Financial Analysts
&
Institutional Investors Meet

24th August 2017
Disclaimers

1. This presentation may contain statements which reflect Management’s current views and estimates and could be construed as forward looking statements. The future involves uncertainties and risks that could cause actual results to differ materially from the current views being expressed. Potential uncertainties and risks include factors such as general economic conditions, commodities and currency fluctuations, competitive product and pricing pressures, industrial relations and regulatory developments.

2. Real Internal Growth (RIG) and Organic Growth (OG) are basis Nestlé Internal Reporting Standards.

3. Figures are regrouped / reclassified to make them comparable.

4. Calculations are based on non-rounded figures.

5. ‘Analytical data’ are best estimates to facilitate understanding of business and NOT meant to reconcile reported figures.

6. Answers may be given to non-price sensitive questions.
Building for the next 100 years (15:30 hrs):
  Suresh Narayanan

Financial Highlights (16:15 hrs):
  Shobinder Duggal

Floor for Q&A (16:45 – 17:30 hrs)
Building for The Next 100 Years

- Key takeaways from last time
- Our GST journey
- Where we are - Growth Story
- Where we are headed - Continuity Story
- Key takeaways today
Priority on growth across the portfolio

Strong commitment to NHW

Key role of penetration, frequency and insight led innovation

Tapping into the many India’s within India – the emerging channels and consumer trends

Responsive, committed to society, nimble footed and proud to be Nestlé
Our GST Journey
Start has been fairly good, operating issues will get resolved over time

Day 1
- 3500 suppliers, 1600 distributors
- Engaged with awareness programs across India.

Day 3
- Sales and Billing started
- All Distributors successfully migrated to start sales by 3rd July.

Prepare
Practice
Partner
Actions

- Commensurate benefits passed on to the consumers
- Categories - Dairy Whitener, Sauces, Infant Cereals

Opportunities

- Recalibrating distribution infrastructure
- Unleashing better economic opportunities
- Level playing field to make us more competitive

Will pass on GST benefits to consumers: Nestle

PTI | Updated: Jun 30, 2017, 05.00 PM IST
Impact

June growth was negatively impacted by softer trading

Outlook

Expect registered sales to be lower (excise duty subsumed in GST)
Where We Are
Our Mantra: Drive Volumes and Sustain Profitability

- Double digit growth (volume driven)
- Consumer Insight led
- Launch new products in each category

- Process reduction of 30-40%
- Reduction in meetings by 50%
- Zero tolerance for non compliance

- Fast, Focused, Flexible in thought and action
- Embrace powerful ways of working
- Enable, empower, engage, energize our colleagues
Where We Are

- Approximately half of the growth came from non-noodles portfolio
- Close to a quarter of the growth came from noodles portfolio
- Nearly another quarter of the growth came from new product launches

Secular growth across categories

An energized MAGGI Noodles business

Encouraging responses to our new product innovation and renovation

Based on the figures for the period April – June 2017
# Brand Strength & Market Position

<table>
<thead>
<tr>
<th>Category</th>
<th>Brand</th>
<th>YTD (Jan-Jun 2017)</th>
<th>MAT (Jul’16-June’17)</th>
<th>Nestlé’s Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instant Noodles</td>
<td>Maggi</td>
<td>59.5</td>
<td>58.7</td>
<td>1</td>
</tr>
<tr>
<td>Ketchups &amp; Sauces</td>
<td>Maggi</td>
<td>24.3</td>
<td>24.4</td>
<td>2</td>
</tr>
<tr>
<td>Instant Pasta</td>
<td>Maggi</td>
<td>65.2</td>
<td>61.4</td>
<td>1</td>
</tr>
<tr>
<td>Infant Formula</td>
<td>Lactogen, Nan</td>
<td>40.5</td>
<td>40.9</td>
<td>2</td>
</tr>
<tr>
<td>Infant Cereals</td>
<td>Cerealac</td>
<td>96.5</td>
<td>96.4</td>
<td>1</td>
</tr>
<tr>
<td>Tea Creamer</td>
<td>EveryDay</td>
<td>45.4</td>
<td>45.7</td>
<td>1</td>
</tr>
<tr>
<td>Chocolates</td>
<td>Nestle</td>
<td>14.6</td>
<td>14.5</td>
<td>2</td>
</tr>
<tr>
<td>White &amp; Wafers</td>
<td>Koffee, Munch, Milkypack</td>
<td>62.6</td>
<td>62.5</td>
<td>1</td>
</tr>
<tr>
<td>Instant Coffee</td>
<td>Nescafe</td>
<td>47.3</td>
<td>47.2</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: AC Nielsen

