Nestlé India Limited

Financial Analysts’ Meet

Nov 16, 2007
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 factors such as general economic conditions, availability and prices of commodities, competitive products and pricing pressures and regulatory developments etc.

Responses can only be given to questions, which are not price sensitive.
Opening Remarks
Over to SHD
Snap shot

Jan-Sep 07

- INR 27.1 Bio
- 20.1% Volumes & Prices
- 24.0% + 24.7%
- INR 4.8 Bio
- 17.7% +32.7%
- INR 2.8 Bio
- +110bp +30.7%

Jan-Sep 06

- INR 21.7 Bio
- 9.5% Gross Sales
- 11.7% RIG
- 11.7% OG
- INR 3.6 Bio
- 16.6% EBIT
- INR 2.1 Bio
- Economic Profit

Includes Figures from Nestle Internal Reporting Standards

All calculations are based on non-rounded figures
What is delivering the results?

- Innovation & Renovation
- Organization Structure
- Indian Economy
- GLOBe
- Operational Efficiency
- Nutrition, Health & Wellness
- People Engagement
SALES GROWTH (Value Driver -1)
Growth over the quarters

INR Bio

Gross Sales including excise duty

EBIT

Q1-05 Q2-05 Q3-05 Q4-05 Q1-06 Q2-06 Q3-06 Q4-06 Q1-07 Q2-07 Q3-07

Q1-05 Q2-05 Q3-05 Q4-05 Q1-06 Q2-06 Q3-06 Q4-06 Q1-07 Q2-07 Q3-07

INR Bio

Gross Sales including excise duty

EBIT

Q1-05 Q2-05 Q3-05 Q4-05 Q1-06 Q2-06 Q3-06 Q4-06 Q1-07 Q2-07 Q3-07

INR Bio

Gross Sales including excise duty

EBIT

Q1-05 Q2-05 Q3-05 Q4-05 Q1-06 Q2-06 Q3-06 Q4-06 Q1-07 Q2-07 Q3-07

INR Bio

Gross Sales including excise duty

EBIT

Q1-05 Q2-05 Q3-05 Q4-05 Q1-06 Q2-06 Q3-06 Q4-06 Q1-07 Q2-07 Q3-07

INR Bio

Gross Sales including excise duty

EBIT

Q1-05 Q2-05 Q3-05 Q4-05 Q1-06 Q2-06 Q3-06 Q4-06 Q1-07 Q2-07 Q3-07

INR Bio

Gross Sales including excise duty

EBIT

Q1-05 Q2-05 Q3-05 Q4-05 Q1-06 Q2-06 Q3-06 Q4-06 Q1-07 Q2-07 Q3-07

INR Bio

Gross Sales including excise duty

EBIT

Q1-05 Q2-05 Q3-05 Q4-05 Q1-06 Q2-06 Q3-06 Q4-06 Q1-07 Q2-07 Q3-07

INR Bio

Gross Sales including excise duty

EBIT

Q1-05 Q2-05 Q3-05 Q4-05 Q1-06 Q2-06 Q3-06 Q4-06 Q1-07 Q2-07 Q3-07

INR Bio

Gross Sales including excise duty

EBIT

Q1-05 Q2-05 Q3-05 Q4-05 Q1-06 Q2-06 Q3-06 Q4-06 Q1-07 Q2-07 Q3-07

INR Bio

Gross Sales including excise duty

EBIT

Q1-05 Q2-05 Q3-05 Q4-05 Q1-06 Q2-06 Q3-06 Q4-06 Q1-07 Q2-07 Q3-07

INR Bio

Gross Sales including excise duty

EBIT

Q1-05 Q2-05 Q3-05 Q4-05 Q1-06 Q2-06 Q3-06 Q4-06 Q1-07 Q2-07 Q3-07

INR Bio

Gross Sales including excise duty

EBIT

Q1-05 Q2-05 Q3-05 Q4-05 Q1-06 Q2-06 Q3-06 Q4-06 Q1-07 Q2-07 Q3-07

INR Bio

Gross Sales including excise duty

EBIT
## Channel-wise Sales

<table>
<thead>
<tr>
<th></th>
<th>Volume (000’ Tons)</th>
<th>Value (INR Bio)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Jan-Sep 07</td>
<td>Jan-Sep 06</td>
</tr>
<tr>
<td>Domestic</td>
