Financial Analysts’ Meet - December 7, 2005
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<th>Agenda</th>
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<td>Introduction &amp; Overview</td>
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<td>Financials</td>
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<td>Food Business</td>
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<td>Social Responsibility</td>
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<td>Questions &amp; answers</td>
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This presentation may contain statements reflecting Management’s current views and estimates, that may be construed as forward looking statements. Actual results might differ materially from those either expressed or implied in the statements, depending on the circumstances.

Responses can only be given to questions, which are not price sensitive.
INTRODUCTION & OVERVIEW
Economy

- Steady growth – exceeding 7%
- Monday 28 November 2005 Sensex @ 9000
- High consumer confidence
Growing Urbanization
- Urban up from 17% in 1950 to 28% now

Rising Aspirations
- Durable ownership doubled in last decade
- 8 Mio Cars, 45 Mio Two wheelers (+20% vs LY)
- 45 Mio Mobile phones (+25% vs LY)

Greater use of Credit
- Easy availability of low interest credit
- Housing Loans at US $ 10 Bio (+30% vs LY)
- 25 Mio credit & debit cards issued (+20% vs LY)
- 85% cars purchased on credit
Consumer
Changing Lifestyles & Rising Aspirations

Rising Education and Working Women

- Literacy has gone up from 52% to 66% (1991-04)
- 1 Mio graduates per annum
- Urban working women up from 14% to 20% (1991-04)

Search for Convenience

- Pressure Cooker urban penetration 65%
- Ready to eat category small but fast growing

Growing Exposure - Media, Travel

- 108 Mio TV households (+10% vs LY)
- Cable TV in 53% urban homes (x2 in 5 yrs)
- 8 Mio traveled abroad in 2004 (x2 vs 2001)

Eating out on the rise

- Out of home consumption (+10% vs LY)
- 70% of Urban Metro Indians eat fast food OOH at least once/month
Strategic Focus

- Innovation and Renovation
- Availability
- Efficiency: Low-Cost Operator
- Consumer Communications

Nutrition, Health, Wellness for all ages

People, Structure, GLOBE

GLOBE

Good Food, Good Life
Innovation & Renovation

Nestle
Good Food, Good Life

Nestle Sunrise
Nestle Ceremeal
Nestle Raita
Nestle Junior
Nestle Munch
Nestle Maggi
Nestle Vegetable Noodles
Nestle Chatpat Sauce
Nestle Pudina Sauce
Nestle Nido
Customer & Channel Sales Development (CCSD)

CCSD
- Shopper Expertise
- Market intelligence
- Channel strategy & planning
- POP drivers strategy & planning
- Pre/post evaluation analysis
Efficiency: Low-Cost Operator

Pant Nagar Factory

• Total CAPEX INR 100 crores

Finished goods – loading bay view

Front View
Separate entry for Material & People
Support overall strategy
Consumers Insight driven
Create clear product differentiation
Highly impactful
Evolution of Need States in Food

**Good Food**
- Taste/Pleasure
- Variety/Balance
- Safety/Quality
  - For all

**Health & Wellness**
- Perceived Nutritional value

**Wellbeing**
- Feeling Good
- Taking Control
- Equilibrium
  - Body & Mind

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**Sustenance**

**Enjoyment**

**Health/ Nutrition**

**Psychological Contentment**

**GOOD FOOD**

**GOOD FOOD, GOOD LIFE**
Structure

Market Head

Finance & Control
Human Resources
Legal & Co. Secretary

Supply Chain
Sales
Consumer & Customer Insights
LGO

Communications
Technical
Corporate Affairs & Strategic Planning

Shared Services

Business Management
Coffee & Beverages
Nutrition

Shelf Stable & Chilled Dairy
Culinary
Exports

Chocolate & Confectionary
Food Services
- Considered best implementation yet within the Nestle Group
- On time
- Smooth transition
- Leverage
- Yield synergies

**Objectives**

- Harmonization of Nestle Business Excellence Best Practices
- Standardization of Internal and External Master Data allowing Data to be managed as a corporate asset
- Standardization of Information Systems and technology
Benchmarked Performance
Bottom line against Competitors

EBITDA MARGIN (Competition Comparable)