Leadership Position In 5 Out Of 9 Categories
Some Of Our New Launches
New Product Launches: Charting a new Course

Population
- Global: 4% (51m)
- Seeking / Striving: 12% (153m)
- Aspiring: 41% (524m)
- Deprived: 43% (550m)

Share of Expenditure
- 16%
- 27%
- 32%
- 26%

Nestlé India NPD Portfolio
- Value Up: 14
- Mainstream: 22
- PPP: 7

* Jan ‘16- May ‘17
Wholesome proposition targeting the breakfast occasion

With the benefit of an essential nutrient

Putting NUTRITION at the heart of what we do

Protein for performance & Sustained energy

- Goodness of fibre
- Loaded with veggies
Unique Consumer Centric Initiatives

Nestle

Milkmaid

Create Sweet Stories

Nestle Labs

Introducing MAGGI Masalas of India

Pick the 4 flavours you think MAGGI is launching! You can vote everyday. Voting ends midnight on Fri, Apr 21.

0 of 4 votes remaining

Mango

Bengali Jhaal

Gujrati Khaman

Kashmiri Dum

Kochi Malabar

Mumbaiya Chatki

Naga Jolokia

Super Chennai

Submit vote
Unique Consumer Centric Initiatives
Where we are headed

Continuity

Story
Continuity Of Strategy
Growth With Sustained Profitability

Volume led growth

Increased penetration and saliency

Innovation and Renovation across brands

Specific initiatives on channel / alternate business opportunities

Need for continued investments to grow portfolio
Enhancing quality of life and contributing to a healthier future

**for individuals & families**
Enabling healthier and happier lives

- Encouraging good nutrition and breastfeeding practices through community action
- Helping adolescents live healthier
- Nearly 200,000 students
- Over 700 employees
- Engaging employees in social initiatives

**for our communities**
Helping develop thriving, resilient communities

- Creating access to water and sanitation
- Nearly 2000 vendors
- Over 240,000 students
- Over 250,000 farmers
- Enhancing rural livelihoods

**for the planet**
Stewarding resources for future generations

- Reducing water use in agriculture
- Creating awareness about water conservation
- Recycling waste paper at our offices
- Over 50 trees saved

- Over 2 million beneficiaries
- Over 90,000 students
- Over 22
- Over 700 employees
- Over 250,000 farmers
Why Fortify?

- 70% Iron Deficiency
- 65% Vitamin A Deficiency
- 45% Zinc Deficiency

For children below the age of 5, basis national survey 2013-14 conducted by Ministry of Women and Child Development.

Food items are believed to be fortified with micronutrients.

Fortification the solution to micronutrient deficiency.

Our task - innovate to support national priorities.
Fortification within products/brands

Initiatives
To Manage Malnutrition Via Micronutrient Fortification

Fortified Milk to hit shelves soon
Driven by our purpose and values

Growth plus sustained profits

Focus on penetration + volume to drive growth

Continued efforts towards innovation and renovation

Commitment towards relevant Nutrition Proposition / NHW

Consumer centric initiatives on digital, on-ground activation, route to market

People initiatives to internalize change
Agenda

1. Key impacts of transition to Ind AS
2. Financials: January-June 2017
3. Impact of GST on Key Financials
# Key impacts of transition to Ind AS

- **Ind AS implemented w.e.f 1st January 2017**
- **Previous period figures restated to make them comparable**

<table>
<thead>
<tr>
<th>Cost Line</th>
<th>Treatment under IGAAP</th>
<th>Treatment under Ind AS</th>
<th>Change impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excise Duty</td>
<td>Netted from Sales</td>
<td>Separate cost line</td>
<td>Sales</td>
</tr>
<tr>
<td>Incentives to Trade</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Marketing</td>
<td>Adv. &amp; Sales Promotion</td>
<td>Netted from Sales</td>
<td>Sales</td>
</tr>
<tr>
<td>- Selling</td>
<td>Selling &amp; Distribution</td>
<td></td>
<td>Adv. &amp; Sales Promotion Selling &amp; Distribution</td>
</tr>
<tr>
<td>Actuarial gains/losses on retirement benefits</td>
<td>Employee Benefits expense</td>
<td>Other Comprehensive Income</td>
<td>Employee benefits</td>
</tr>
</tbody>
</table>

