadership Development
Commercial and Operations Alignment**



**Improve the Company by
improving its people and its
equipment**

- **Bring consumer prospective
inside the factories**
- **Simplify Shop floor flows**
- **Empower & align our workers**

•Nestlé Integrated Management System (NIMS)

•Quality, Safety, Environment, Standards, Business Excellence

•Leadership Development

•Nestlé Management & Leadership Principles, Nestlé on the Move

•Goal Alignment

•e.g. Mission Directed Work Teams, Mini Business Units, DMAIC problem solving

•TPM

LEAN Supply Chain



- Redesign management processes and material flows around consumer/customer needs
- Eliminate duplication and non-added value activities
- Promote and foster value creation mindset/attitude across the entire organisation

We have set an ambitious objective to accelerate implementation ...



More than 300 Factories will begin implementation of TPM by end 2010 ...

TPM Launch	2008	2009	2010
Reference Factories	24		
Full TPM		50	250
Goal Alignment Preparation Modules	100	200	
LEAN & FI Pillars		50	120

... covering more than 90% of total cost of production

	2007	2012
Consumer	<i>2nd Quartile</i>	<i>1st Quartile</i>
Competitiveness	<i>3rd Quartile</i>	<i>1st Quartile</i>
	<i>3rd Quartile</i>	<i>1st Quartile</i>
	<i>4th Quartile</i>	<i>1st Quartile</i>
Compliance	<i>3rd Quartile</i>	<i>1st Quartile</i>

TPM in Brazil after 12 months

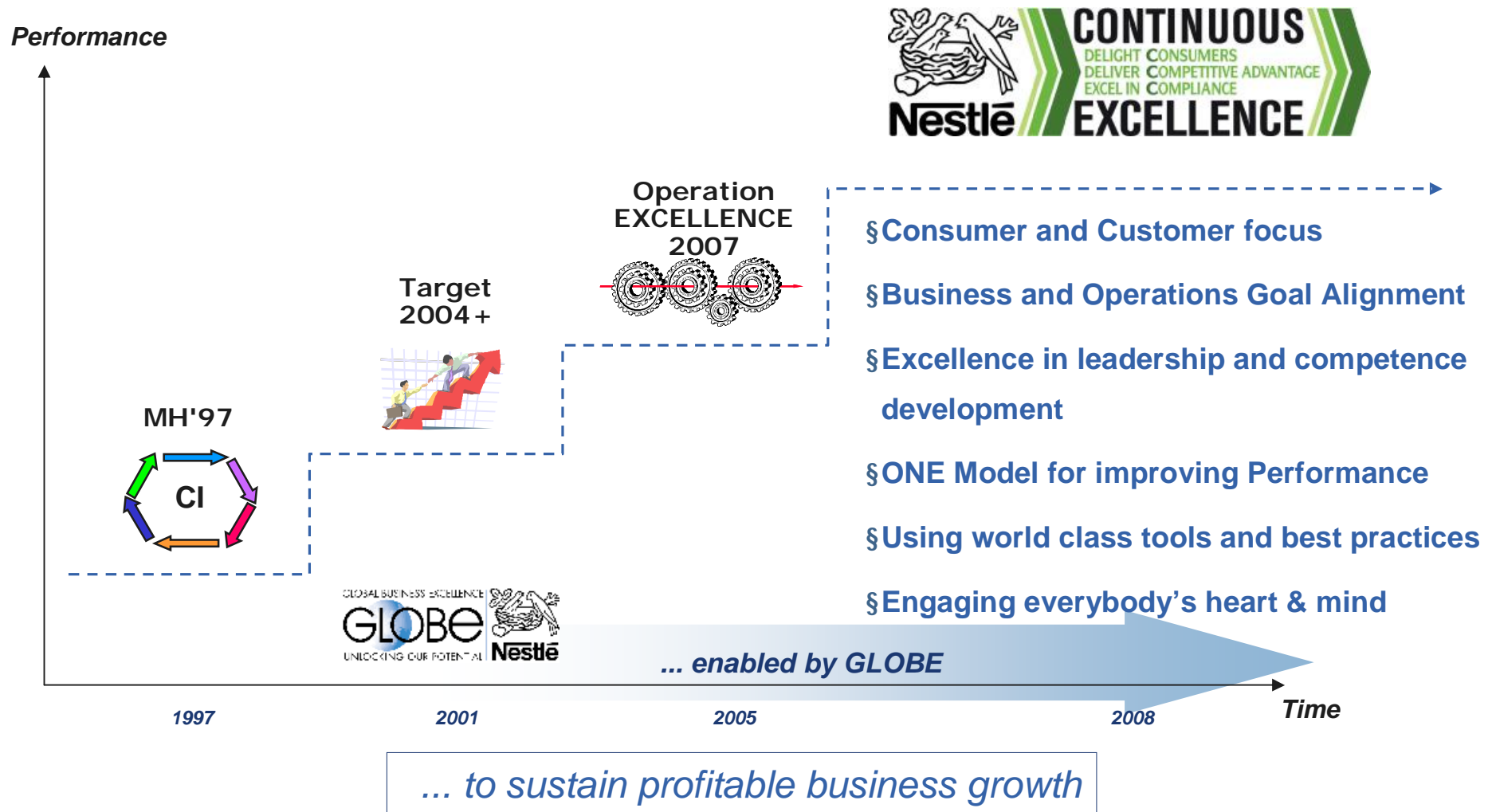
- **Delight Consumers**
 - Consumer Complaints reduced >30%
 - Master Schedule Attainment improved >14%
- **Competitive Advantage**
 - Conversion Cost reduction > 9%
 - Efficiency > 90%
- **Excel in Compliance**
 - Zero Accidents