Industry includes Nestle, HLL, P&G, GSK & Britannia

Source: Annual Reports & www.sebiedifar.nic.in
Share Price against Indices

Relative Scale

- Nestle
- BSE FMCG Index
- BSE SENSEX
Over to SHD
FINANCIALS
### Business Framework

<table>
<thead>
<tr>
<th>Operational</th>
<th>Value Drivers</th>
<th>Drivers</th>
<th>Enablers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Growth</td>
<td>Sales, BEM's</td>
<td>Supply Chain, Technical</td>
<td></td>
</tr>
<tr>
<td>Profit Margin</td>
<td>BEM's, Sales, Purchase, Technical</td>
<td>Finance, HR</td>
<td></td>
</tr>
<tr>
<td>Working Capital intensity</td>
<td>Supply Chain, Technical, Purchase</td>
<td>Finance, Sales</td>
<td></td>
</tr>
<tr>
<td>Fixed Capital intensity</td>
<td>Technical, BEM's</td>
<td>Finance</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial</th>
<th>Income Tax Rate</th>
<th>Finance</th>
<th>Technical, Legal, Corporate Affairs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost of Capital</td>
<td>Finance</td>
<td>Legal</td>
</tr>
</tbody>
</table>

| Strategic         | Value Growth duration  | All                                   | All                                 |

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*Note: The table is a representation of a business framework with key performance indicators (KPIs) and their associated drivers and enablers. The framework is divided into Operational, Financial, and Strategic categories.*
Result of focus on Value Drivers

Relative Scale

Nestle  BSE FMCG Index  BSE SENSEX

Jan-01  Jul-01  Jan-02  Jul-02  Jan-03  Jul-03  Jan-04  Jul-04  Jan-05  Jul-05  Dec-05
Evolution of Dividend

Returned Share capital almost 10 times in the last 5 years

INR Bio

- 2001: 1.4
- 2002: 1.7
- 2003: 1.9
- 2004: 1.9
- 2005: 2.2

2004 - Excludes special dividend of Rs 4.5/Share.
2005 - Represents two interim dividends.
Evolution of Operating Cash Flow

- **Amount**
- **Op Cash Flow as % of NPS**
- **Adjusted op. cash flow as % of NPS**

### Key Data Points

- **2001**: 2.6
d- **2002**: 3.4
d- **2003**: 3.6
d- **2004**: 3.7
d- **09/2005**: 18.0
d- **09/2004**: 13.2

### Percentage (%)

- **2001**: 1.0
d- **2002**: 1.5
d- **2003**: 2.0
d- **2004**: 2.5
d- **09/2005**: 12.9
d- **09/2004**: 10.0
SALES GROWTH
Gross Sales Evolution

![Gross Sales Evolution Chart](chart.png)

- **Sales (INR Bio)**:
  - 2001: 19.2
  - 2002: 20.5
  - 2003: 22.8
  - 2004: 23.7
  - 09/2005: 19.8
  - 09/2004: 17.6

- **RIG (%)**:
  - 2001: 11.3
  - 2002: 10.2
  - 2003: 4.4
  - 2004: 18.4
  - 09/2005: 8.5
  - 09/2004: 16.4

- **Legend**:
  - Green: Third Party Sales
  - Orange: Affiliated Exports
  - Red: RIG
<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales growth:</td>
<td>12.2%</td>
</tr>
<tr>
<td>RIG:</td>
<td>8.7%</td>
</tr>
<tr>
<td>Price increases:</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

(Basis international accounting standards)
## Channel-wise Sales (Jan-Sep)

<table>
<thead>
<tr>
<th>Channel</th>
<th>Volume (000'Tons)</th>
<th>Value(^\circ) (INR Bio)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005</td>
<td>2004</td>
</tr>
<tr>
<td>Domestic</td>
<td>149.1</td>
<td>140.3</td>
</tr>
<tr>
<td>Exports</td>
<td>13.8</td>
<td>13.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>162.9</strong></td>
<td><strong>154.0</strong></td>
</tr>
</tbody>
</table>

\(^\circ\) Gross Sales including excise duty

Aforesaid percentages have been calculated on base values
## Sales by Product Categories (Jan-Sep)