*This is not an exhaustive list*
## Impact on Key Ratios: 2016

<table>
<thead>
<tr>
<th></th>
<th>IGAAP (INR Bio)</th>
<th>Ind AS (INR Bio)</th>
<th>Impact*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sales</td>
<td>91.6</td>
<td>94.1</td>
<td>270 bps</td>
</tr>
<tr>
<td>Employee Benefits Expense</td>
<td>9.8</td>
<td>9.0</td>
<td></td>
</tr>
<tr>
<td>% Total Sales</td>
<td>10.8</td>
<td>9.6</td>
<td>120 bps</td>
</tr>
<tr>
<td>Advertisement &amp; Sales Promotion</td>
<td>5.7</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>% Total Sales</td>
<td>6.2</td>
<td>5.3</td>
<td>90 bps</td>
</tr>
<tr>
<td>Selling &amp; Distribution</td>
<td>4.6</td>
<td>4.4</td>
<td></td>
</tr>
<tr>
<td>% Total Sales</td>
<td>5.0</td>
<td>4.7</td>
<td>30 bps</td>
</tr>
<tr>
<td>Profit from Operations</td>
<td>15.7</td>
<td>16.5</td>
<td></td>
</tr>
<tr>
<td>% Total Sales</td>
<td>17.2</td>
<td>17.6</td>
<td>40 bps</td>
</tr>
<tr>
<td>Net Profit after Tax</td>
<td>9.3</td>
<td>10.0</td>
<td></td>
</tr>
<tr>
<td>% Total Sales</td>
<td>10.1</td>
<td>10.6</td>
<td>50 bps</td>
</tr>
</tbody>
</table>

* Includes the denominator Impact
Market Dynamics H1 2017

Source: AC Nielsen

Market Size
2016

FMCG
45 Bio

F&B
25.2 Bio

Processed Food (excl Commodities)
14.5 Bio

Nestlé Categories
4.1 Bio

The market momentum remained attractive

Market Size in USD Bio for 2016 (1USD = INR 67.19)
Note: Infant Formula and Infant Cereal Segments included in FMCG, F&B, Processed Food and Nestlé Categories
### Highlights: January - June

<table>
<thead>
<tr>
<th>Total Sales</th>
<th>RIG (%)</th>
<th>OG (%)</th>
<th>Profit from Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INR +3.8 Bio</strong></td>
<td><strong>0.8</strong></td>
<td><strong>2.4</strong></td>
<td><strong>INR -0.3 Bio</strong></td>
</tr>
<tr>
<td><strong>Growth +8.2%</strong></td>
<td><strong>8.1</strong></td>
<td><strong>8.9</strong></td>
<td><strong>Margin -210 bps</strong></td>
</tr>
<tr>
<td><strong>46.6</strong></td>
<td><strong>18.3</strong></td>
<td><strong>16.2</strong></td>
<td></td>
</tr>
<tr>
<td><strong>50.4</strong></td>
<td><strong>8.5</strong></td>
<td><strong>8.2</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Profit</th>
<th>Total Comprehensive Income</th>
<th>EPS (INR)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INR +0.4 Bio</strong></td>
<td><strong>INR +0.6 Bio</strong></td>
<td><strong>INR +4.42</strong></td>
</tr>
<tr>
<td><strong>Margin: No Change</strong></td>
<td><strong>10.5</strong></td>
<td><strong>Growth +8.1%</strong></td>
</tr>
<tr>
<td><strong>11.3</strong></td>
<td><strong>11.0</strong></td>
<td><strong>54.7</strong></td>
</tr>
<tr>
<td><strong>5.3</strong></td>
<td><strong>5.5</strong></td>
<td><strong>59.1</strong></td>
</tr>
</tbody>
</table>

**Amount in INR billion unless otherwise stated**

*RIG & OG % are based on Third Party Sales*
Evolution of Quarterly results

Total Sales

<table>
<thead>
<tr>
<th>% YoY Growth</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>INR Bio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1</td>
<td>23.6</td>
<td>25.7</td>
</tr>
<tr>
<td>Q2</td>
<td>23.0</td>
<td>24.7</td>
</tr>
<tr>
<td>Q3</td>
<td>24.1</td>
<td></td>
</tr>
<tr>
<td>Q4</td>
<td>23.3</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% of Net Sales</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>INR Bio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1</td>
<td>4.6</td>
<td>4.4</td>
</tr>
<tr>
<td>Q2</td>
<td>3.9</td>
<td>3.8</td>
</tr>
<tr>
<td>Q3</td>
<td>4.0</td>
<td></td>
</tr>
<tr>
<td>Q4</td>
<td>4.0</td>
<td></td>
</tr>
</tbody>
</table>

