14th Financial Analysts’ Meet

Gurgaon, 5th August 2008
Agenda

- Opening Remarks  Martial Rolland
- Key Financials  Shobinder Duggal
- Questions & Answers  All
Disclaimer

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

Responses can only be given to questions, which are not price sensitive.
Includes Figures from Nestlé Internal Reporting Standards
The BOP Opportunity

Population 1132 Mio

2007:
- Deprived India: 701 Mio (65%)
- Aspiring India: 314 Mio (26%)
- Seeking & Striving India: 105 Mio (8%)
- Global India: 11.5 Mio (<1%)

PCI (USD)
- 496
- 1,101
- 5,504

2015:
- Deprived India: 701 Mio (34%)
- Aspiring India: 517 Mio (42%)
- Seeking & Striving India: 240 Mio (20%)
- Global India: 45 Mio (<4%)

PCI (USD)
- 680
- 1,510
- 7,560

375 Mio < 1 $/day & 750 Mio < 2 $/day

Population 1227 Mio

2007:
- Deprived India: 425 Mio (34%)
- Aspiring India: 517 Mio (42%)
- Seeking & Striving India: 240 Mio (20%)
- Global India: 45 Mio (<4%)

PCI (USD)
- 42
- 517
- 7,560

2015:
- Deprived India: 425 Mio (34%)
- Aspiring India: 517 Mio (42%)
- Seeking & Striving India: 240 Mio (20%)
- Global India: 45 Mio (<4%)

PCI (USD)
- 680
- 1,510
- 7,560

500 Mio < 2 $/day
BOP Consumers & PPP Products

Price Points & affordability is key!
PPP is a growth driver

- CONSUMERS highly driven by “Value for Money”.
- More than 40% of FMCG market at prices upto INR 10

- SEGMENT was always important
- Sharpened FOCUS
Growth through PPP

Volumes (‘000 MT) / SKUs (Nos.)
PPP ‘03  PPP ’07
24/ 60  48 / 50

NPS (INR Bio)
PPP ‘03  PPP ’07
3.3  6.9

NPS CAGR 2003-2007 %
PPP ‘03  PPP ’07
20  20

Price Point

NPS PPP share

Product Category

2003
27%
21%

2007

INR

Milk Products & Nutrition
66%
7%

Beverages
10%

Chocolate & Confectionery

Prepared dishes & cooking aids
17%

0.5
10%

1

2

5

10

4%
Managing a PPP business demands a creative ‘mindset’ which challenges traditional thinking and re-defines paradigms.
SALES GROWTH (1)
Sales Evolution

**Basis Nestlé Internal Reporting Standards**

- **Sales INR Bio**
- **Real Internal Growth (%)**
- **Organic Growth (%)**

### Sales Evolution in INR Bio

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales INR Bio</th>
<th>RIG &amp; O</th>
<th>OG</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>26.7</td>
<td>11.4</td>
<td>7.9</td>
</tr>
<tr>
<td>2006</td>
<td>29.7</td>
<td>12.1</td>
<td>9.7</td>
</tr>
<tr>
<td>2007</td>
<td>36.8</td>
<td>19.8</td>
<td>17.7</td>
</tr>
<tr>
<td>H1 07</td>
<td>17.8</td>
<td>22.6</td>
<td>26.0</td>
</tr>
<tr>
<td>H1 08</td>
<td>22.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
- Sales figures in Indian Rupees (INR).
- RIG & O: Real Internal Growth & Organic Growth.
## Channel View

### Net Sales

<table>
<thead>
<tr>
<th></th>
<th>(000’ Tons)</th>
<th></th>
<th>(INR Bio)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>H1 08</td>
<td>H1 07</td>
<td>Var%</td>
</tr>
<tr>
<td>Domestic</td>
<td>145.9</td>
<td>122.3</td>
<td>19.3</td>
</tr>
<tr>
<td>Exports</td>
<td>8.8</td>
<td>9.0</td>
<td>(2.1)</td>
</tr>
<tr>
<td>Total</td>
<td>154.7</td>
<td>131.3</td>
<td>17.8</td>
</tr>
</tbody>
</table>

All calculations are based on non-rounded figures.