<table>
<thead>
<tr>
<th>Brand</th>
<th>Volume (000’ Tons)</th>
<th>Value@ (INR Bio.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005</td>
<td>2004</td>
</tr>
<tr>
<td>Milk Products &amp; Nutrition</td>
<td>76.1</td>
<td>73.0</td>
</tr>
<tr>
<td>Beverages</td>
<td>18.7</td>
<td>18.8</td>
</tr>
<tr>
<td>Prepared Dishes &amp; Cooking Aids</td>
<td>48.3</td>
<td>45.0</td>
</tr>
<tr>
<td>Chocolate &amp; Confectionary</td>
<td>19.8</td>
<td>17.2</td>
</tr>
<tr>
<td>Total</td>
<td>162.9</td>
<td>154.0</td>
</tr>
</tbody>
</table>

@ Gross Sales including excise duty

Aforesaid percentages have been calculated on base values
Balancing Export Portfolio

Exports to Russia

Others

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports to Russia</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>74</td>
<td>26</td>
</tr>
<tr>
<td>2002</td>
<td>72</td>
<td>28</td>
</tr>
<tr>
<td>2003</td>
<td>67</td>
<td>33</td>
</tr>
<tr>
<td>2004</td>
<td>52</td>
<td>48</td>
</tr>
<tr>
<td>09/2005</td>
<td>46</td>
<td>54</td>
</tr>
<tr>
<td>09/2004</td>
<td>51</td>
<td>49</td>
</tr>
</tbody>
</table>
EBITDA MARGIN
## EBITDA Margins (Jan-Sep)

<table>
<thead>
<tr>
<th>EBIT TDA (% of Gross Sales)</th>
<th>2005</th>
<th>2004</th>
<th>Difference (Basis points)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20.5</td>
<td>18.0</td>
<td>250</td>
</tr>
</tbody>
</table>
## Total Expenditure (Jan-Sep)

<table>
<thead>
<tr>
<th>Description</th>
<th>2005</th>
<th>% of Net Sales</th>
<th>2004</th>
<th>% of Net Sales</th>
<th>Var. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expenses</td>
<td>14,496</td>
<td>78.2</td>
<td>13,379</td>
<td>80.8</td>
<td>8.3</td>
</tr>
<tr>
<td>-of which</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Materials</td>
<td>8,435</td>
<td>45.5</td>
<td>7,840</td>
<td>47.4</td>
<td>7.6</td>
</tr>
<tr>
<td>Staff Cost</td>
<td>1,392</td>
<td>7.5</td>
<td>1,215</td>
<td>7.3</td>
<td>14.6</td>
</tr>
<tr>
<td>Advt + sales Promotion</td>
<td>911</td>
<td>4.9</td>
<td>988</td>
<td>6.0</td>
<td>-7.8</td>
</tr>
<tr>
<td>Distribution</td>
<td>863</td>
<td>4.7</td>
<td>800</td>
<td>4.8</td>
<td>7.9</td>
</tr>
<tr>
<td>Power &amp; Fuel</td>
<td>750</td>
<td>4.0</td>
<td>613</td>
<td>3.7</td>
<td>22.4</td>
</tr>
</tbody>
</table>

Aforesaid percentages have been calculated on base values.

INR Mio.
Break up of Materials Consumed
(Jan-Sep 2005)

- RM 6.5
- PM 1.7
- Bought Out 0.2

Total = INR 8.4 Bio.
Key Raw Materials
(Jan-Sep)

INR Mio.

- Milk: 51%
- Coffee: 14%
- Sugar: 6%
- Fats: 6%
- W. Flour: 8%
- Others: 15%

Total = INR 6.5 Bio.

Basis International Accounting Standards
Evolution - Milk Solid Prices
(INR 3,301 mio, 51% of raw materials)
Milk Fat Prices
(INR 3,301 mio, 51% of raw materials)

Indexed Price per kg.

