

Nestlé Continuous Excellence

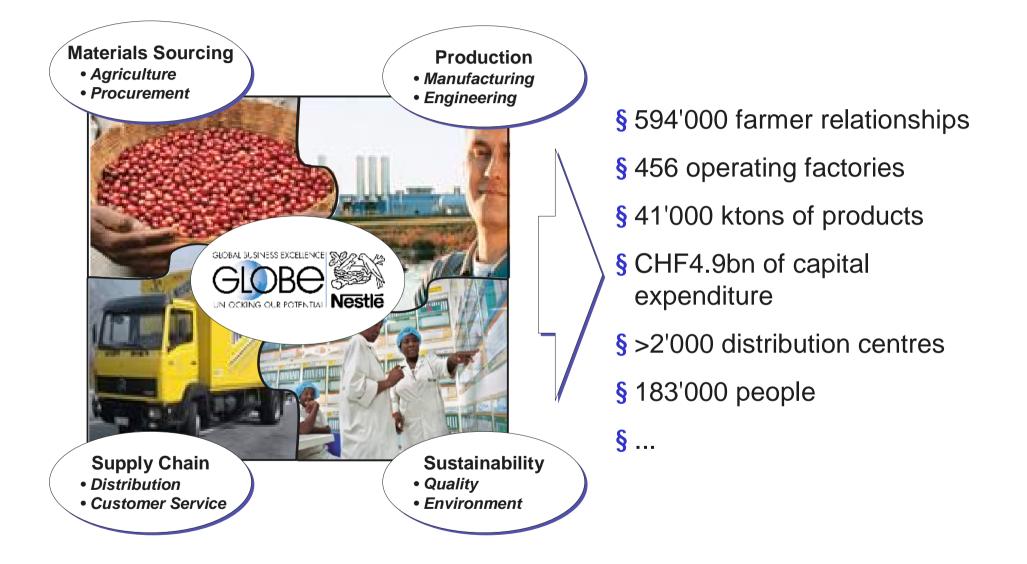
"Accelerating our performance improvements"

José Lopez June 29th, 2009



Operations in Nestlé: 2008 key figures

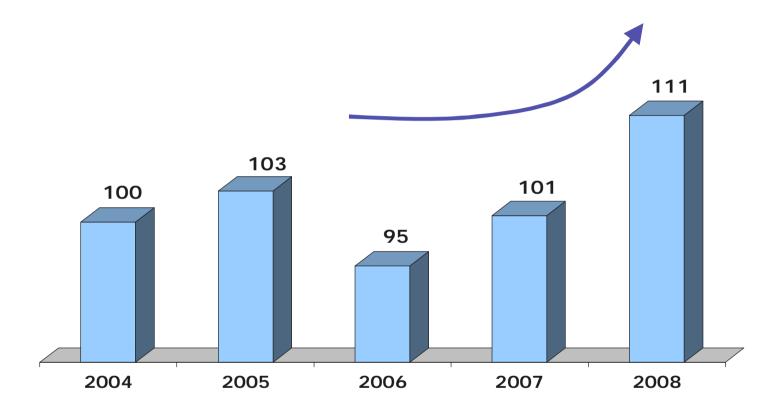




2008 has been the best year ever for Nestlé operations improvement activities



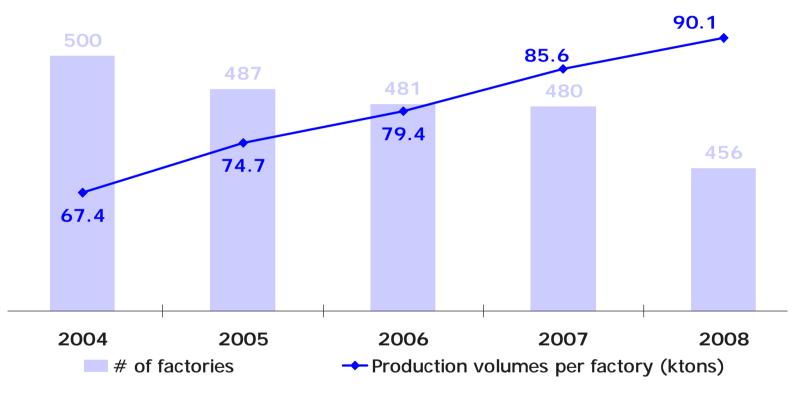
Operations saving index



- Significant acceleration in 2008: +11% vs. 2007
- **§** > CHF12bn saved over the last 10 years



