

Nestlé Investor Seminar
"A Transformational opportunity"
Peter Brabeck-Letmathe



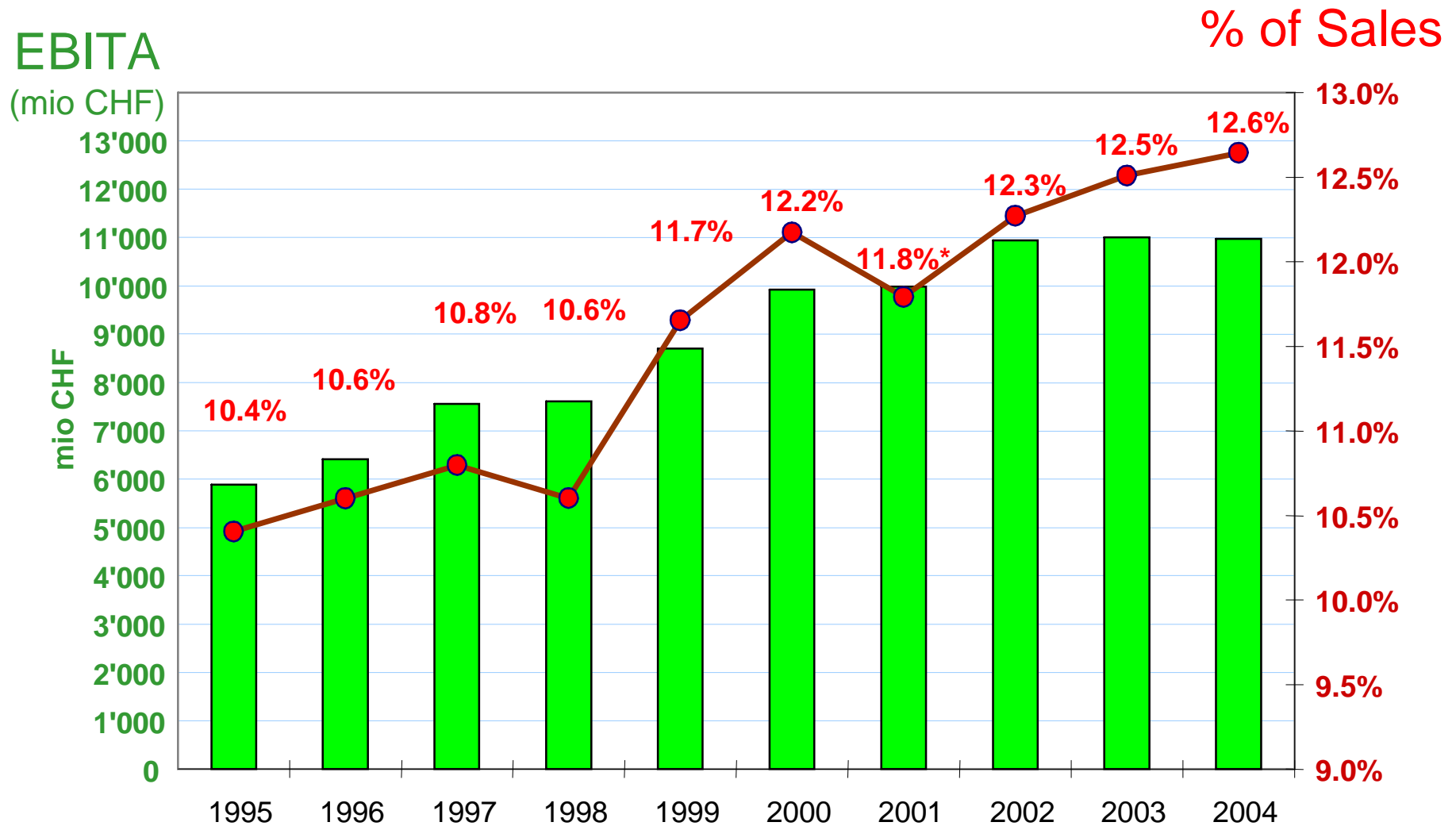
Disclaimer



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.

