

Delivering growth . . . improving margins . . . enhancing value

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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.

Agenda

- Efficiency programmes
 - GLOBE
 - FitNes
 - Efficiency programmes overview
- Mergers and acquisitions, divestitures
- Communication
 - Increased disclosure
 - Corporate governance
 - Financials
- Conclusion



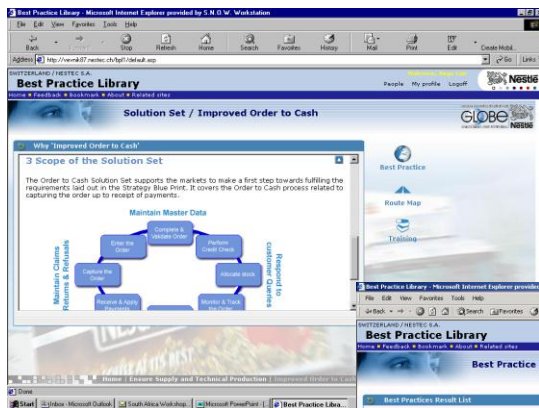
GLOBE - program objectives

- 1 Creation of a common business process architecture - best practice
- 2 Standardisation of internal and external master data
- 3 Standardisation of information systems infrastructure - the GLOBE template

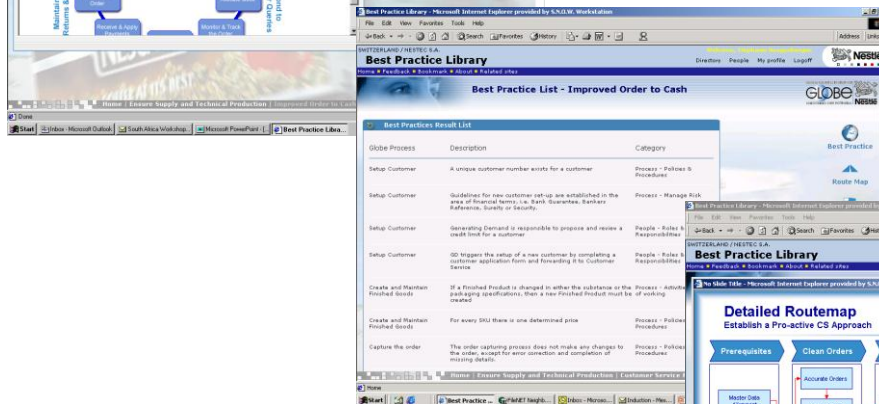
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Overview of the best practice library - Sections of a solution set

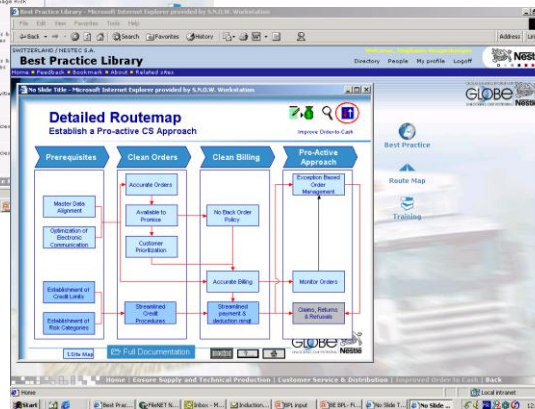


Why : Provides the rationale for change



Global Process	Description	Category
Setup Customer	A unique customer number exists for a customer.	Process - Policies & Procedures
Setup Customer	Guidelines for new customer set-up are established in the area of financial terms, i.e. bank guarantees, banking references, quality or security.	Process - Manage Risk
Setup Customer	Separating Demand is responsible to propose and review a credit limit for a customer.	People - Roles & Responsibilities
Setup Customer	ID triggers the setup of a new customer by completing a customer application form and forwarding the Customer.	People - Roles & Responsibilities
Create and Maintain Product Leads	If a Finished Product is changed within the substance or the Process - Addressing packaging specifications, then a new Finished Product must be created.	Process - Manage Risk
Create and Maintain Product Leads	For every SKU there is one determined price.	Process - Policies & Procedures
Capture the order	The order capturing process does not make any changes to the order, except for error correction and completion of	Process - Policies & Procedures

What: Provides transparency on the best practices



How: Provides detailed "how to" approach

Best practice implementation: current scope

Generating demand:

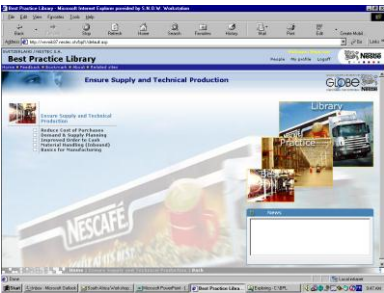
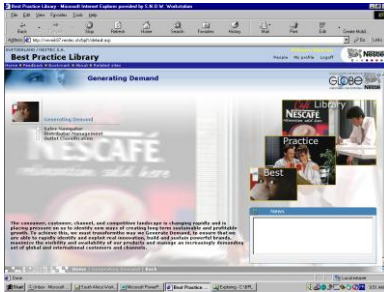
- Sales navigator
 - Distributor management
 - Outlet classification

Ensure supply and technical production:

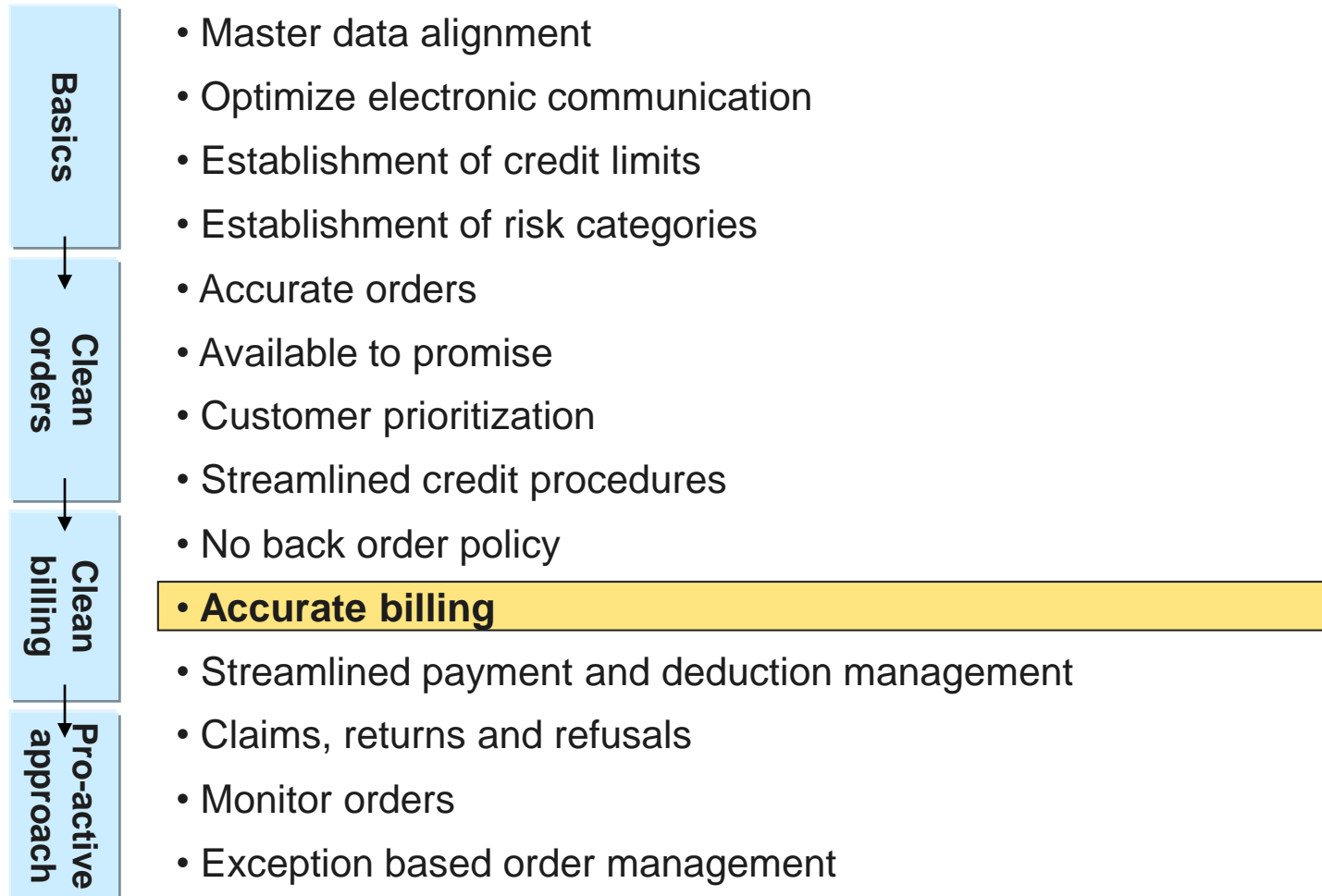
- Reduce cost of purchases
- Customer service & distribution incl. order to cash
- Demand and supply planning
- Material handling
- Basics for manufacturing

Reporting / performance and data management:

- Accelerated close
- KPI framework
- Data management



Best practices within order to cash



Self assessment sheets

Solution Set	Improve Order-to-Cash
Reference No.	2.10
Standard Name	Accurate Billing
Links to Globe	Key Decision - Invoicing Based on Proof of Delivery
Background	
Some markets generate invoices prior to shipment confirmation. Changes to orders that occur after confirmation and before shipping are not reflected on the invoice, thus creating invoice errors. Where markets have the ability to invoice after receipt of the Proof of Delivery, order discrepancies that are identified upon delivery are reflected on the invoice.	
Best Practice Nestlé Standard	
Billing is based upon proof of delivery confirmation to ensure accurate billing.	
Guidance Notes	
<p>A prerequisite for accurate billing is that all orders in the system are accurate and deliverable (Reference 2.2 Accurate orders and Reference 2.3 Available to Promise).</p> <p>Customer Service provides the correct input and carries out the necessary checks to enable billing to be done correctly and that accurate invoices are generated. This information is then forwarded to Accounts Receivable. This is done with integrated support from Materials Handling and/or Generating Demand.</p> <p>Invoicing is done after Proof of Delivery (POD) is signed (received within a market-defined period of time). This reduces the number of invoice claims from customers and the number of credit memos, since discrepancies that are identified upon receipt of delivery will be reflected on the order and invoice. If Proof of Delivery is not received in a market-defined period of time, invoice is automatically generated based upon shipment confirmation.</p> <p>Procedures and guidelines are in place to check whether 'one order, one invoice' requests from customers can be executed.</p> <p><u>Stages of maturity</u></p> <ol style="list-style-type: none"> 0. No procedures are in place to ensure error free invoices. 1. Invoices are created prior to picking confirmation. 2. Invoices are created after picking confirmation. 3. The invoice is created after shipment confirmation. 4. The invoice is created after Proof of Delivery (POD) confirmation (received within a market-defined timeframe). Automated transmission of the confirmation of POD and invoicing processes are in place. 	