### Contribution (%)

<table>
<thead>
<tr>
<th></th>
<th>Domestic</th>
<th></th>
<th></th>
<th>Exports</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>94.3</td>
<td>93.1</td>
<td>1.2</td>
<td>91.6</td>
<td>90.1</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td>5.7</td>
<td>6.9</td>
<td>(1.2)</td>
<td>8.4</td>
<td>9.9</td>
<td>(1.5)</td>
</tr>
</tbody>
</table>
Product Portfolio

% Share

H1 08
- Milk Products and Nutrition: 46.3%
- Prepared Dishes and Cooking Aids: 23.1%
- Chocolate and Confectionery: 16.6%

H1 07
- Milk Products and Nutrition: 45.5%
- Prepared Dishes and Cooking Aids: 21.6%
- Chocolate and Confectionery: 18.9%

Product Portfolio Categories:
- Milk Products and Nutrition
- Beverages
- Prepared Dishes and Cooking Aids
- Chocolate and Confectionery
Milk Products & Nutrition

Innovation & Renovation

Sales Volume (000’ tons)

Sales (INR Bio)

Market Position (Value)

- No. 1 in Baby Foods & Infant Formula
- No. 1 in Dairy Whitener.
- Strong presence in Sweetened Condensed Milk
- Good presence in Fresh Dairy

Contribution 46.3%
Prepared Dishes & Cooking Aids

Innovation & Renovation

Sales Volume (000’ tons)

\[\begin{align*}
\text{H1 07} & : 46.4 & \text{H1 08} & : 60.3 \\
\end{align*}\]

\[\Delta 29.9\%\]

Sales (INR Bio)

\[\begin{align*}
\text{H1 07} & : 3.7 & \text{H1 08} & : 4.9 \\
\end{align*}\]

\[\Delta 34.0\%\]

Market Position (Value)

- No. 1 in instant Noodles and Ketchups
- No. 2 in Healthy Soups

Contribution 23.1\%
Beverages

Innovation & Renovation

Sales Volume (000’ tons)

- H1 07: 12.3
- H1 08: 12.3

\( \triangle -0.4\% \)

Sales (INR Bio)

- H1 07: 3.2
- H1 08: 3.5

\( \triangle 9.7\% \)

Market Position (Value)

- No. 1 in Instant Coffee
- Very strong presence in Vending
- Presence in Brown Beverages

Contribution 16.6%
Chocolate & Confectionery

Innovation & Renovation

Sales Volumes (000' tons)

<table>
<thead>
<tr>
<th></th>
<th>H1 07</th>
<th>H1 08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Volumes</td>
<td>17.3</td>
<td>20.8</td>
</tr>
<tr>
<td>△</td>
<td>20.4%</td>
<td></td>
</tr>
</tbody>
</table>

Sales (INR Bio)

<table>
<thead>
<tr>
<th></th>
<th>H1 07</th>
<th>H1 08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (INR Bio)</td>
<td>2.4</td>
<td>3.0</td>
</tr>
<tr>
<td>△</td>
<td>24.5%</td>
<td></td>
</tr>
</tbody>
</table>

Market Position (Value)

- No. 1 in Wafers and White Chocolates.
- No. 2 overall in Chocolate category
- No. 2 in Eclairs (No. 1 in volumes)

Contribution 14.0%
PROFIT MARGINS (2)
## Managing Costs

*Figures have been regrouped / reclassified to make them comparable.*

<table>
<thead>
<tr>
<th>Description</th>
<th>H1 2008</th>
<th>% of Sales</th>
<th>H1 2007</th>
<th>% of Sales</th>
<th>Var.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses above EBIT-of which</td>
<td>17,259</td>
<td>81.2</td>
<td>13,929</td>
<td>81.8</td>
<td>23.9</td>
</tr>
<tr>
<td>Materials</td>
<td>10,335</td>
<td>48.6</td>
<td>8,256</td>
<td>48.5</td>
<td>25.2</td>
</tr>
<tr>
<td>Staff Cost</td>
<td>1,554</td>
<td>7.3</td>
<td>1,343</td>
<td>7.9</td>
<td>15.7</td>
</tr>
<tr>
<td>Depreciation</td>
<td>434</td>
<td>2.0</td>
<td>358</td>
<td>2.1</td>
<td>21.5</td>
</tr>
<tr>
<td>Advt + Sales Promotion</td>
<td>920</td>
<td>4.3</td>
<td>713</td>
<td>4.2</td>
<td>29.1</td>
</tr>
<tr>
<td>Distribution</td>
<td>943</td>
<td>4.4</td>
<td>767</td>
<td>4.5</td>
<td>23.0</td>
</tr>
<tr>
<td>Power &amp; Fuel</td>
<td>742</td>
<td>3.5</td>
<td>613</td>
<td>3.6</td>
<td>21.1</td>
</tr>
</tbody>
</table>
Evolution of Net Profit Margins

INR Bio.