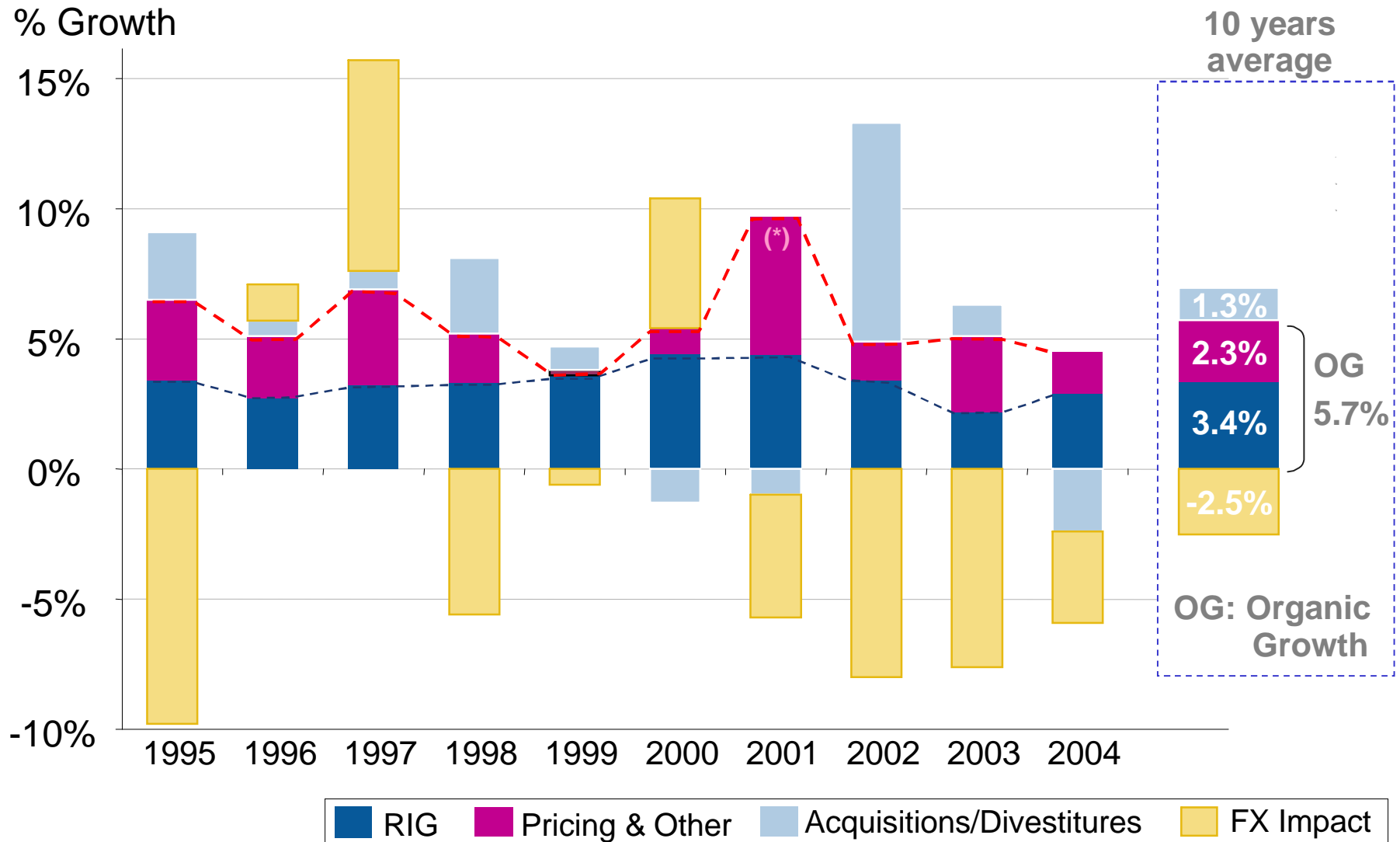
EBITA margin over last 10 years

Nestlé Group EBITA and EBITA Margin from 1995 to 2004



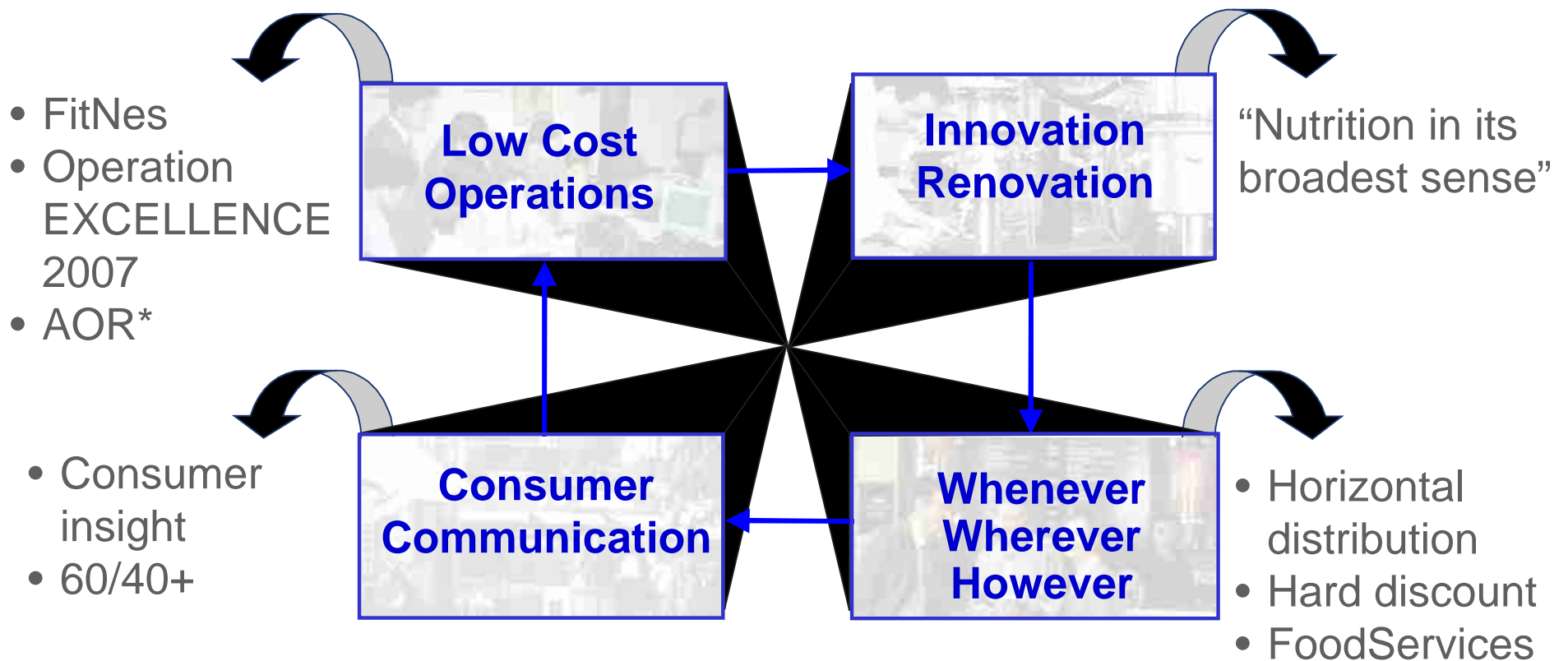
* New sales definition in 2001

The four factors of sales 1995-2004



(*) in 2001: including TTS effect

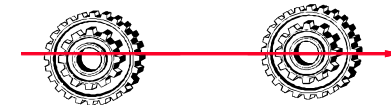
Nestlé Four Pillar Strategy



(*) AOR: Agency of Record

Evolutionary Approach to Savings

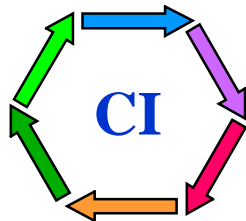
Operation EXCELLENCE 2007



Target 2004+



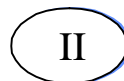
MH'97



- Continuous Improvements
- Centre: top-down targets
Markets: ownership

- Target setting
- Best practices
- Industrial Restructuring
- Joint Purchasing/
Technical effort
- Harmonisation of Raw/
Pack materials