Best
practice
reference

Background

Definition

Overall
guidelines

Guidelines
for maturity

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Common material coding will enable us to leverage our purchasing power



Mat #	Factory	Family	Specification	Description
86	Fribourg	CHICOREE	2.010.05	SUCRE FIN D 9610
7006	Orbe	SUCRE CRISTALLISE	2.010.05	SUCRE CRISTAL (N° ART. FOURN. 3521)
9610	Kempttal	SUCRE CRISTALLISE	2.010.05	ZUCKER LOSE
9611	Kempttal	SUCRE CRISTALLISE	2.010.05	ZUCKER IN SÄ
10104	Konolfingen	SUCRE CRISTALLISE	2.010.05	ZUCKER
10148	Konolfingen	SUCRE CRISTALLISE	2.010.05	FEINKR.ZUCKER AARBERG (N° ART. FOURN. 32
10149	Konolfingen	SUCRE CRISTALLISE	2.010.05	FEINKR.ZUCKER F/VORMISCH
14015	Broc	SUCRE CRISTALLISE	2.010.05	SUCRE CRISTAL
79874	Rorschach	SUCRE CRISTALLISE	2.010.05	SUCRE
14016	Broc	SUCRE CRISTALLISE	2.010.05	SUCRE VRAC TP NESQUIK
60000	Broc	SUCRE CRISTALLISE	2.010.05	SUCRE TP NESQUIK BRANCHE

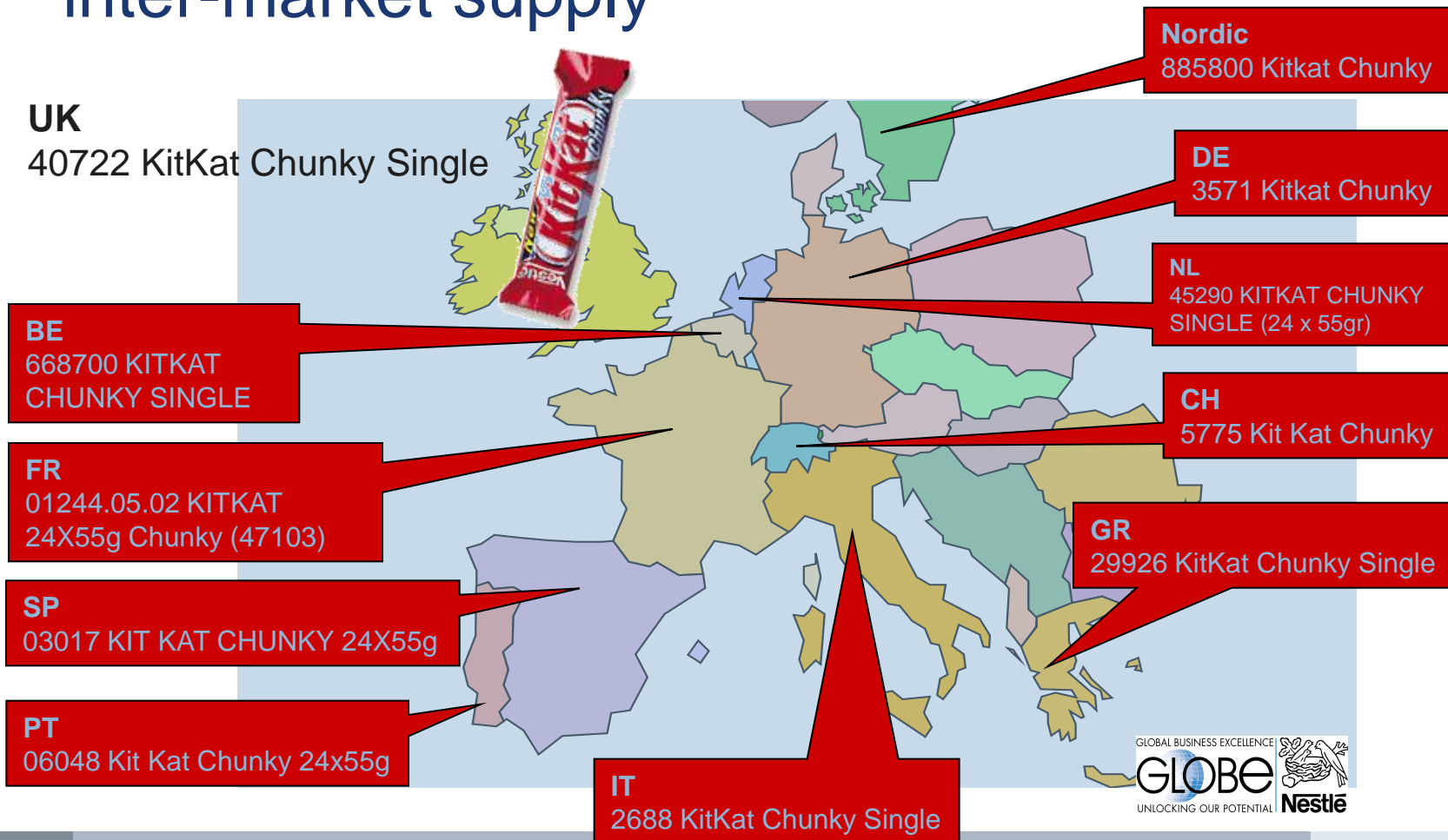
Global spend analysis*

	% total spend
Raw Materials	25%
Packaging	16%
Services & Indirect Materials	45%
Finished Goods	14%

- From over 600'000 supplier records down to 167'000 active suppliers
- Over 11 million line items identified
- 39% reduction in the number of material records for the three pilot markets

* **13 markets and 4 businesses surveyed, covering ca. 70% of 2001 turnover**

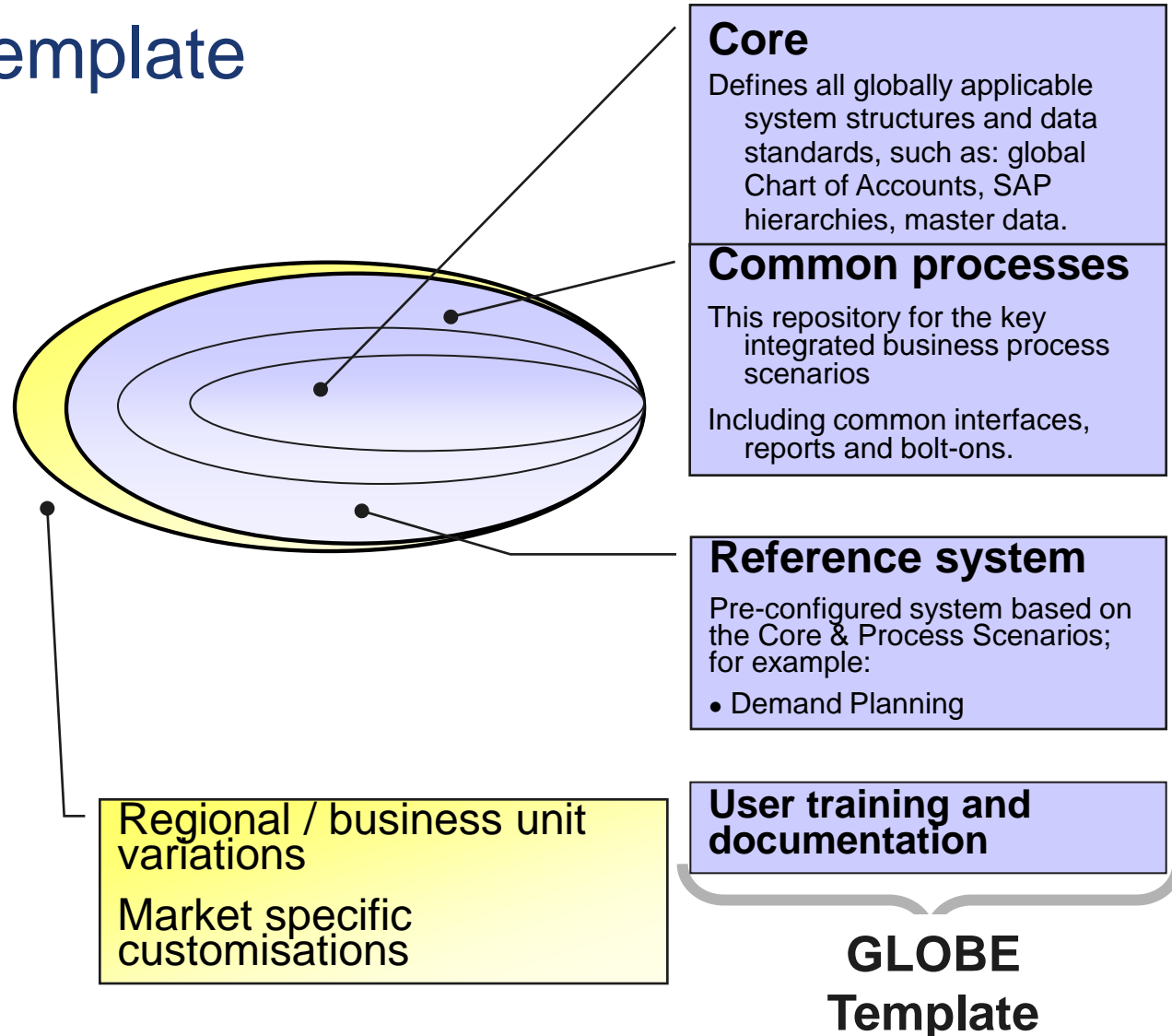
Master data alignment is key to effective inter-market supply