- Percentage calculations are based on non-rounded figures.
Sales Performance

**Domestic Sales**

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume (000’ Tons)</th>
<th>Value (INR Bio)</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1’16</td>
<td>172.3</td>
<td>43.3</td>
</tr>
<tr>
<td>H1’17</td>
<td>188.7</td>
<td>47.3</td>
</tr>
</tbody>
</table>

+ 9.5%

**Export Sales**

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume (000’ Tons)</th>
<th>Value (INR Bio)</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1’16</td>
<td>9.7</td>
<td>3.3</td>
</tr>
<tr>
<td>H1’17</td>
<td>9.9</td>
<td>3.1</td>
</tr>
</tbody>
</table>

- 5.7%

% Contribution

- Domestic Sales: 93 | 94
- Export Sales: 7 | 6

+ 9.3%

RIG 8.5%
Domestic Sales - Value Growth

Reported Growth (%)

9.3

Maggi Noodles

2.8

New Products

2.4

Rest of the Portfolio

4.1

Domestic Sales Growth supported by rebuild of Maggi Noodles and New Products
Rebuilding the MAGGI Noodles business

Sales Indexed with Q1 2016

Bar size represents Sales Value  Sales Indexed with Q1 2016

Quarterly Market Share % (Value)
New Products contributing to growth

% Contribution to domestic sales

0.7  2.2  2.8

H1’16  H2’16  H1’17

Bar size represents sale of New Products

H1’16: 0.7%
H2’16: 2.2%
H1’17: 2.8%

New Products contributing to growth
Category Contribution to Domestic Sales

<table>
<thead>
<tr>
<th>Category</th>
<th>H1'16</th>
<th>H1'17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milk Products &amp; Nutrition</td>
<td>51.2</td>
<td>48.5</td>
</tr>
<tr>
<td>Prepared Dishes &amp; Cooking Aids</td>
<td>25.6</td>
<td>27.6</td>
</tr>
<tr>
<td>Chocolate &amp; Confectionery</td>
<td>12.8</td>
<td>13.0</td>
</tr>
<tr>
<td>Beverages</td>
<td>10.4</td>
<td>10.9</td>
</tr>
</tbody>
</table>

Sales Growth:
- Milk Products & Nutrition: 3.4%
- Prepared Dishes & Cooking Aids: 17.9%
- Chocolate & Confectionery: 10.9%
- Beverages: 15.1%
Milk Products & Nutrition - Domestic

Value (INR Bio)

- 3.4% increase from H1'16 to H1'17
- 22.2 to 22.9

Volume (000’ Tons)

- 0.2% increase from H1'16 to H1'17
- 62.6 to 62.5

Overall Growth adversely impacted by availability of Surplus Fat.
Value: 60 bps, Volume: 120 bps, RIG: 90 bps

Strong Growth in NAN and Milkmaid
Prepared Dishes & Cooking Aids - Domestic

Value (INR Bio)

11.1

13.0

17.9%

Volume (000’ Tons)

85.0

98.7

16.1%

RIG

18.8%

H1’16

H1’17

Rebuilding Maggi Noodles

Valuing up the Portfolio
Chocolate & Confectionery - Domestic

Value (INR Bio)

<table>
<thead>
<tr>
<th></th>
<th>H1’16</th>
<th>H1’17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5.5</td>
<td>6.2</td>
</tr>
</tbody>
</table>

10.9%

Volume (000’ Tons)

<table>
<thead>
<tr>
<th></th>
<th>H1’16</th>
<th>H1’17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>17.4</td>
<td>18.4</td>
</tr>
</tbody>
</table>

5.7%

RIG 12.4%

Strong Growth in KitKat & Munch

Focused on Value Up and Mainstream
Beverages - Domestic

Value (INR Bio)  
- H1’16: 4.5  
- H1’17: 5.2  
Growth: 15.1%

Volume (000’ Tons)  
- H1’16: 7.3  
- H1’17: 9.1  
Growth: 24.7%

Strong Growth in NESCAFE Classic

Growth, especially Volume growth, positively influenced by introduction of NESCAFE & MILO RTD
Sharp increase in commodity prices have been only partially passed on to consumers

% are with reference to Net sales
Marketing Spends

% of Domestic Sales

8.0%

+5.9%

7.8%

INR Bio

3.5

H1' 16

3.7

H1' 17

Marketing spends redirected towards New Products

Accelerated spends on digital platforms

*Marketing Spends include: Advertisement & Sales Promotion, Marketing & Selling incentives to trade, free goods to consumers etc.*
The first 5 years of tax holiday @ 100% of profits of “Samalkha factory Unit II” ended on 31st March 2017. For the next 5 years, tax holiday is applicable @ 30% of profits.