Number of factories and production volume per factory



- § 34 factories divested and 10 new factories commissioned in 2008
- **§** Production volume per factory increased by ~ 34% over the last 5 years
- § Introduction of micro and finishing factories







"One Nestlé Operating model"





Achievement vs. May 2008 roll-out plan

	Dec. 2008	June 2009
Goal Alignment & leadership (# factories activated vs. planned)	100%	116%
Green Belt Trainings (# session delivered vs. planned)	100%	170%

- § The Nestlé Quality Management System is introduced in parallel to ISO22000 and ISO9000 certification
- § The ISO14001/OHSAS18001 certification program has been advanced by 12 months; 95% of the factories to be certified by December 2009

Increasing the number of improvement activities, no matter how small, proved to be successful...



- § Goal Alignment modules are delivering outstanding results
- § > 2'000 people trained as yellow/green belts over the last 12 months
- § > 400 new improvement opportunities identified so far in 2009

Example:

Nestlé South East Europe (6 factories)

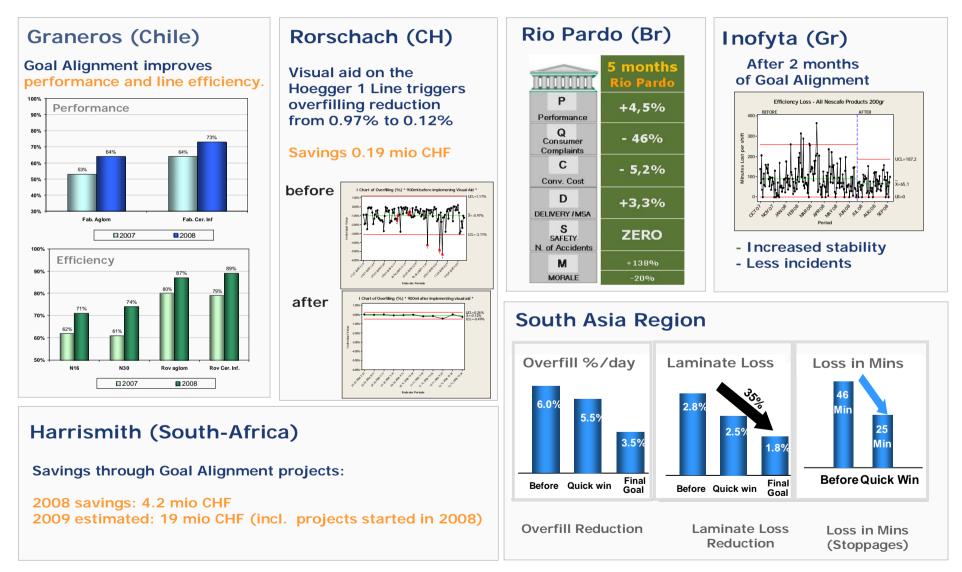
- q > 400 people involved
- q 18 improvement opportunities identified and initiated
- q Absenteeism in 2009 vs.2008: -62%