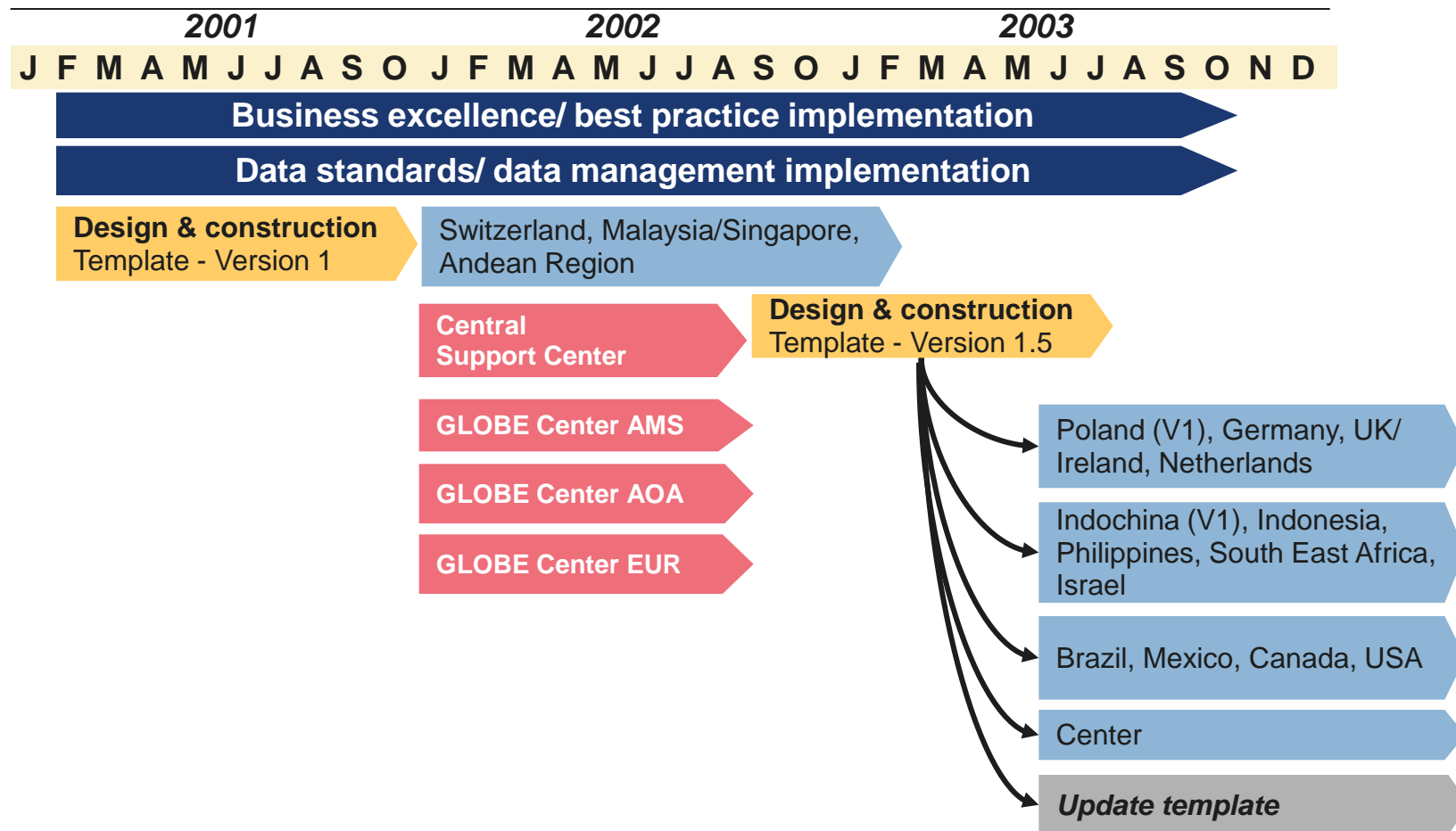
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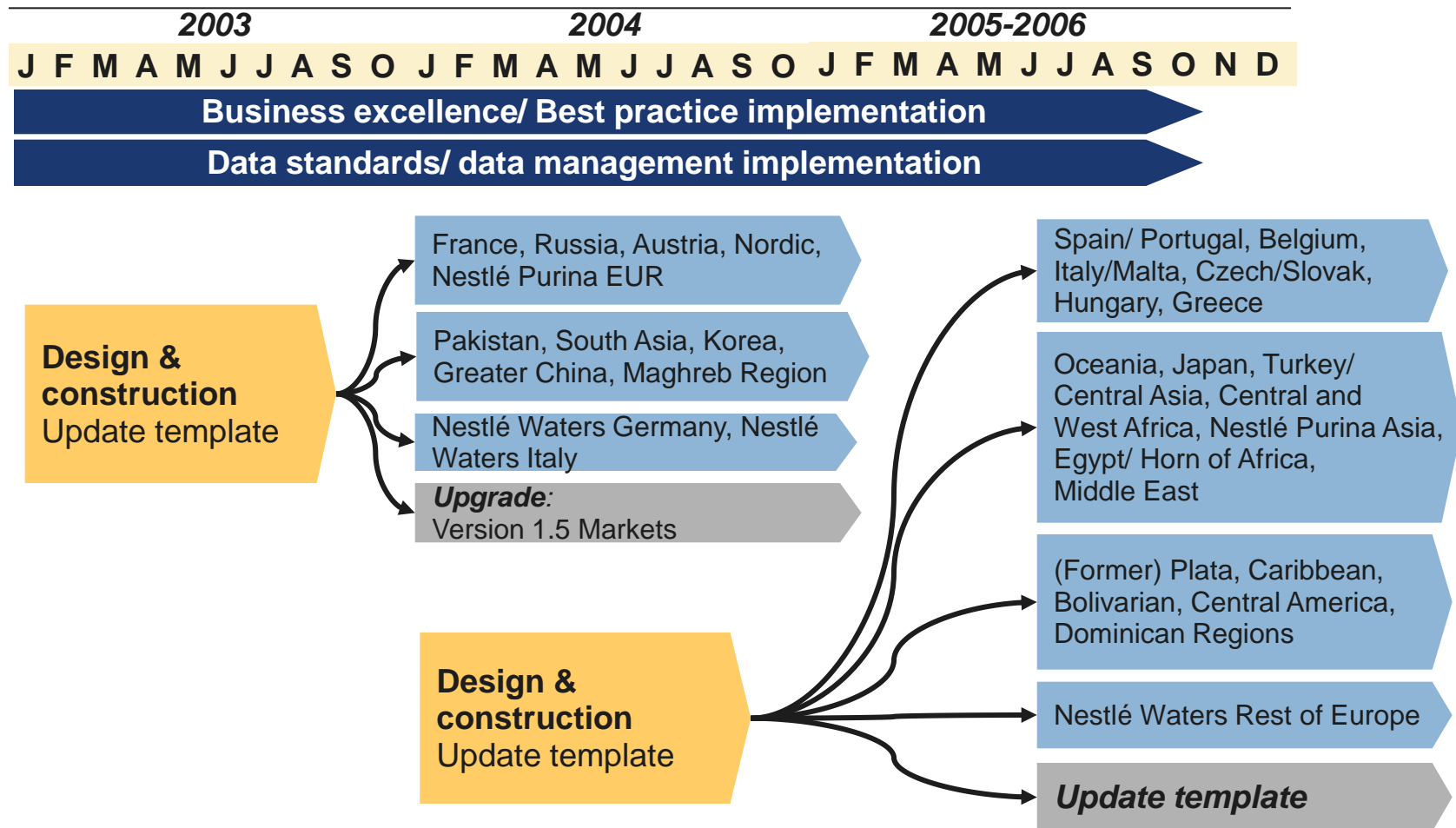
GLOBE template



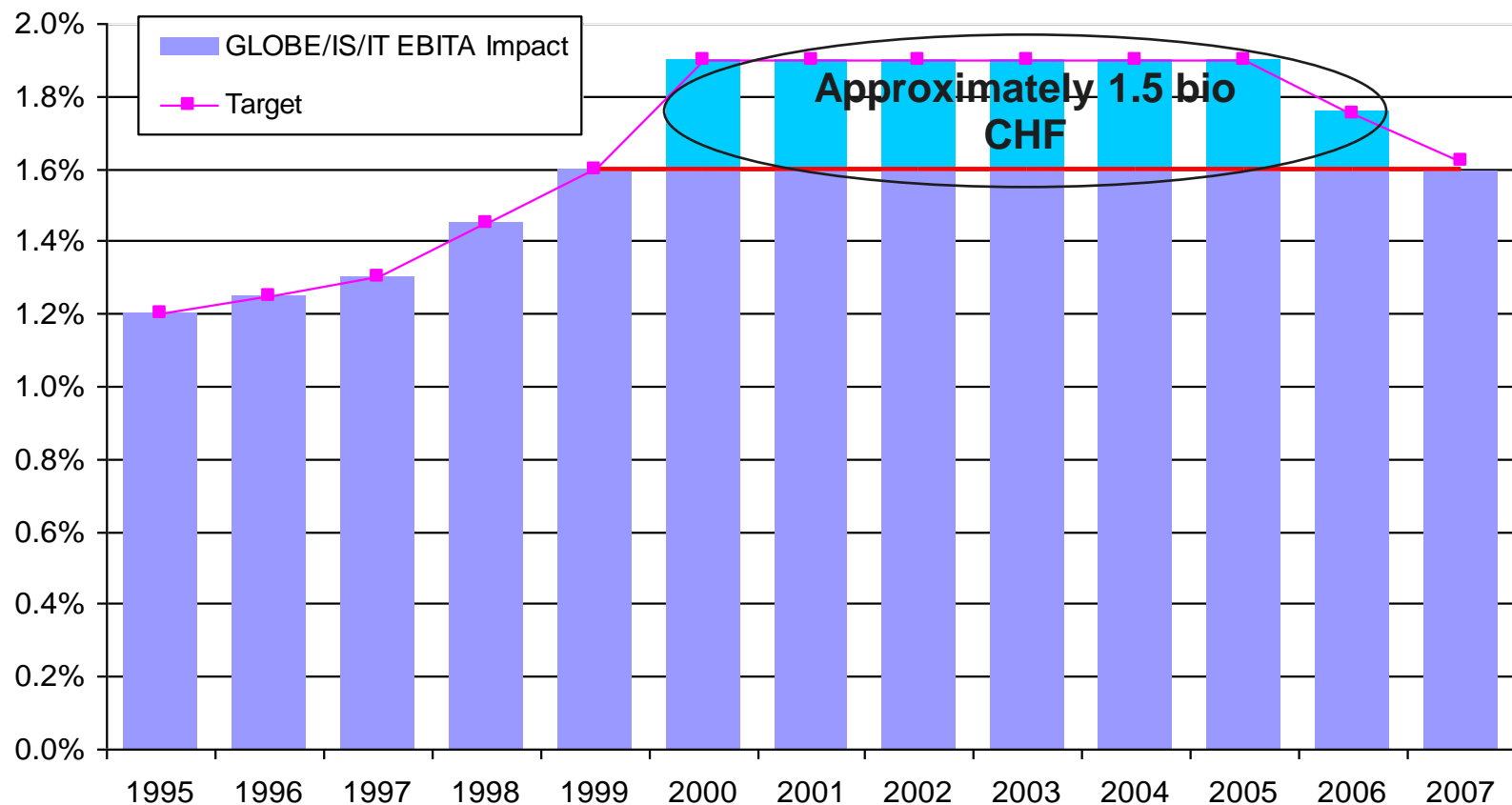
GLOBE implementation



GLOBE implementation



GLOBE/IS/IT cost target (% NPS)*



*Target excludes Schöller, Nestlé Purina North America, Trinks, Alcon, Galderma, Nespresso and BPW