ETR improves as H1 ‘16 had “one offs” and H1’17 has higher tax holiday & tax free income.
Net Profit after Tax

% and bps movements are net of effective tax & in reference to sales
Cash generation from Operating activities

Profit from Operations: 327
Depreciation: 49
Other Costs: 574
Trade Net Working Capital: 300
Other elements of Working Capital: 300
Taxes: 101

H1 '16:
- Profit from Operations: 6,310
- Depreciation: 49
- Other Costs: 70

H1 '17:
- Profit from Operations: 5,750

% are in reference to sales
Capital Efficiency & Value Creation Improves

<table>
<thead>
<tr>
<th>ROIC %</th>
<th>35.6</th>
<th>18.9</th>
<th>38.5</th>
<th>39.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Profit%</td>
<td>21.1</td>
<td>5.0</td>
<td>24.6</td>
<td>27.2</td>
</tr>
</tbody>
</table>

Invested Capital - INR Bio

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>H1'17</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROIC</td>
<td>33.7</td>
<td>30.4</td>
<td>27.5</td>
<td>27.4</td>
</tr>
<tr>
<td>Turns</td>
<td>3.0</td>
<td>2.7</td>
<td>3.4</td>
<td>3.7</td>
</tr>
</tbody>
</table>

*Invested capital: basis average of 5 quarter end (Nestlé Internal Reporting Standards)*
Dividend Payout Increased

Including additional Interim dividend of INR 10 Per Share

- 48.5 (2013)
- 63.0 (2014)
- 63.0 (2016)

Dividend Per Share (INR)

- 24.0 (H1 '16)
- 30.0 (H1 '17)
Impact of GST on Key Financials

**Sales**

<table>
<thead>
<tr>
<th>Pre GST</th>
<th>Post GST</th>
</tr>
</thead>
</table>
| a. Gross of Excise duty  
   *Excise duty - Separate cost line* | a. Excise duty subsumed in GST rate |
| b. VAT netted from Sales | b. GST netted from Sales |

GST rates are higher than VAT rates

<table>
<thead>
<tr>
<th>Product Groups</th>
<th>GST Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Min</td>
</tr>
<tr>
<td>Milk Products &amp; Nutrition</td>
<td>5</td>
</tr>
<tr>
<td>Prepared Dishes &amp; Cooking Aids</td>
<td>5</td>
</tr>
<tr>
<td>Chocolate &amp; Confectionary</td>
<td>18</td>
</tr>
<tr>
<td>Beverages</td>
<td>12</td>
</tr>
</tbody>
</table>

**Registered inclusive of Taxes when not Cenvatable**

**Registered without GST where ITC available except for ineligible costs**
Impact of GST on Key Financials

- Reported Sales will be lower by ~ 525 bps
  [At Product Group level, the impact is between 150 to 1250 bps]

- Domestic Growth rate will be adversely impacted till Jun’18
  e.g. H1’2017 domestic sales growth of 9.3% would be 3.6% post GST [-570 bps]

- Ratios like Cost in % of sales, Profit Margins, Asset turns, Working Capital turnover etc. will undergo a change and remain impacted till Jun’18
Cost of Materials Consumed

Material Costs (% of Sales)

- Commodities: 270 bps
- Realisations & Product + Channel Mix: 110 bps

+ 160 bps

H1 ’16: 41.5%
H1 ’17: 43.1%

Nestlé India’s Commodity basket Price Index

Indexed with base year 2011

2011: 100
2012: 107
2013: 112
2014: 122
2015: 115
2016: 115
H1 ’17: 124

7.2% 4.1% 9.6% 5.7% 0.3% 7.5%
Milks Consumption Price Index

Indexed with base Q1-15
MSK Consumption Price Index

Indexed with base Q1-15

Current Price

105
Green Coffee Consumption Price Index

Indexed with base Q1-15
Wheat Flour Consumption Price Index

Indexed with base Q1-15
Sugar Consumption Price Index

Indexed with base Q1-15
<table>
<thead>
<tr>
<th>Quarter</th>
<th>Price (USD per barrel)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2015</td>
<td>56</td>
</tr>
<tr>
<td>Q2 2015</td>
<td>64</td>
</tr>
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Source: Intercontinental Exchange
Furnace Oil Consumption Price Index

Indexed with base Q1-15
High Speed Diesel Consumption Price Index

Indexed with base Q1-15