	Project	Progress	Sponsor	Green Belt	Exp. Benefit
ľ	Reduce over-weight of Kit Kat Senses (Sofia Fact.)	DMAIC	T. Vassileva	G.Tsonkova	EUR 210 k
	Improve line efficiency of OPM Line (Sofia Fact.)	DMAIC	T. Vassileva	M.Bali	EUR 96 k
	Reduce level of rework in Mura production (Sofia Fact.)	DMAIC	T. Vassileva	B.Vlachkov	EUR 20 k
	Reduction of Stoppages in Coffee retail line (Inofyta Fact.)	DMAIC	D.Simeonidis	K.Daskalopoulou	EUR 85 k
	Nescafe Sticks Operational Improvement (Inofyta Fact.)	DMAIC	D.Simeonidis	G.Kostarelis	EUR 60 k
	Reduction of Recycling/Rework @ R&G lines (In ofyta Fact.)	DMAIC	D.Simeonidis	K.Papadogianni	EUR 23 k
	Line efficiency and losses improvement in 1,5 LT Line (Korpi Fact.)	DMAIC	M.Karabali	N.Floudas	EUR 31 k
	Line efficiency and Losses improvement in 0,5 LT Line (Korpi Fact.)	DMAIC	M.Karabali	P.Tsonis	EUR 28 k
	Reduce losses in 5 Gallons bottles (Dodoni Fact.)	DMAIC	M.Karabali	N.Thalassinos	EUR 30 k
	Reduce level of Bad Goods in I/C operation in Greece (SC I/C Greece)	DMAIC	P.Pionat	G.Galanos	EUR 250 k
	JOE 4 Line Performance Increase (Timisoara Fact.)	DMAIC	C.Osorio	N.Dragan	EUR 40 k
	Optimisation of material losses in Rollo2 moulding line (Stara Pazova Fact)	DMAIC	N.Sakoutis	M.Popov	EUR 35 k
	Reduce rework generation in Tavros Fact. (Tavros Fact.)	DMAIC	Y.Poulios	N.Giabouras	EUR 32 k
	Reduction of overfilling in "Traditional cups" category (Tavros Fact.)	DMAIC	L.Touliatou	I.Chaviaropoulos	EUR 30 k
	Reduce COP in cones & extruded sticks lines (Tavros Fact.)	DMAIC	Y.Poulios	C.Babanas	EUR 30 k
	Improve couvertures loss (from 2.82% to 0.5%) - Timisoara	DMAIC	C.Osorio	TBD	EUR 15 k
	Increase coffee packing productivity by 5 % & reduce efficiency loss by 1% (from 94 % to 95%) – Timisoara	DMAIC	C.Osorio	TBD	EUR 40 k
	DMAIC Projects to be defined (all factories)		FM's	TBD	EUR 300 k

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NCE Foundation modules' results - Example



9

To better monitor and trace the results we have deployed a new tool...



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§ Nestlé Continuous Excellence: large number of "small" decentralized improvement activities

§ Clear monitoring and short reporting cycle time to enable fast decision NESTE C making

Indicator

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Our action plan for 2009 - 2010 is to accelerate the deployment of Focus Improvement pillar...

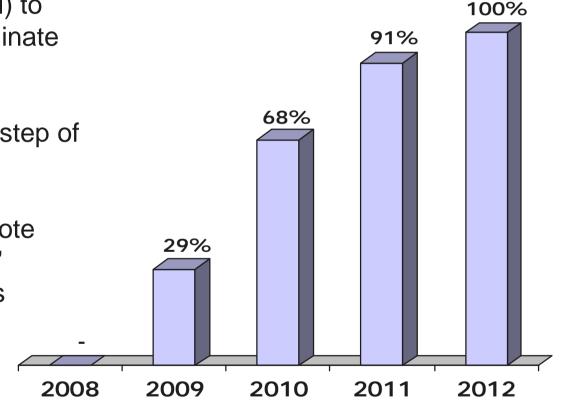


§ Focus Improvement (FI) to identify, analyze & eliminate losses

- § FI natural evolutionary step of Foundation modules
- § FI to support and promote large number of "small" improvements activities

Fl pillar roll-out plan

(# factories activated vs. total scope)



... as well as to disseminate the Lean concept outside the Operations domain



NCE pilots areas beyond Operations



§ Transactional processes within GLOBE and our shared business services (GNBS)

§ Managerial processes within our Centre Corporate activities





§ Marketing, communication and sales activities within our Waters business



Our competitive advantage to create gaps



Alignment and strategic control of the value chain

- § To have higher influence on the total delivered cost...
- § ... enabling broader scope for Nestlé Continuous Excellence



Long-Term Organic Growth Target 5 - 6%

 Continued year after year improvement of EBIT margin

1.

3. Improving Capital efficiency / Business ROIC / Cash returns to shareholders

Resulting in an industry outperforming, longterm total shareholder return