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Project FitNes: guiding principles

- Project FitNes is group-wide within all Food & Beverage organisations, functions and processes
- It enables EBITA improvement by increasing white collar productivity
- It is aligned with GLOBE and other corporate programmes
- It is managed by F&C, without consultants, in order to institutionalise white collar productivity improvements within Nestlé for the long term

FitNes will improve EBITA margin through increased white collar productivity

1% of NPS reduction of SG&A by 2005 on Food & Beverage:

- Excluding Alcon and JVs
- Excluding GLOBE and IT/IS
- Including marketing and sales costs

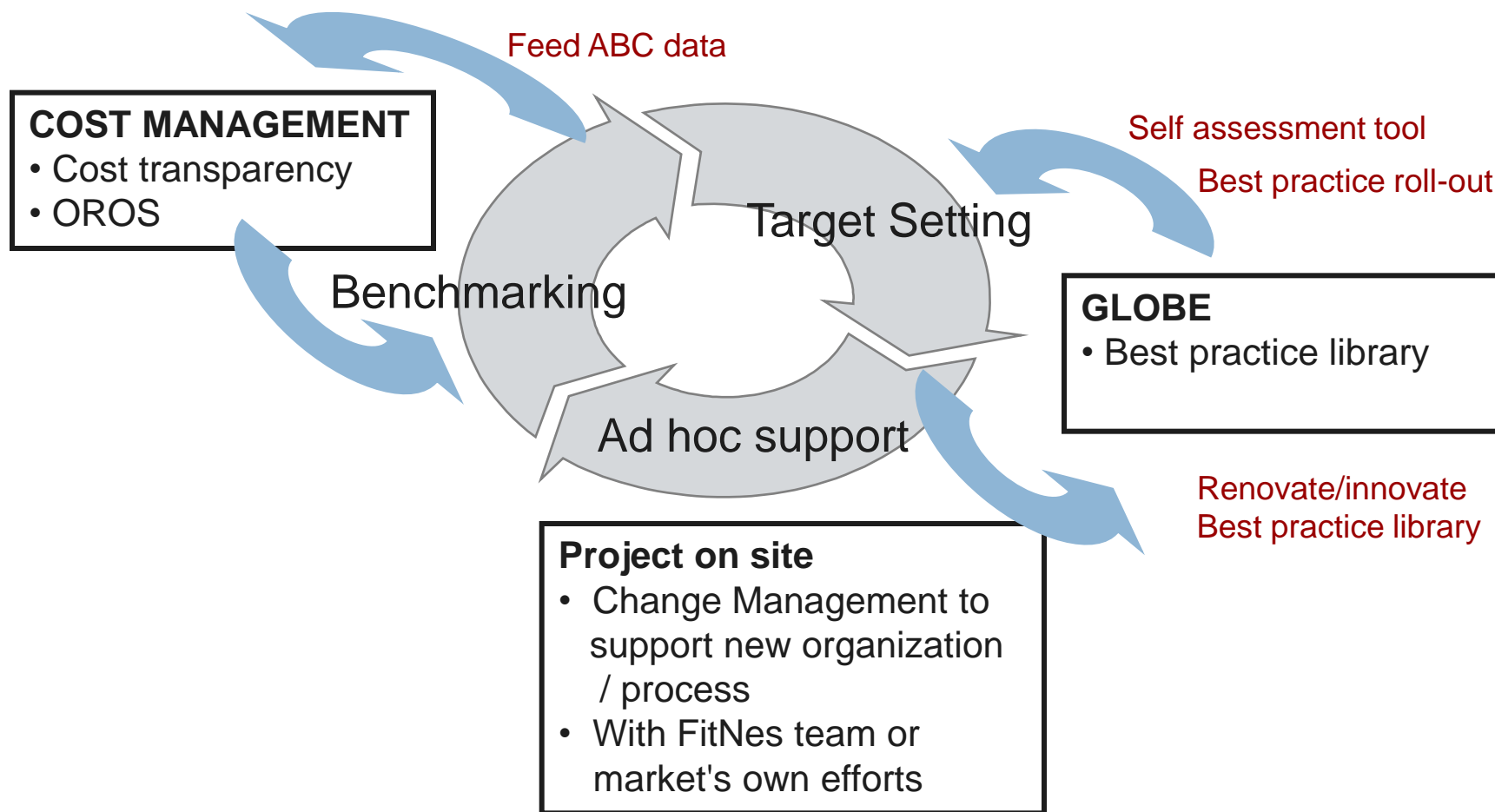
Centre to contribute to the Group effort



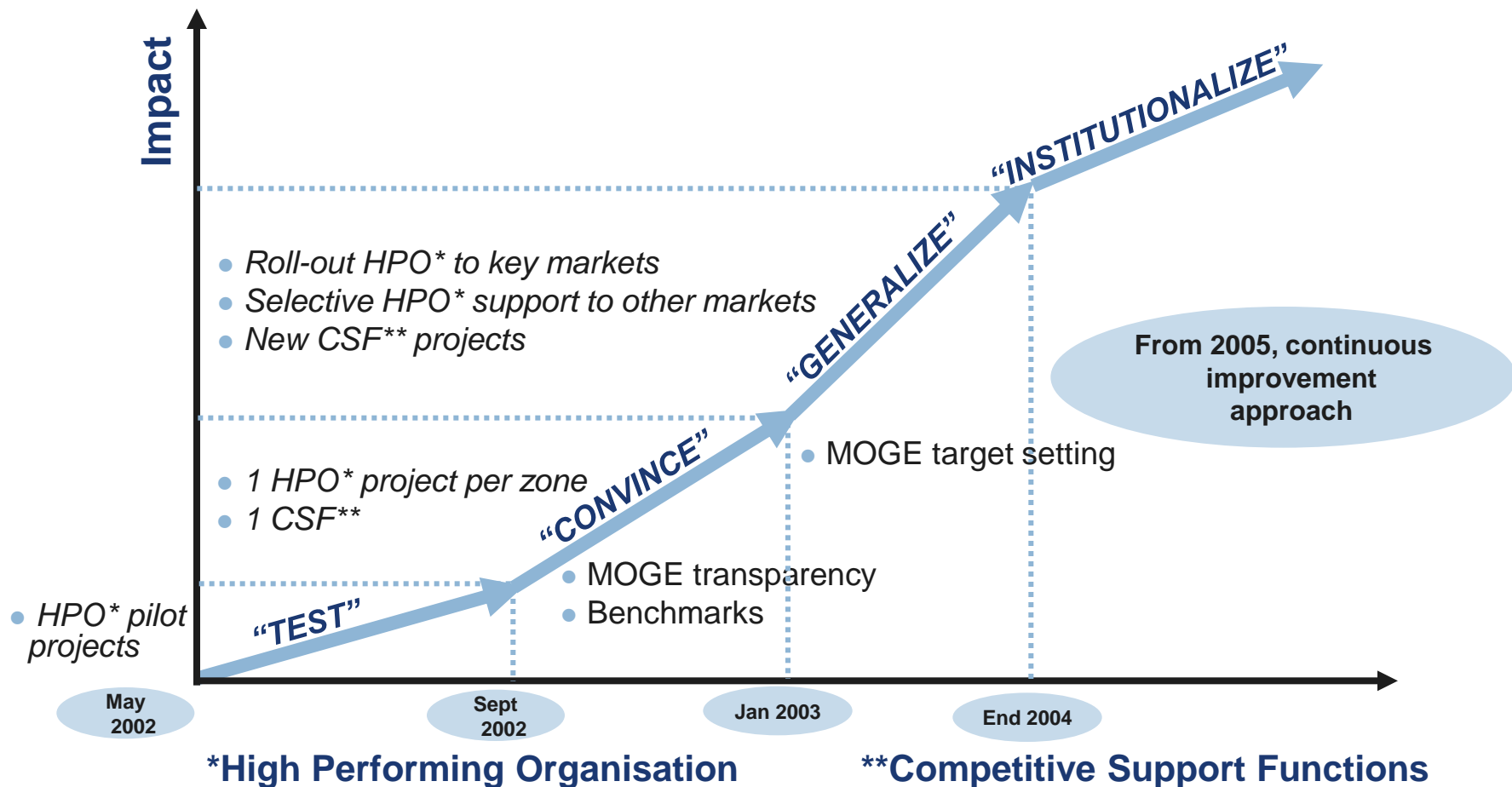
- Addressing all areas of SG&A performance
- Streamlining efforts combined with structural changes
- Change in mindset