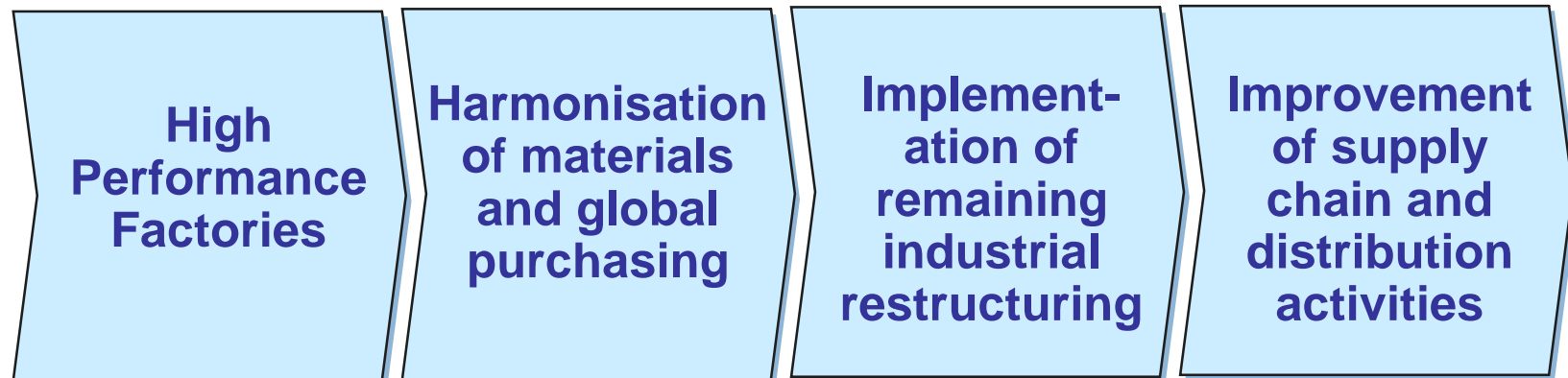
- Integrated Technical / Supply Chain / Generating Demand effort
- Optimised planning processes
- Complexity optimisation
- Manufacturing/ Distribution network optimisation
- High performing logistics



"Operational EXCELLENCE 2007"



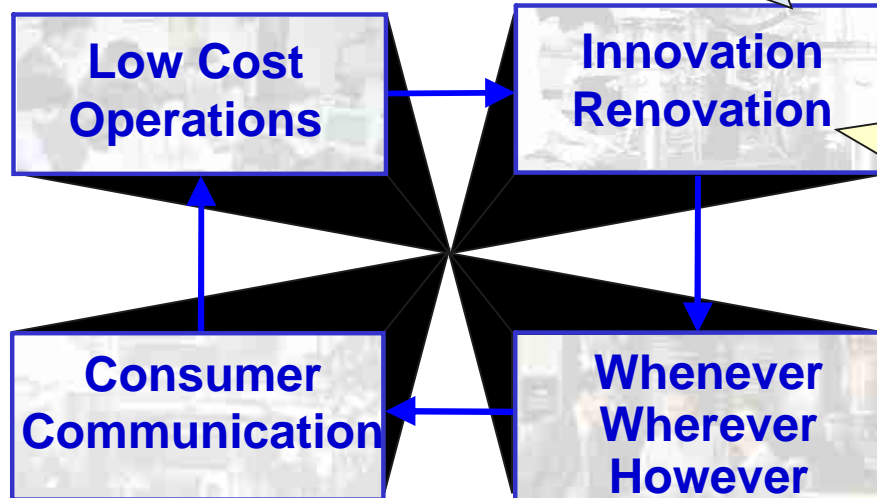
...aims at "Total Delivered Cost" improvement
and with focus on four integrated streams



GLOBE is the prime enabler

A fundamental truth

Scale and operational efficiency alone will not lead to long-term success...



...it is first and foremost our capability for **Renovation & Innovation** and speed with which we can bring these to the Markets.

Where are we with the Four P's?