<td>187.4</td>
<td>162.3</td>
</tr>
<tr>
<td>Exports</td>
<td>12.6</td>
<td>12.3</td>
</tr>
<tr>
<td>Total</td>
<td>200.0</td>
<td>174.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Domestic Contr. %</th>
<th>Exports Contr. %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>93.7</td>
<td>6.3</td>
</tr>
<tr>
<td></td>
<td>92.9</td>
<td>7.1</td>
</tr>
<tr>
<td></td>
<td>0.8</td>
<td>(0.8)</td>
</tr>
<tr>
<td></td>
<td>91.3</td>
<td>8.7</td>
</tr>
<tr>
<td></td>
<td>90.6</td>
<td>9.4</td>
</tr>
<tr>
<td></td>
<td>0.7</td>
<td>(0.7)</td>
</tr>
</tbody>
</table>

# Net Domestic Sales up 26.4%

@ Gross Sales including excise duty

All calculations are based on non-rounded figures
Export sales Jan-Sep 2007 % Contribution

Total Export sales 2,368 Mio

- Russia: 33.3%
- South Asia: 31.3%
- Europe: 9.4%
- Asia-Others: 8.2%
- Africa: 5.6%
- America: 12.2%

Total Export sales 2,368 Mio

- Beverages: 64.5%
- Milk Products & Nutrition: 26.5%
- Prepared Dishes & Cooking Aids: 6.7%
- Choc & Conf.: 2.3%
Product Categories: Jan - Sep 2007

Bubble size represents Gross Sales (INR Bio)

- Chocolate & Confectionery: $\bar{X} = 4.3$
- Beverages: $\bar{X} = 5.2$
- Milk Products & Nutrition: $\bar{X} = 11.8$
- Prepared Dishes & Cooking Aids: $\bar{X} = 5.8$

$\bar{X} = 24.7$
Milk Products & Nutrition

Innovation & Renovation

- Market Leader in Baby Foods and Sweetened Condensed Milk
- Very close to market leader in Infant Formula
- No. 2 in Dairy Whitener
- Growing presence in Fresh Dairy

### Sales Volume (000’ tons)

- **Jan-Sep 06**: 78.2
- **Jan-Sep 07**: 82.0

\[\text{Δ 4.9\%}\]

### Sales (INR Bio)

- **Jan-Sep 06**: 9.7
- **Jan-Sep 07**: 11.8

\[\text{Δ 21.1\%}\]

### % Contribution to Total Sales

- Jan-Sep 06:
  - 15.8
- Jan-Sep 07:
  - 43.5
  - 21.4
  - 19.3

Jan-Sep 07
**Beverages**

### Innovation & Renovation

- Market Leader in Instant Coffee

#### Sales Volume (000’ tons)

<table>
<thead>
<tr>
<th></th>
<th>Jan-Sep 06</th>
<th>Jan-Sep 07</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16.5</td>
<td>17.9</td>
</tr>
<tr>
<td>Δ</td>
<td>8.9%</td>
<td></td>
</tr>
</tbody>
</table>

#### Sales (INR Bio)

<table>
<thead>
<tr>
<th></th>
<th>Jan-Sep 06</th>
<th>Jan-Sep 07</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4.3</td>
<td>5.2</td>
</tr>
<tr>
<td>Δ</td>
<td>22.3%</td>
<td></td>
</tr>
</tbody>
</table>

#### % Contribution to Total Sales

<table>
<thead>
<tr>
<th></th>
<th>Jan-Sep 07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beverages</td>
<td>19.3</td>
</tr>
<tr>
<td>Sunrise</td>
<td>43.5</td>
</tr>
<tr>
<td>Milo</td>
<td>21.4</td>
</tr>
<tr>
<td></td>
<td>15.8</td>
</tr>
</tbody>
</table>
Prepared Dishes & Cooking Aids

Sales Volume (000' tons)