FitNes targets 1% of NPS improvement in EBITA margin

FitNes aims at improving EBITA by lowering SG&A



White collar productivity improvements to become part of the Nestlé culture



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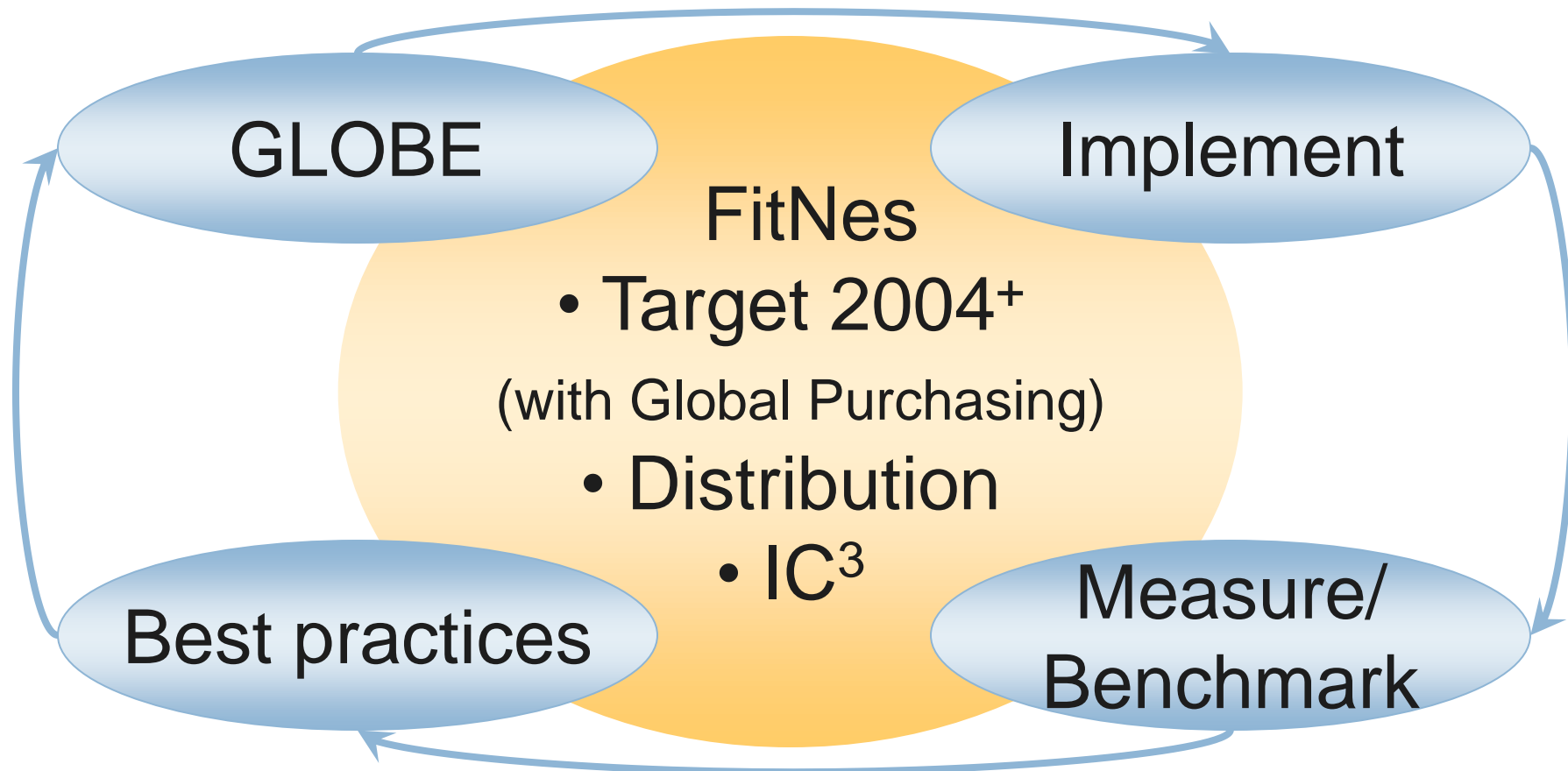
Operational performance improvement

- **To drive growth...**

- Improve customer & channel contributions (IC³)
- Innovation & renovation
- Consumer communication
- Whenever, wherever, however

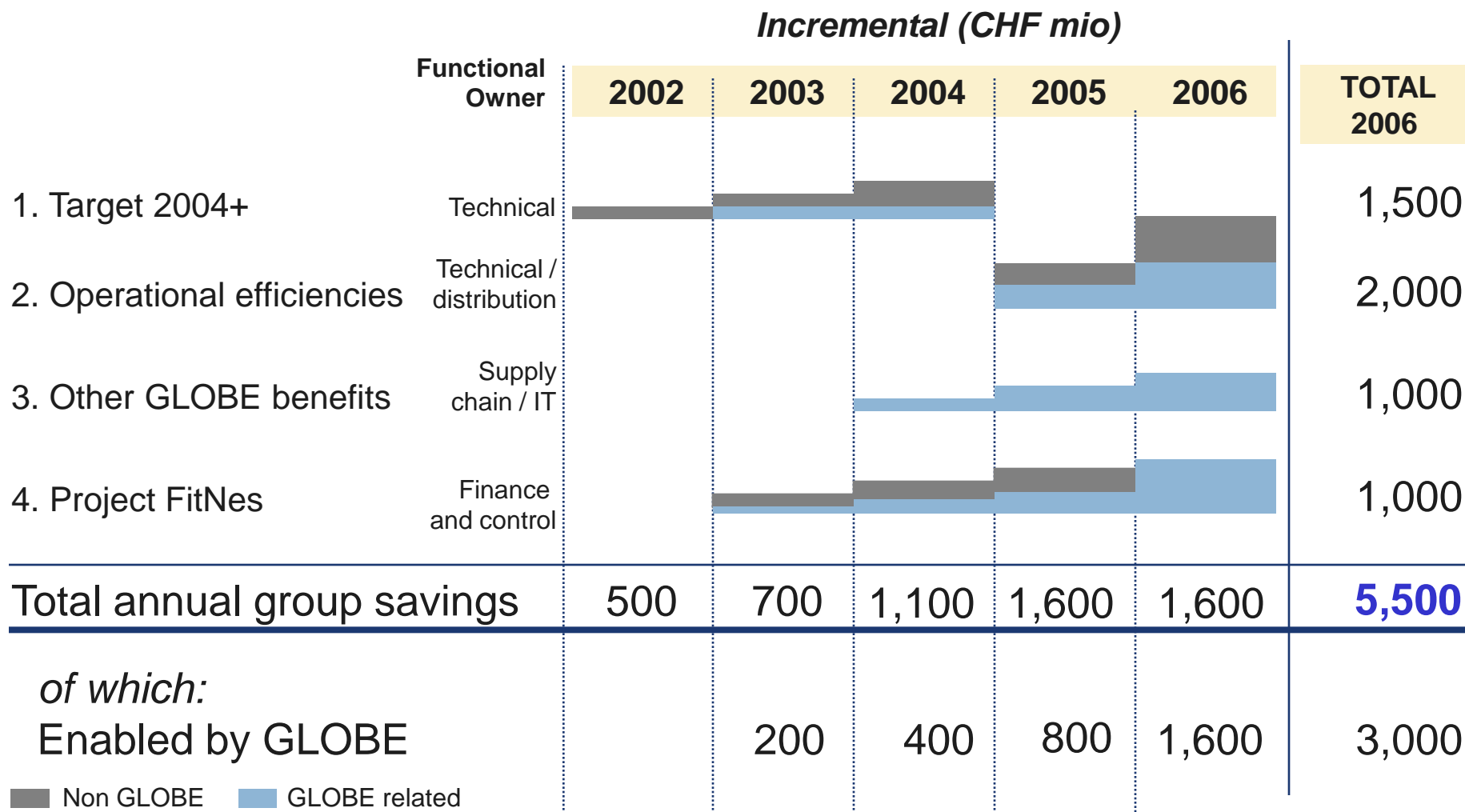
- **...and deliver margin improvement**

- GLOBE → CHF 3 billion of savings by 2006
- Target 2004 → CHF 1.5 billion minimum savings by 2004
- Project FitNes → 1% of F&B sales of savings by 2005



**These initiatives are (partly) enabled by GLOBE
but implemented ahead of the template**

Efficiency initiatives 2002 - 2006



Operational performance improvement

- **Identified benefits**
 - Total gross benefits of CHF 5.5 billion by 2006
- **Retention rate**
 - Historic rate has been about 30% at EBITA
 - Potential for improved retention due to P&L wide coverage of initiative and accelerated pace of savings

Improved retention rate will increase leverage of operational performance improvement

Efficiency programmes and acquisitions run concurrently

- Operational efficiency programmes have clear, separate reporting lines
 - Target 2004 reports into W. Bauer
 - Project FitNes reports into W. Reichenberger
 - GLOBE reports into C. Johnson
 - IC3 reports into F. Cella
- Ralston Purina and Dreyer's are "reverse" type transactions with the acquired management running the enlarged businesses
 - reduces the demands on Nestlé management

Cost benefits and merger synergies to be on time in full

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M&A and strategic alliances




- Acquisitions of faster growth, higher margin businesses
 - categories where our R&D can add value
- Alliances to benefit use of capital / market share
- Disposals to focus Nestlé on its core

Migrate group to higher growth, higher margin sectors, with better use of capital

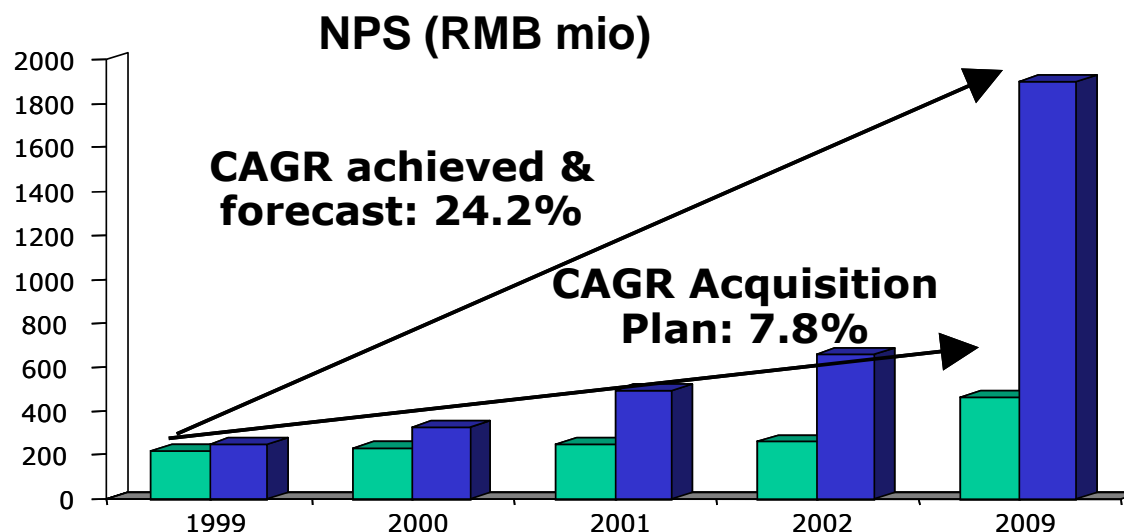
Nestlé acquisition criteria (1)