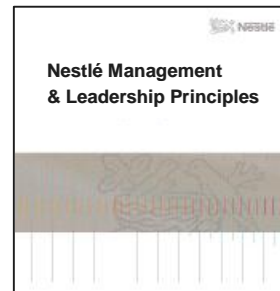
TPM in US – Dreyer's Ice Cream

- **Delight Consumers**
 - Consumer Complaints reduced >70%
 - Quality defects reduced > 70%
 - Inventory reduced >50%
- **Competitive Advantage**
 - Conversion Cost reduction > 30%
 - Efficiency > 90%
 - Case fill rate 99.5%
- **Excel in Compliance**
 - Zero Accidents





- Quality & Compliance are the foundation of everything we do
- Evolutionary approach – improving on the performance achieved



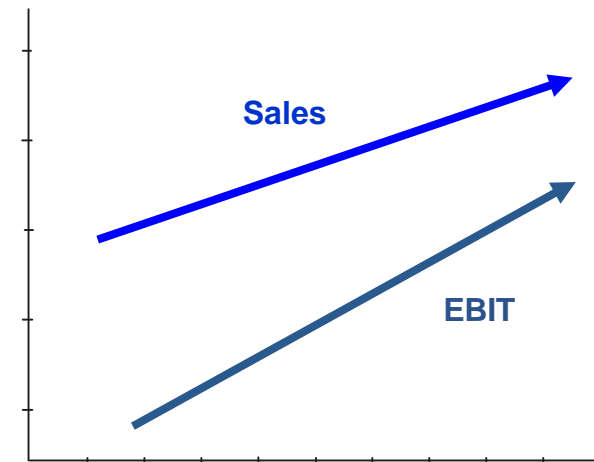
"Every employee of Nestlé has both an individual & complementary role to play in building the Company of the future"

"Leadership ... is defined as a high involvement of each employee and a common mindset geared to results"

"Nestlé is committed to the concept of Continuous Improvement"

... engaging people to accelerate performance to create competitive gaps

1. Long-Term Organic Growth Target **5 - 6%**
2. Continued year after year improvement of **EBIT margin**
3. Improving Capital efficiency / Business **ROIC** / **Cash returns to shareholders**



Resulting in an industry outperforming, long-term total shareholder return

Nestlé Investor Seminar 2008