% of Net sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>% of Net sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>3.1</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>4.1</td>
<td></td>
</tr>
<tr>
<td>H1 07</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>H1 08</td>
<td>2.8</td>
<td></td>
</tr>
</tbody>
</table>

Legend:

- **Amount**
- **% of Net Sales**
WORKING CAPITAL INTENSITY (3)
## Trade Net Working Capital (TNWC)

<table>
<thead>
<tr>
<th></th>
<th>30\textsuperscript{th} Jun 2008</th>
<th>30\textsuperscript{th} Jun 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables from Customers</td>
<td>731</td>
<td>629</td>
</tr>
<tr>
<td>Inventories</td>
<td>5,161</td>
<td>4,409</td>
</tr>
<tr>
<td>Less: Trade Payables *</td>
<td>2,594</td>
<td>1,998</td>
</tr>
<tr>
<td>TNWC</td>
<td>3,298</td>
<td>3,040</td>
</tr>
<tr>
<td>As % of Sales (12 rolling months )</td>
<td>8.0</td>
<td>9.2</td>
</tr>
</tbody>
</table>

* Excludes payables for taxes, Staff Costs, Capex, provisions for contingencies etc.

Basis Nestle Internal Reporting Standards and including affiliated customers and vendors.
## Operating Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>H1 08</th>
<th>H1 07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cash Flows #</td>
<td>1,711</td>
<td>647</td>
</tr>
<tr>
<td>As % of Sales</td>
<td>7.7</td>
<td>3.6</td>
</tr>
</tbody>
</table>

# excluding exceptional inflows
FIXED CAPITAL INTENSITY (4)
Investment in Fixed Assets

INR mio. % of Net sales

Investment in Fixed Assets

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (INR mio.)</th>
<th>% of Net sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>781</td>
<td>3.2</td>
</tr>
<tr>
<td>2006</td>
<td>1,522</td>
<td>5.4</td>
</tr>
<tr>
<td>2007</td>
<td>1,698</td>
<td>4.8</td>
</tr>
<tr>
<td>H1 07</td>
<td>442</td>
<td>2.6</td>
</tr>
<tr>
<td>H1 08</td>
<td>733</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Depreciation

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (INR mio.)</th>
<th>% of Net sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>498</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>555</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>640</td>
<td></td>
</tr>
<tr>
<td>H1 07</td>
<td>305</td>
<td></td>
</tr>
<tr>
<td>H1 08</td>
<td>381</td>
<td></td>
</tr>
</tbody>
</table>

Excludes Intangibles
Rotation of Average Tangible Fixed Assets

Times

- 6.5  (2005)
- 6.6  (2006)
- 6.9  (2007)
- 7.0  (H1 07)
- 7.2  (H1 08)

Basis Nestlé Internal Reporting Standards
INCOME TAX RATE (5)
Income Tax

Excludes FBT
COST OF CAPITAL (6)
Cost of Capital

Adjusted Cost of Capital (ACC)  Risk Free Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>ACC</th>
<th>Risk Free Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>6.6</td>
<td>6.6</td>
</tr>
<tr>
<td>2006</td>
<td>7.2</td>
<td>7.2</td>
</tr>
<tr>
<td>2007</td>
<td>7.7</td>
<td>7.7</td>
</tr>
<tr>
<td>H1 07</td>
<td>7.7</td>
<td>7.7</td>
</tr>
<tr>
<td>H1 08</td>
<td>7.9</td>
<td>7.9</td>
</tr>
</tbody>
</table>

Basis Nestlé Internal Reporting Standards
VALUE GROWTH DURATION (7)
Creating Economic Value

<table>
<thead>
<tr>
<th>Year</th>
<th>Economic Profit INR Bio</th>
<th>Economic Profitability (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>2.7</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>2.7</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>3.6</td>
<td></td>
</tr>
<tr>
<td>H1 07</td>
<td>1.8</td>
<td></td>
</tr>
<tr>
<td>H1 08</td>
<td>2.3</td>
<td></td>
</tr>
</tbody>
</table>

Basis Nestle Internal Reporting Standards
Shareholders’ Wealth

INR / Share

<table>
<thead>
<tr>
<th>Year</th>
<th>DPS</th>
<th>EPS</th>
<th>DPS %</th>
<th>ROE %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>25.0</td>
<td>32.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>25.5</td>
<td>32.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>33.0</td>
<td>42.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1 07</td>
<td>6.5</td>
<td>21.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1 08</td>
<td>8.5</td>
<td>29.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dividend (INR Bio) 2.4 2.5 3.2 0.6 0.8
Commodity Costs - Ongoing Challenge

Indexed cost increase %

Green Coffee: 21.7%
Oils: 23.5%
Milk Solids: 10.0%
Wheat Flour: 5.4%
Sugar: -1.6%

Reference point - Jan-Jun 2007 prices

H1 2007
H1 2008