- To be category No.1 or strong No.2 
- Focused approach on value-added growth categories 
- Strong brands in leadership positions 
- High degree of certainty of successful integration 
 - Business fit / management commitment / existing know-how / culture

Nestlé acquisition criteria (2)

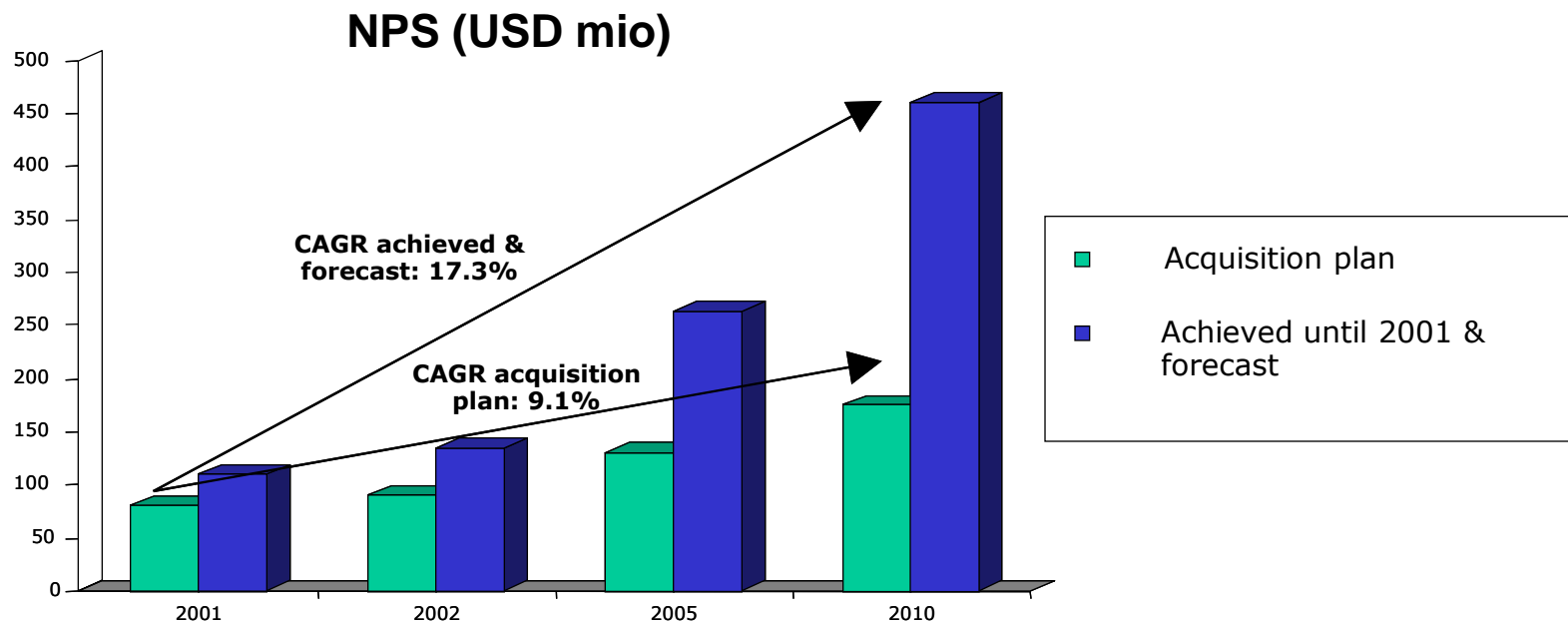
- RIG, cash flow and earnings enhancing 
 - Either pre-acquisition or due to potential for improvement
- Generate value 
 - IRR (conservative scenario) > WACC
 - Normally ROIC greater than WACC in planning horizon
 - Quantifiable and measurable synergies
- Post-measurement for all acquisitions 

Acquisition of Totole - China - Sept. 1999



- Value created by over-achieving performance expectations:
 - IRR based on achieved and new forecast performance is more than double the original estimated IRR

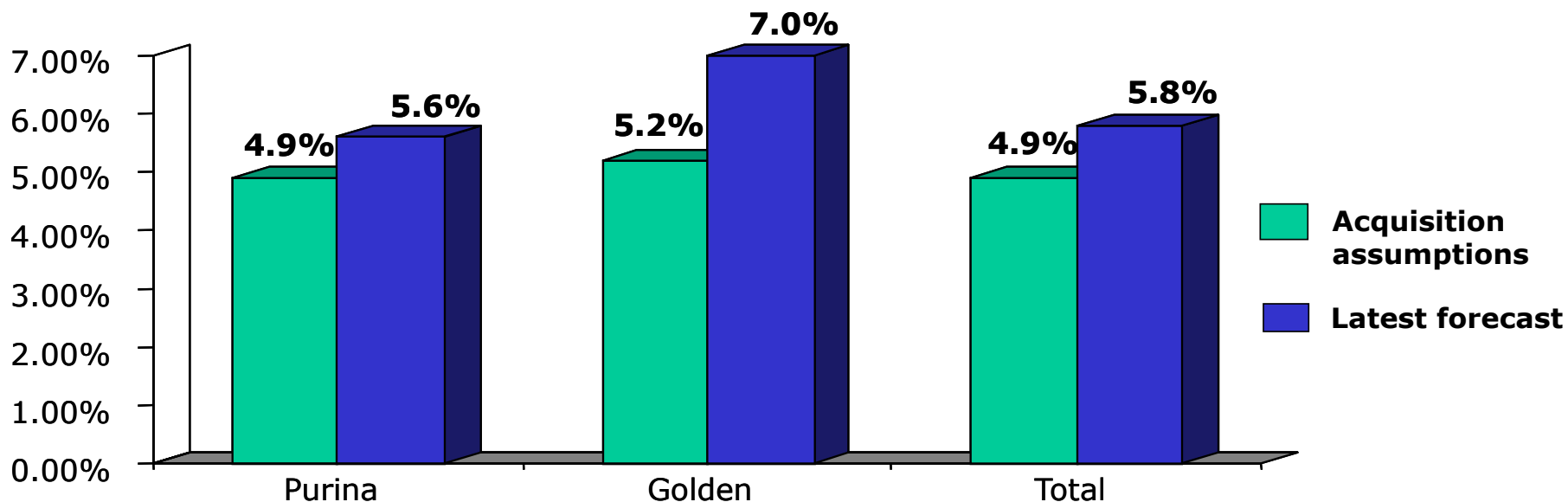
Acquisition of Aberfoyle Springs, Dec. 2000



**Better than assumed sales growth plus stable margins
lead to an increased return from the acquisition**

Acquisition of Ralston Purina, Dec. 2001

Sales CAGR - 2001/2010



- Increased sales and profits since acquisition
- 2002 synergies of USD 37 mio likely to be exceeded
- Financing costs USD 100mio lower than expected

Key developments in 2002

- Acquisition of Dreyer's
Key step toward leadership in the US
- Acquisition of Chef America
Leadership in key food category
- Acquisition of Schöller
Excellent position in Germany and central Europe
- Partial IPO of Alcon
Achieving value and visibility
- Venture Fund established
Access to early stage food innovation
- Disposal of FIS
Focusing on consumers

Key developments in 2002

- **A consistent strategy...**
 - Focusing on food and beverage
 - Creating leadership positions
 - Building on Nestlé know-how
- **...enabling "winning environments"**
 - Dreyer's & Nestlé Ice Cream Company
 - Chef America and Stouffers
 - Corporate venture fund for start-ups
 - Flavour focus for FIS within Givaudan
 - IPO for Alcon

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Increased disclosure (1)

- Performance of **Zones** now discussed in 2001 Management Report, and sales broken down between key regions
- RIG of **major markets** disclosed quarterly
- **Product groups'** sales disclosure now broken down between the key components, with RIG reported quarterly

Increased disclosure (2)

- Quarterly conference call presentations **simulcast** on web site
- 2002 Management Report
 - **Water, Petcare and Prepared dishes & cooking aids** to be reported separately
 - Product groups sales to be **split by Zones**
 - **Organic** growth for Zones
 - **Nestlé Waters'** sales to be split by geography and channel
 - **Key currencies** to be shown by Zone

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SWX Directive on information relating to Corporate governance (1)

2002 Management Report to include more detail on:

- Group structure and shareholders
- Capital structure
- Board of Directors
 - Independence, other activities, responsibilities, information and control

SWX Directive on information relating to Corporate governance (2)

2002 Management Report to include more detail on:

- Management Board
- Compensations, shareholdings and loans
 - Content and method of determination, share allotment, share ownership, options, loans, highest paid
- Shareholders' participation rights
 - Voting rights and restrictions, quorums

SWX Directive on information relating to Corporate governance (3)

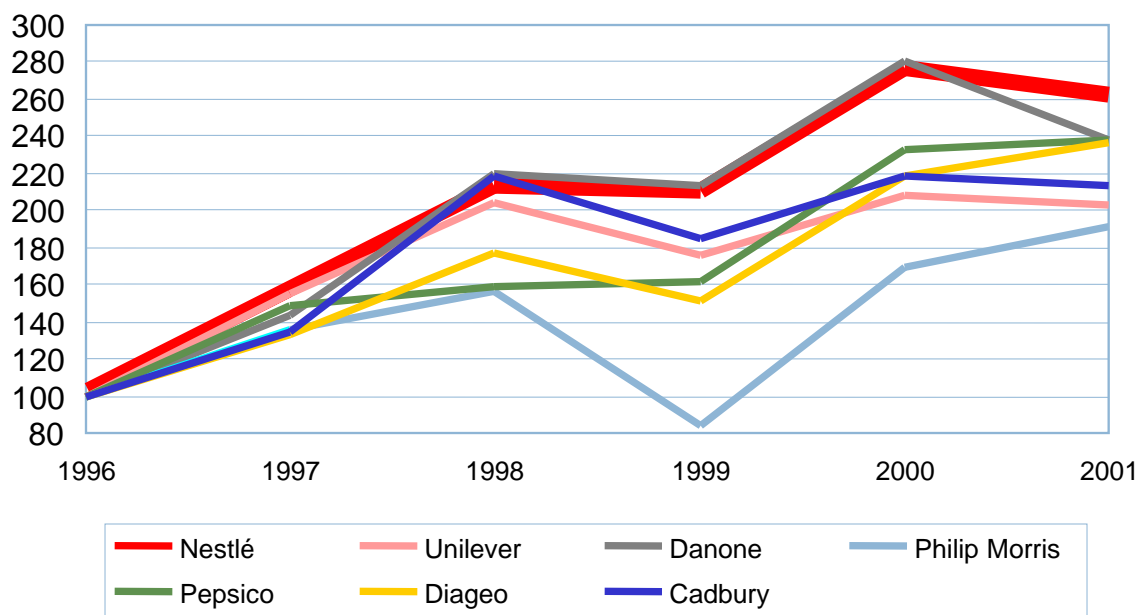
2002 Management Report to include more detail on:

- Change of control and defence measures
- Auditors
Duration, fees, non-audit fees, supervisory and control
- Information policy
Frequency, methods, availability

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Nestlé has outperformed its peers in delivering total shareholder return



External targets

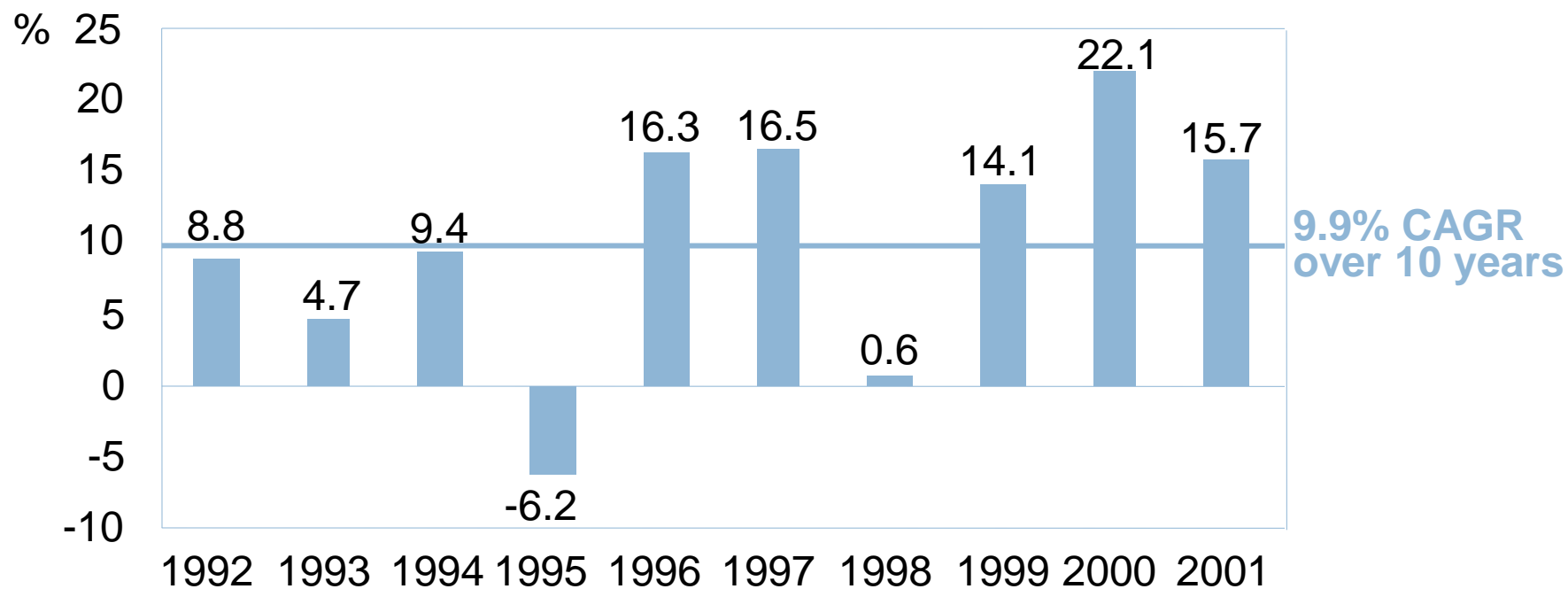
- External research
 - shareholders and financial analysts
 - other financial market professionals
 - listed companies

- External targets are useful only if they:
 - have a positive influence internally
 - are within management's control
 - do not conflict with the business culture

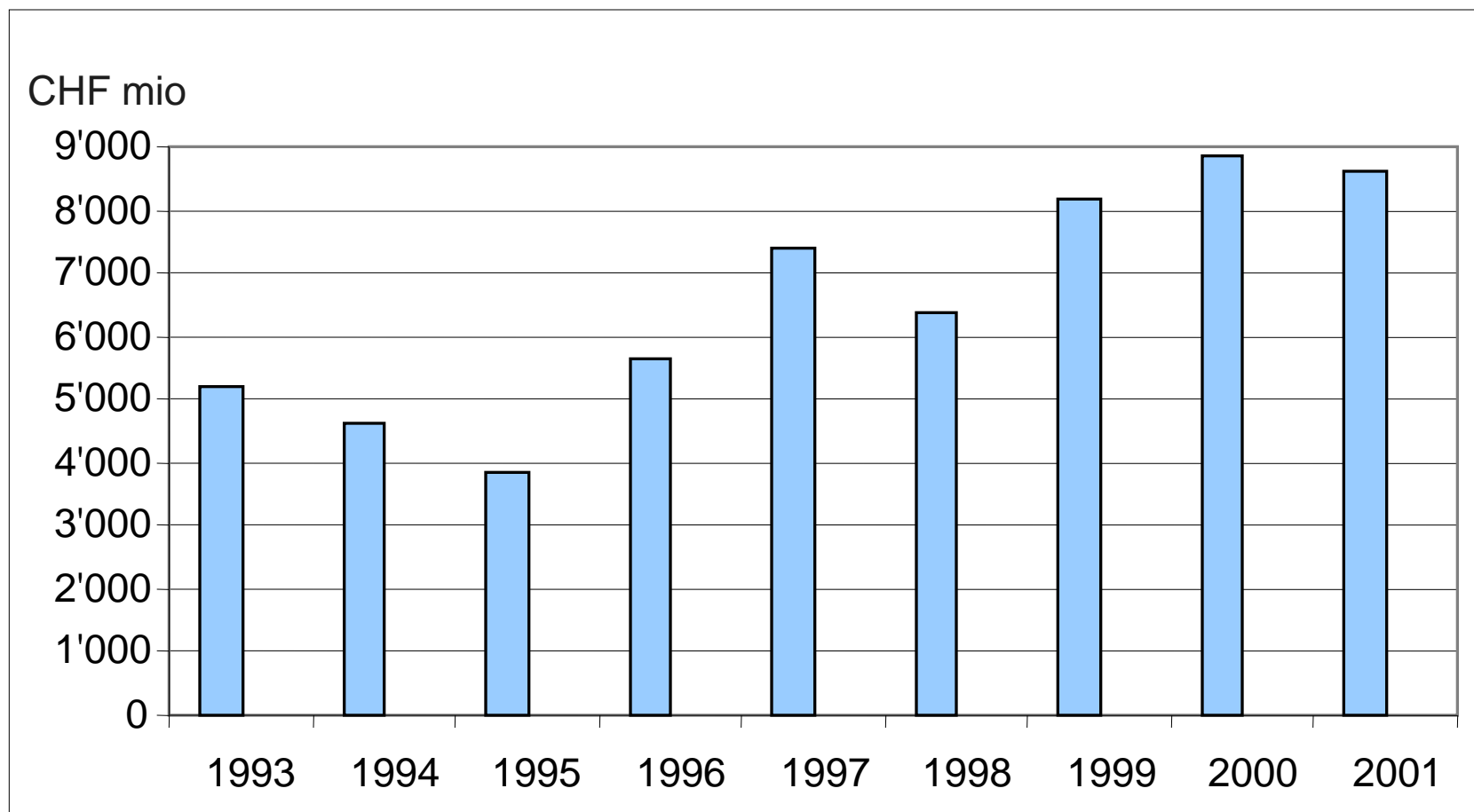
Nestlé's external financial targets

- Annual sales growth trend target: 4% RIG
- Earnings to grow faster than sales
- Cost savings of CHF 5.5bn by 2006
- To improve % retention rate on savings
- To reduce the recurring tax rate
- To improve use of working capital
- To maintain capex % around current level
- To deliver expected synergies and returns from acquisitions

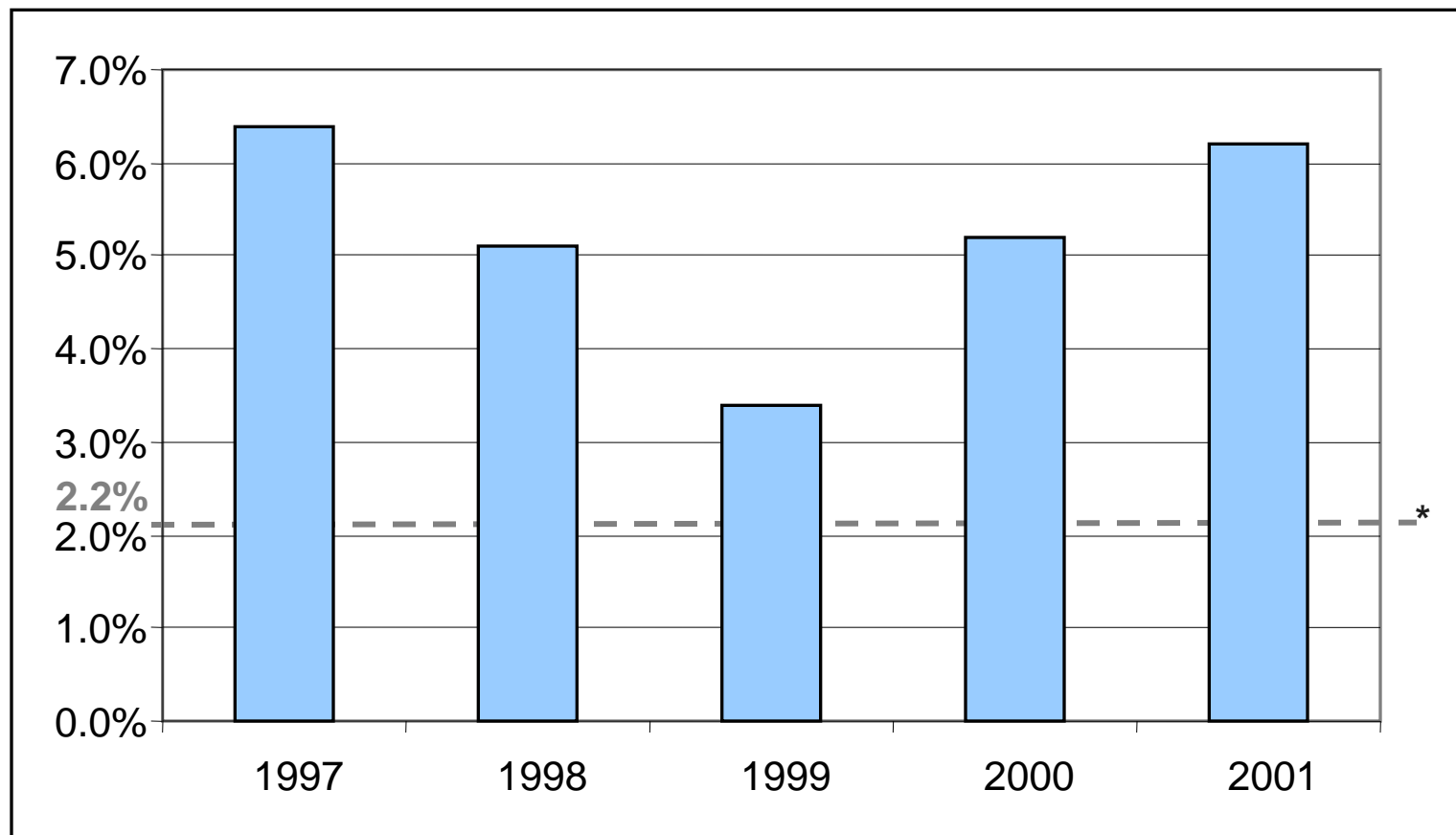
Near double-digit earnings per share growth