2003:
- Q1: 100
- Q2: 107
- Q3: 113
- Q4: 100

2004:
- Q1: 120
- Q2: 124
- Q3: 115
- Q4: 110

2005:
- Q1: 113
- Q2: 117
- Q3: 113
- Q4: 106

Q1: Purple
Q2: Brown
Q3: Yellow
Q4: Cyan
Evolution - Green Coffee Prices
(INR 961 mio, 15% of raw materials)

Period

Q1  Q2  Q3  Q4

Rs per KG (Indexed)

99    113    120    151

100   100   100

174  Current

2003  2004  2005

Evolution - Green Coffee Prices
(INR 961 mio, 15% of raw materials)
Evolution - Vegetable Oil Prices
(INR 396 mio, 6% of raw materials)
Evolution - Sugar Prices
(INR 504 mio, 8% of raw materials)

- 2003: 100
- 2004: 124
- 2005: 148

Q 1 Q2 Q3 Q4

Period

Rs per KG (Indexed)
Evolution - Wheat Flour Prices
(INR 395 mio, 6% of raw materials)
NET PROFIT MARGIN
Evolution of Net Profit Margins

INR Bio.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>% of Gross Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>1.7</td>
<td>8.9</td>
</tr>
<tr>
<td>2002</td>
<td>2.0</td>
<td>9.7</td>
</tr>
<tr>
<td>2003</td>
<td>2.6</td>
<td>11.4</td>
</tr>
<tr>
<td>2004</td>
<td>2.5</td>
<td>10.6</td>
</tr>
<tr>
<td>09/2005</td>
<td>2.4</td>
<td>11.9</td>
</tr>
<tr>
<td>09/2004</td>
<td>1.8</td>
<td>10.0</td>
</tr>
</tbody>
</table>
# Net Profit Margins (Jan-Sep)

<table>
<thead>
<tr>
<th>% of Gross Sales</th>
<th>2005</th>
<th>2004</th>
<th>Difference (Basis points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>20.5</td>
<td>18.0</td>
<td>250</td>
</tr>
<tr>
<td>NET PROFIT</td>
<td>11.9</td>
<td>10.0</td>
<td>190</td>
</tr>
</tbody>
</table>
WORKING CAPITAL INTENSITY
<table>
<thead>
<tr>
<th></th>
<th>30-Sep 2005</th>
<th>30-Sep 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>419</td>
<td>414</td>
</tr>
<tr>
<td>Inventories</td>
<td>2,142</td>
<td>2,188</td>
</tr>
<tr>
<td>Less: Trade Payables #</td>
<td>1,715</td>
<td>1,513</td>
</tr>
<tr>
<td>Net capital tied up</td>
<td>846</td>
<td>1,089</td>
</tr>
<tr>
<td>As % of Gross Sales</td>
<td>4.2%</td>
<td>4.6%</td>
</tr>
</tbody>
</table>

Basis International Accounting Standards & Average of two period ends
# Excludes any exceptional payable, if any
Rotation of Operating Working Capital*

**Basis International Accounting Standards & Average of two period ends**

* In relation to total sales
Cash Conversion Cycle

\[(\text{Avg trade receivables/sales} \times 365) + (\text{Avg inventory/COGS} \times 365) - (\text{AVG trade payables/COGS} \times 365)\]

Basis International Accounting Standards
FIXED CAPITAL INTENSITY
Investment in Tangible Fixed Assets

INR mio.

% of Net sales

<table>
<thead>
<tr>
<th>Year</th>
<th>INR mio.</th>
<th>% of Net sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>589</td>
<td>3.1</td>
</tr>
<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>3.3</td>
</tr>
<tr>
<td>09/2005</td>
<td>458</td>
<td>2.3</td>
</tr>
<tr>
<td>09/2004</td>
<td>477</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Dep. | 435 | 494 | 463 | 491 | 385 | 365 |
Rotation of Tangible Fixed Assets

Times


Basis International Accounting Standards & average of two period ends
INCOME TAX RATE
Evolution of Tax
(as % of pre-tax profit)
COST OF CAPITAL
Evolution of WACC - %

Basis International Accounting Standards
VALUE GROWTH DURATION
Value Growth Duration

Innovation and Renovation
Availability
Effective & Efficient Operations
Consumer Communications

People  Structure  GLOBE

Nutrition, Health, Wellness for all ages
Food Business
Social Responsibility
QUESTIONS

Thank You
ROBUSTA COFFEE
ARABICA COFFEE

2000 2001 2002 2003 2004 2005

Nov 20, 2005
data.open = 96.30
data.high = 104.25
data.low = 98.30
data.close = 101.30