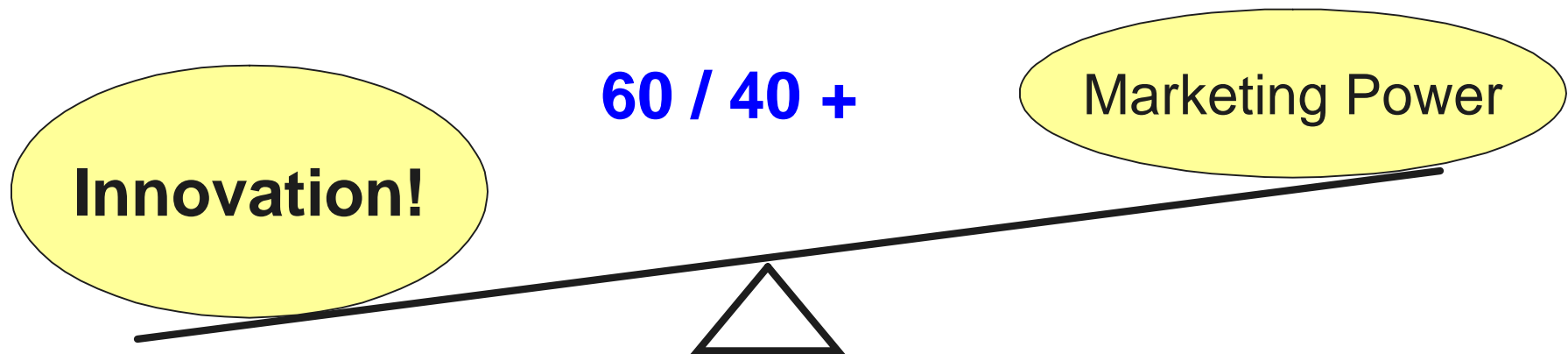
- ✓ Proprietary technologies
- ✓ Protectable product designs
- ✓ Aggressive patent policies
- ✓ Perceivably better products



Products need to
live up to the
60/40 promise or,
even better,
60/40+

"Innovation! Innovation! Innovation!"

*We will be able to generate high value returns by
creating proven benefits for our consumers*



Key Consumer Benefits



- Best In-Cup Quality
- High Variety & Individual Choice
- High Convenience
- Great Machines
- Best Service



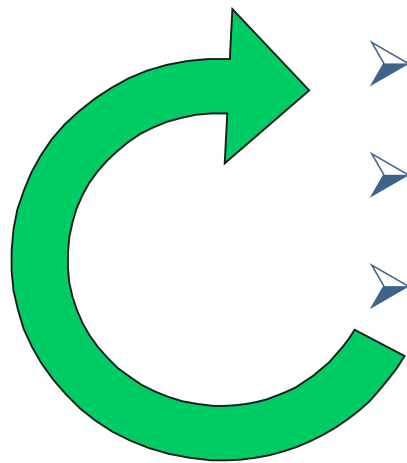
The best innovations...

- ✓ meet a true consumer need in a surprising manner
- ✓ are in line with equity of brand
- ✓ need no explanation as to their use



Concentrate on those few but strong break-through ideas





- The art of asking questions
- Experimenting
- Constantly renewing the thinking process by questioning the answers

Always keep reinventing the strategy!

... but fast implementation is critical



Critical Success Factors are:

- Speed
- Executional agility
- Responsiveness

to win consumers' and customers' preference

Speed is of the essence!

The Innovation Acceleration Team

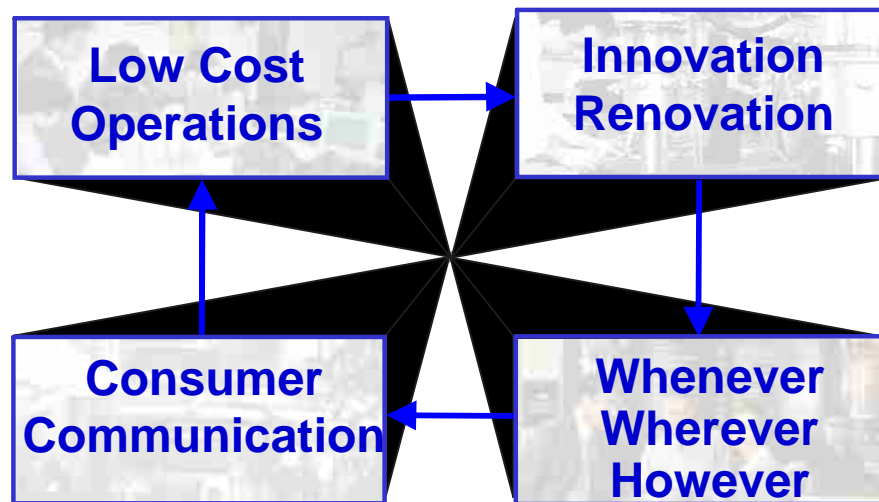


Priorities agreed upon by Zones + SBUs on:

- a) innovations that bring the highest impact to the business
- b) innovations that support the turnaround of all strategic but still under-performing businesses in the Group



Our third pillar...