Excellent operating cash flow generation



F&B organic growth above industry average



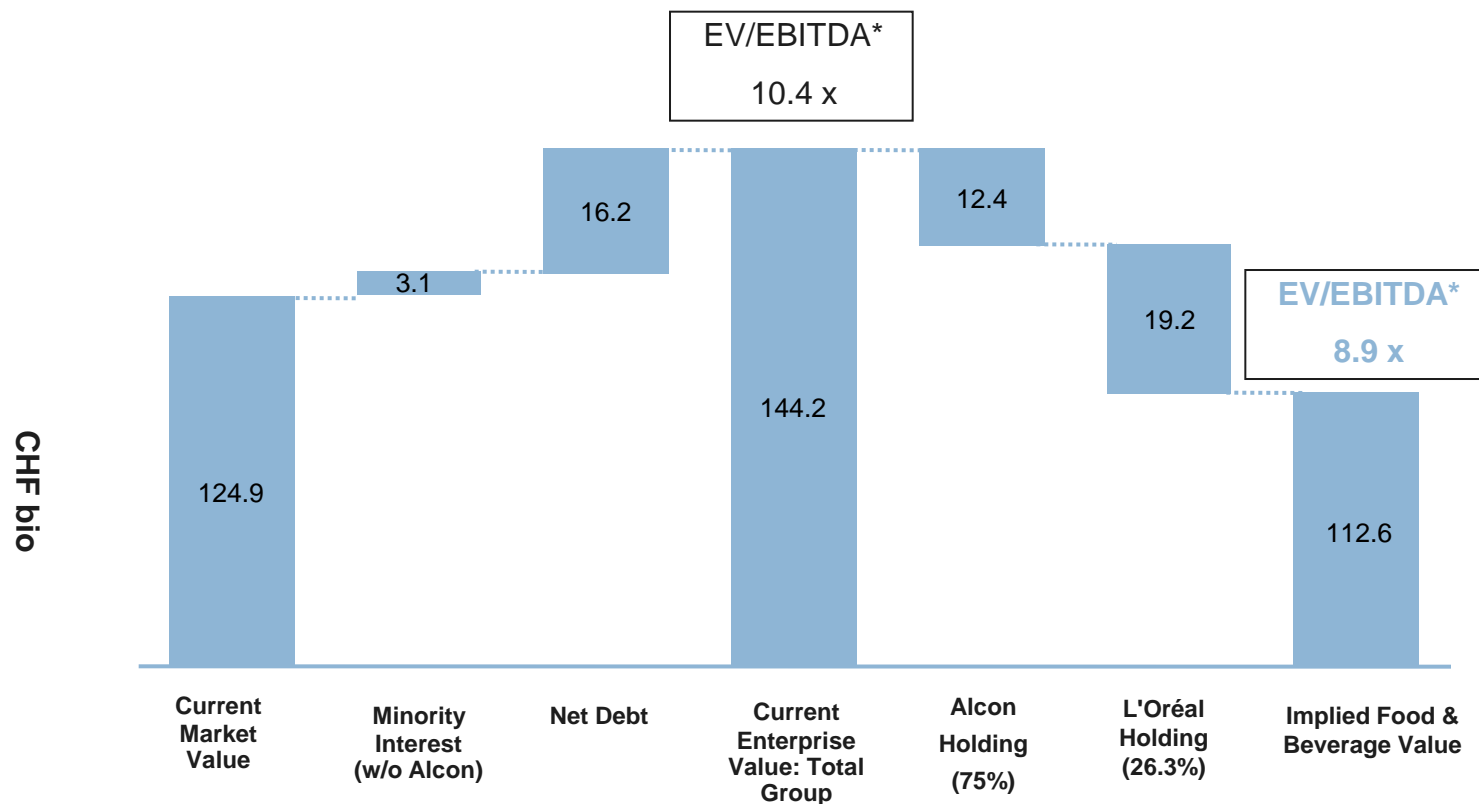
* Nestlé estimate of average growth of value added manufactured food, based on independent figures (1990-2000)

Internal targets

Reflected by variable remuneration:

- Executive management (Zones)
 - RIG, EBITA, asset turn, cost reduction
- Market heads
 - P&L, specifics, 25% Group
- SBU Heads
 - ROIC, specifics, 25% Group
- Project teams (Target 2004, GLOBE...)
 - Achieving targets in full on time

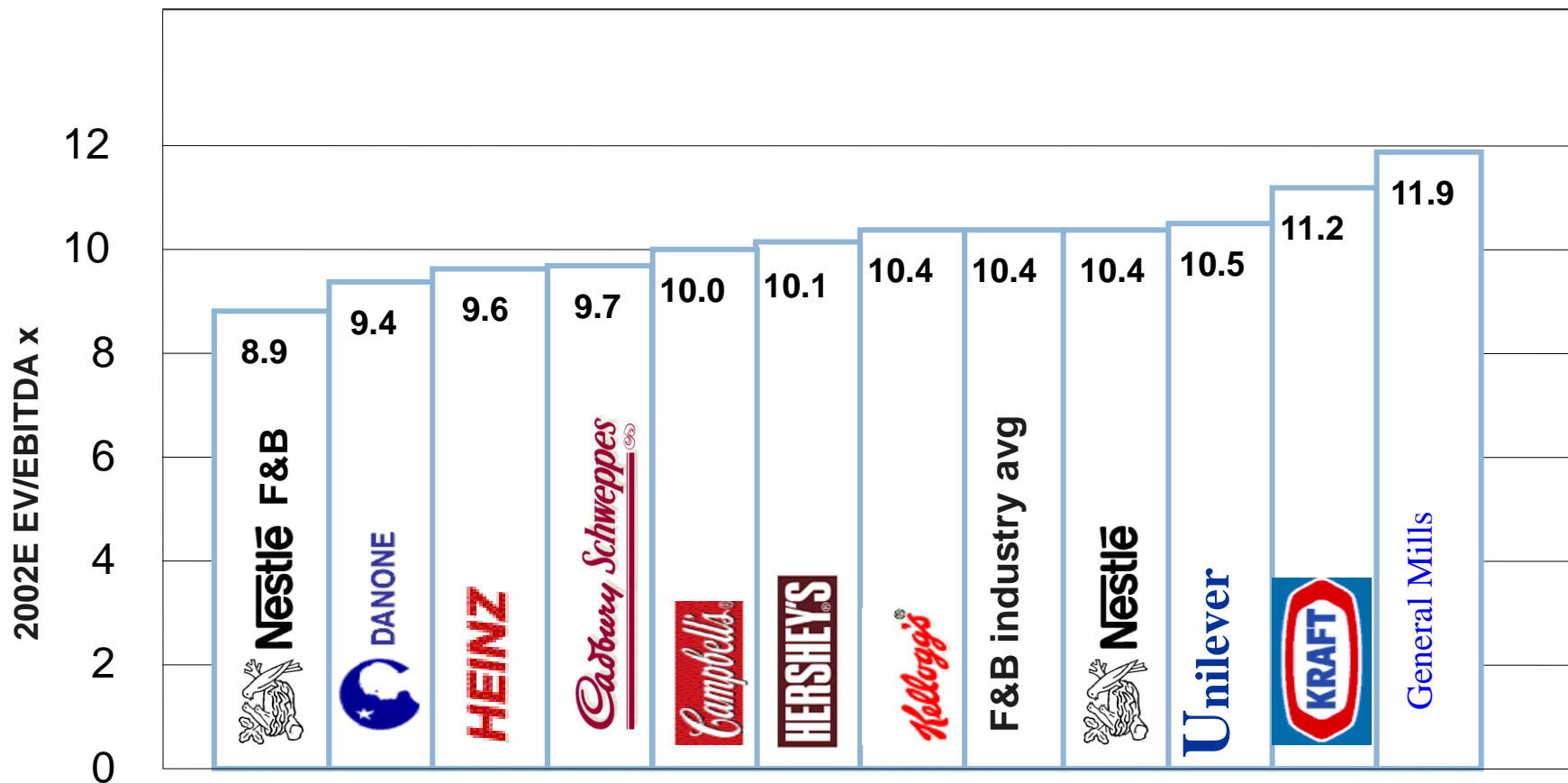
Nestlé Food & Beverage valuation



* consensus 2002e EBITDA adj. for Alcon

Food & Beverage Industry (large caps) EV/EBITDA 10.4 x

Food & Beverage 2002e EV/EBITDA multiples



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Conclusion

- GLOBE will deliver its objectives
- Efficiency programmes will generate CHF 5.5bio by 2006 - at an improved retention rate
- M&A will continue migration to faster growth, higher margin sectors
- Increased disclosure reflects management's desire for greater transparency
- Internal and external targets support our objective to deliver sustainable, margin enhancing, capital efficient growth

Delivering growth . . . improving margins . . . enhancing value