Jan-Sep 06: 57.0
Jan-Sep 07: 72.9
\( \Delta 27.8\% \)

Sales (INR Bio)

Jan-Sep 06: 4.4
Jan-Sep 07: 5.8
\( \Delta 33.2\% \)

% Contribution to Total Sales

Jan-Sep 07

- Market Leader in instant Noodles and Ketchups
- No. 2 in Healthy Soups

• Market Leader in instant Noodles and Ketchups
• No. 2 in Healthy Soups
Chocolate & Confectionery

Sales Volumes (000' tons)

- Jan-Sep 06: 22.9
- Jan-Sep 07: 27.2
- Increase: 18.6%

Sales (INR Bio)

- Jan-Sep 06: 3.4
- Jan-Sep 07: 4.3
- Increase: 27.4%

% Contribution to Total Sales

- Jan-Sep 07
  - 15.8%
  - 21.4%
  - 19.3%
  - 43.5%

- Market Leader in Wafers and white chocolates
- No. 2 in Chocolates
- Market Leader in Eclairs volumes with 32.4% share.
PROFIT MARGINS  (Value Driver -2)
Evolution of Operating Margins

INR Bio.

EBITD-INR.Bio  EBIT-INR.Bio  EBITD % of Gross Sales  EBIT % of Gross Sales

2002  3.5  4.0  4.0  4.0
2003  3.9  4.4  4.5  4.5
2004  4.0  4.5  5.2  5.2
2005  4.6  17.6  17.6  17.6
2006  4.7  16.0  16.0  16.0
Jan-Sep 06  3.6  4.1  4.1  4.1
Jan-Sep 07  4.8  5.3  5.3  5.3

UNLEASHING 100% POTENTIAL
## Total Expenditure

<table>
<thead>
<tr>
<th>Description</th>
<th>Jan-Sep 07</th>
<th>% Net Sales</th>
<th>Jan-Sep 06</th>
<th>% Net Sales</th>
<th>Var. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expenditure</td>
<td>21,291</td>
<td>81.6</td>
<td>17,183</td>
<td>82.6</td>
<td>23.9</td>
</tr>
<tr>
<td>- of which</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Materials</td>
<td>12,594</td>
<td>48.3</td>
<td>9,782</td>
<td>47.0</td>
<td>28.7</td>
</tr>
<tr>
<td>Staff Cost</td>
<td>2,036</td>
<td>7.8</td>
<td>1,674</td>
<td>8.0</td>
<td>21.6</td>
</tr>
<tr>
<td>Advt + Sales Promotion</td>
<td>1,197</td>
<td>4.6</td>
<td>1,002</td>
<td>4.8</td>
<td>19.4</td>
</tr>
<tr>
<td>Distribution</td>
<td>1,165</td>
<td>4.5</td>
<td>961</td>
<td>4.6</td>
<td>21.2</td>
</tr>
<tr>
<td>Power &amp; Fuel</td>
<td>895</td>
<td>3.4</td>
<td>853</td>
<td>4.1</td>
<td>4.8</td>
</tr>
<tr>
<td>Depreciation</td>
<td>542</td>
<td>2.1</td>
<td>486</td>
<td>2.3</td>
<td>11.6</td>
</tr>
</tbody>
</table>

Figures have been regrouped / reclassified to make them comparable.
Evolution of Net Profit Margins

INR Bio.

Amount
% of Gross Sales

2002 2003 2004 2005 2006 Jan-Sep 06 Jan-Sep 07

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>% of Gross Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>9.8</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>11.5</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>10.6</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>11.7</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>10.7</td>
<td></td>
</tr>
<tr>
<td>Jan-Sep 06</td>
<td>11.6</td>
<td></td>
</tr>
<tr>
<td>Jan-Sep 07</td>
<td>11.8</td>
<td></td>
</tr>
</tbody>
</table>

UNLEASHING 100% POTENTIAL
WORKING CAPITAL INTENSITY
(Value Driver -3)
### Trade Net Working Capital (TNWC)