...an opportunity for improvement

Whenever, Wherever, However



Geneva Boutique

Where is Nestlé
extensive
horizontal direct
distribution?



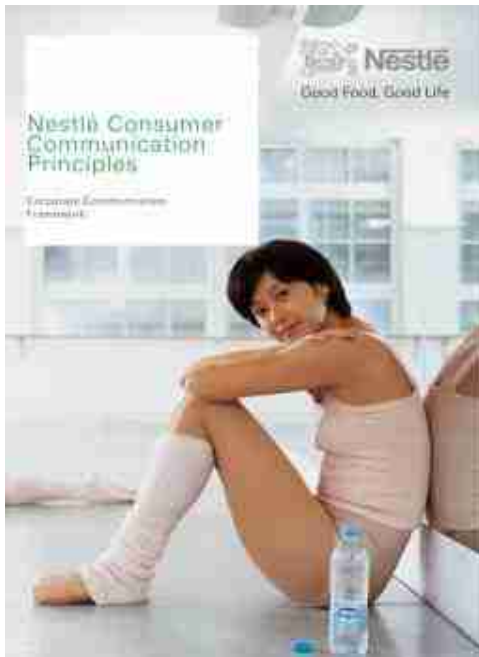
- We have developed an active hard discount channel strategy
- We will revigorate our FoodServices channel strategy
- We will expand our horizontal sales coverage



**Costs have to be
matched by
incremental profit:
*a selective product
/price channel
strategy is
paramount!***



A new paradigm of consumer goods marketing



Children as consumers

- As outlined in the above principles for all consumers (including children), Nestlé has developed the following principles for communication specifically aimed at children. The "requirements" are general and must be met under all circumstances, but additional very specific conditions may apply. Nestlé must at all times be diligent in applying these principles, and use common sense and good judgement to interpret them appropriately for each context.
- Food products advertised to children must be appropriate for the specific age range defined in the advertisement.
 - Advertising must not mislead about potential benefits from the use of the product. Such potential benefits must include, for example, better health or enjoyment with good physical growth, strength or performance.
 - The communication must not undermine the authority of parents. Children should in our communication should not be seen trying to persuade or entice to buy products.
 - Advertising directed to children should not create a sense of urgency, imply scarcity, or create "must-haves" for example by using words like "new" and "only".

Our fourth pillar...

“Show me, don't tell me”

1. Brands must learn to address the needs of multiple stakeholders in a consistent and coherent way
2. Consumers will focus on products and their benefits as well as on the behaviour of the brand
3. Long-term profitable growth will require a whole set of relationships

Improving communication efficiency

Leveraging Nestlé's Scale.....



Savings reinvested in the brands

To achieve Nestlé's long term vision...



Good Food, Good Life

We have to continuously reshape our actual businesses & structures: not a revolution but an evolution

- Explorative within scope of our vision
- Proof-of-concept / viable business model required before major resources allocated

**CREATE VIABLE
FUTURE OPTIONS**

**BUILD &
STRENGTHEN**

**EXTEND
&
DEFEND**

Core business

**Emerging
businesses**

**Nutrition, Wellness
Well-being**

Imperatives:

- Drive industry change and paradigm shifts.
- Explore options outside current market boundaries
- Build new market segments and capabilities
- Develop future growth drivers
- Defend and extend current business
- Set foundation for future growth