<table>
<thead>
<tr>
<th></th>
<th>30&lt;sup&gt;th&lt;/sup&gt; Sep 2007</th>
<th>30&lt;sup&gt;th&lt;/sup&gt; Sep 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables from Customers</td>
<td>588</td>
<td>750</td>
</tr>
<tr>
<td>Inventories</td>
<td>3,354</td>
<td>2,288</td>
</tr>
<tr>
<td>Less: Trade Payables *</td>
<td>2,171</td>
<td>1,946</td>
</tr>
<tr>
<td>TNWC</td>
<td>1,771</td>
<td>1,092</td>
</tr>
<tr>
<td>As % of Gross Sales (12 rolling months)</td>
<td>4.8</td>
<td>3.7</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>Jan-Sep 2007</th>
<th>Jan-Sep 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cash Flows</td>
<td>3,641</td>
<td>3,095</td>
</tr>
<tr>
<td>As % of Gross Sales</td>
<td>13.3</td>
<td>14.1</td>
</tr>
</tbody>
</table>

INR Mio
Rotation of Average TNWC

Times

2002 2003 2004 2005 2006 Jan-Sep 06 Jan-Sep 07

Nestle Internal Reporting Standards. Including affiliated customers and vendors

Average of TNWC at period ends
FIXED CAPITAL INTENSITY
( Value Driver -4)
## Investment in Fixed Assets

<table>
<thead>
<tr>
<th>Year</th>
<th>INR mio.</th>
<th>% of Gross sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>596</td>
<td>2.9</td>
</tr>
<tr>
<td>2003</td>
<td>681</td>
<td>3.0</td>
</tr>
<tr>
<td>2004</td>
<td>742</td>
<td>3.1</td>
</tr>
<tr>
<td>2005</td>
<td>781</td>
<td>3.0</td>
</tr>
<tr>
<td>2006</td>
<td>1,522</td>
<td>5.2</td>
</tr>
<tr>
<td>J-S 06</td>
<td>1,054</td>
<td>4.8</td>
</tr>
<tr>
<td>J-S 07</td>
<td>849</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Dep.  | 494 | 463 | 491 | 498 | 555 | 404 | 463 |
Rotation of Average Tangible Fixed Assets

Basis Nestle Internal Reporting Standards
INCOME TAX RATE
( Value Driver -5)
Evolution of Tax Rate

Marginal Rate %  Effective Rate %

(rates are a % of pre-tax profit excluding FBT)
COST OF CAPITAL
( Value Driver -6)
VALUE GROWTH DURATION
(Value Driver 7)
Creating Shareholder Wealth

EP Basis Nestle Internal Reporting Standards
Invested Capital basis average at quarterly rests
Returning cash to Shareholders

- Dividend (INR Bio): 1.7, 1.9, 1.9, 2.4, 2.5
- Dividend per Share: 20.9, 27.3, 26.1, 32.1, 32.7

Yearly Dividends:
- 2002: INR 18.0 / Share
- 2003: INR 20.0 / Share
- 2004: INR 20.0 / Share
- 2005: INR 25.0 / Share
- 2006: INR 25.5 / Share
- Jan-Sep 06: INR 26.2 / Share
- Jan-Sep 07: INR 33.2 / Share

- DPS - Dividend Per Share
- EPS - Earnings Per Share

2006 1st interim 60% May 06
2007 1st interim 65% Mar 07

2004 - Excludes special dividend of INR 4.5 / Share
Thank You
Commodity Prices - Ongoing Challenge

Jan-Sep 06

-40
-30
-20
-10
0
10
20
30
40

Indexed price increase %

Jan-Sep 07

Reference point - Jan-Sep 2006 prices

35.9 Green Coffee
25.4 Milk Solids
15.6 Wheat Flour
11.7 Fats
-23.4 Sugar

Jan-Sep 06

Jan-Sep 07
Indexing with base Q1-04

Evolution - Milk Fat Prices

Indexed Price per kg

Q1  Q2  Q3  Q4

2004: 100 103 95 91
2005:  88 94 97 97
2006:  95 97 106 109
2007: 116 122 128 128

Unleashing 100% Potential
Coffee Plantation [LIFFE]