...we are evolving



from
a respected, trustworthy
Food company

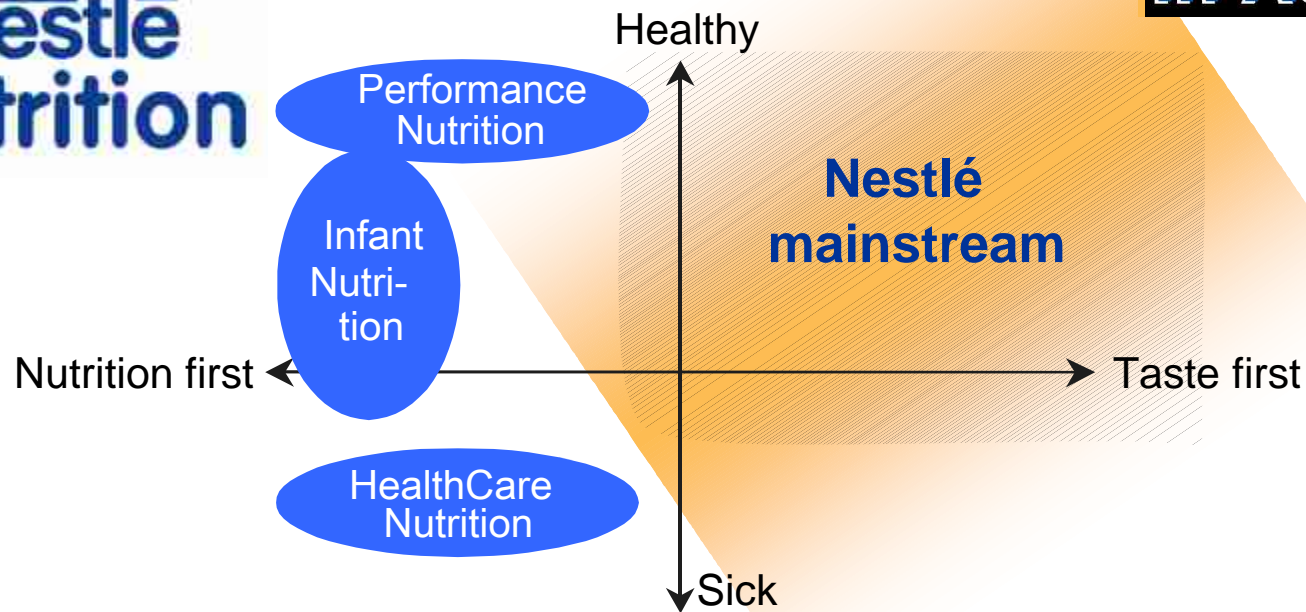
to
a respected, trustworthy
Food - Nutrition - Health &
Wellness company

Strategic Transformation

Nutrition First,
Taste as a value
added

Taste First,
Nutrition as a
value added

**WellNes
In Action**

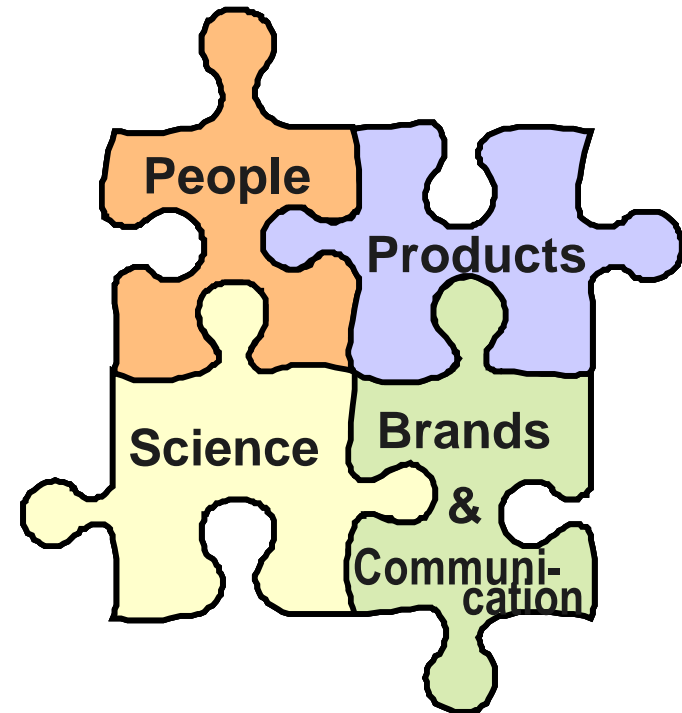
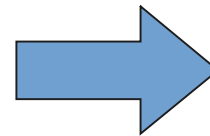


▶ Nutrition for an enhanced quality of life

Newly created Corporate Wellness Unit



"Fast forward to Good Food, Good Life"



Competence center for 60/40+ and to change consumers' mind perception of Nestlé to a Food, Nutrition, Health & Wellness Company

Wellness in action



KEY SUCCESS FACTORS: Ownership - Networks - Collaboration

KEY BENEFITS: Transformation - Speed - Coherence

Manage the accelerated growth of Branded Active Benefits (BABs)



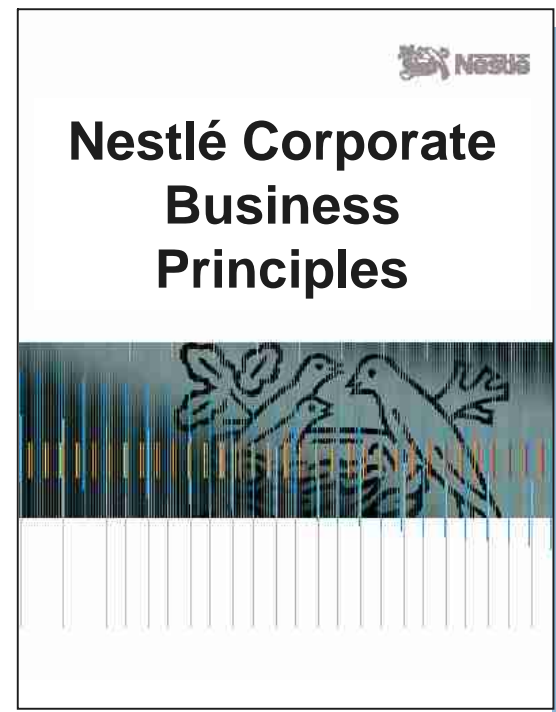
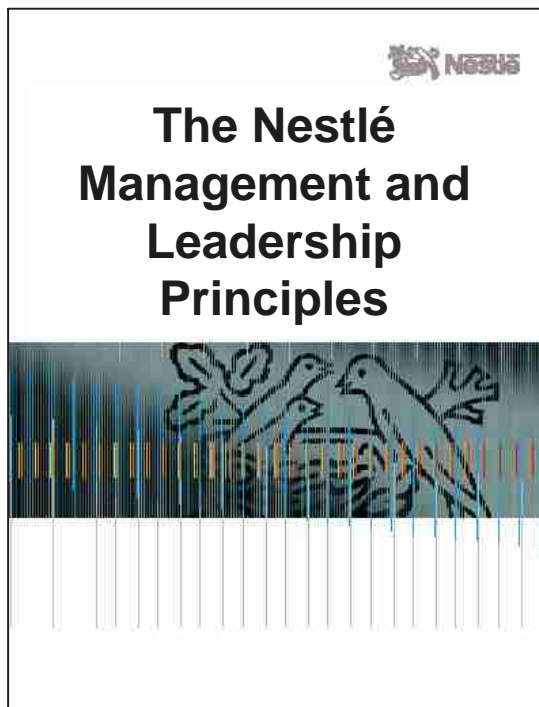
Products with BABs = over 2 bn Swiss francs in Sales



Nutritional product advantage + Consumer relevant communication



The human factor, our people,
will always have to play a vital role



Non-negotiable core elements



- Safety
- Quality
- Corporate culture

Basic Guidelines for organisational set up



- The decentralised "generating demand" frontline needs to be "focussed, fast and flexible" (*Markets, Businesses*),
- Regionally or even globally run "ensuring supply" back-up necessitates being "slim, cost-efficient and service-driven" (*Factories and Shared Service Centers*),
- Strategic, consumer insight and R&D driven innovation/renovation (*SBU, R&D*).

In the middle of our transformational challenge



Strategic Transformation

A long-term transition from traditional businesses into a Nutrition, Health and Wellness company

Organisational Transformation

A new organisational dimension: Role of the Center, Role of the Markets and Role of the Market Heads

Towards a new dimension:
The Global Multi-focal Company

An agile fleet of businesses...



... each one independently strong and flexible, following its own rules to be successful, led by business specific, management and staff.

To exploit fully the Group potential...



... we need highly interdependent organisations,
as we have to leverage our size vis-a-vis our
suppliers, customers, media, governments, etc..

The Nestlé model

1. On-going organic growth target of 5 - 6 %

2. Continued year after year improvement of EBITA margin



3. Capital efficiency / Business ROIC

**= Resulting in an industry outperforming,
long term total shareholder return.**

Excellence and Courage in execution



The course of
the company
has been set

Now our people
must see the
journey through

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