Nestlé India Limited

22nd Financial Analysts’ Meet

Gurgaon 30th July 2013
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 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.

Responses can be given to questions, which are not price sensitive.

Calculations in this presentation are based on non-rounded figures.

Real Internal Growth (RIG) and Organic Growth (OG) are basis Nestlé Internal Reporting Standards in relation to third party sales only.

Figures have been regrouped / reclassified to make them comparable to current period.
## The Context - Excerpts from your reports

### Sales

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Growth under pressure due to constant price hike</td>
</tr>
<tr>
<td>2.</td>
<td>Inability to expand product offering</td>
</tr>
<tr>
<td>3.</td>
<td>Volumes continue to disappoint</td>
</tr>
<tr>
<td>4.</td>
<td>Weak domestic sales &amp; flattish volumes</td>
</tr>
<tr>
<td>5.</td>
<td>Top line subdued despite a lower base &amp; capacity addition as volumes dropped ~ 1%</td>
</tr>
<tr>
<td>6.</td>
<td>Volumes continue to remain elusive</td>
</tr>
<tr>
<td>7.</td>
<td>No Triggers in short term</td>
</tr>
<tr>
<td>8.</td>
<td>Volume revival is key to stock performance</td>
</tr>
<tr>
<td>9.</td>
<td>Sales under pressure slower consumer spending coupled with rise in competition</td>
</tr>
<tr>
<td>10.</td>
<td>4-5% decline in domestic volumes</td>
</tr>
<tr>
<td>11.</td>
<td>Positive on growth going forward</td>
</tr>
<tr>
<td>12.</td>
<td>Business turnaround under way</td>
</tr>
<tr>
<td>13.</td>
<td>Believe in long term potential of Nestle India</td>
</tr>
<tr>
<td>14.</td>
<td>Missing forecast</td>
</tr>
<tr>
<td>15.</td>
<td>Nestle 755 strategy takes longer to implement</td>
</tr>
</tbody>
</table>

### Margins

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>EBITDA Margins highest in 15 quarters</td>
</tr>
<tr>
<td>2.</td>
<td>Margin overtakes</td>
</tr>
<tr>
<td>3.</td>
<td>Contingencies hurt profit pool</td>
</tr>
<tr>
<td>4.</td>
<td>Operating margins continue to expand</td>
</tr>
<tr>
<td>5.</td>
<td>Modest profit growth</td>
</tr>
<tr>
<td>6.</td>
<td>Results in line with expectation</td>
</tr>
<tr>
<td>7.</td>
<td>Nestle continues to focus on margin over volumes</td>
</tr>
</tbody>
</table>

### Cash Flow

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Higher Tax outgo</td>
</tr>
<tr>
<td>2.</td>
<td>Higher taxes and depreciation</td>
</tr>
<tr>
<td>3.</td>
<td>OCF generation was extremely strong</td>
</tr>
</tbody>
</table>

### Capital Efficiency

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>ROCE Dipped as asset turns have crashed</td>
</tr>
<tr>
<td>2.</td>
<td>Capacity constraints to ease</td>
</tr>
<tr>
<td>3.</td>
<td>Top line subdued despite a lower base &amp; capacity addition</td>
</tr>
<tr>
<td>4.</td>
<td>Invested aggressively in enhancing production as well as distribution</td>
</tr>
<tr>
<td>5.</td>
<td>Commissioning of new capacity, lying unutilized</td>
</tr>
</tbody>
</table>
Your Recommendations on Nestle India Shares

Nestle India Share Price

Buy | Sell | Hold | Not rated
--- | --- | --- | ---
2009 | 71 | 13 | 16
2010 | 33 | 44 | 22
2011 | 30 | 23 | 8
2012 | 19 | 30 | 28
2013 | 28 | 11 | 22

(%)
The critical balance between Sales Growth and Margin continues...
and the fine balance

- Sales Growth
- Cash Flow
- Capital Efficiency
- Margins

Strategy & Execution
A Perspective

Sales Growth & Margins (OPBIT)

- ~20%
- ~11%

Band of Margins

- Sales Growth
- OPBIT Margins

India’s GDP & Nestle India’s Sales growth

- Nominal GDP Growth
- Nestle India’s Sales Growth

Portfolio Optimization

Nestle India Commodity Basket Price Index

Sources of Sales Growth

Organic growth

- Price increase
- Real Internal Growth (RIG)

As per Nestle Internal Reporting Standards

Domestic Sales
To sum-up the backdrop of our performance

- Rebalancing of product portfolio to face the new reality
- Challenging Economic Environment
- Competitive Intensity
## YTD June highlights

<table>
<thead>
<tr>
<th>Category</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>INR 44.6 Bio</td>
<td>INR 40.3 Bio</td>
</tr>
<tr>
<td>RIG</td>
<td>7.9</td>
<td>9.8</td>
</tr>
<tr>
<td>OG%</td>
<td>8.6</td>
<td>14.9</td>
</tr>
<tr>
<td>OPBIT</td>
<td>INR 8.4 Bio</td>
<td>INR 7.6 Bio</td>
</tr>
<tr>
<td>Weighted Volumes &amp; Prices</td>
<td>18.9% *</td>
<td>18.9% *</td>
</tr>
<tr>
<td>Net Profit</td>
<td>INR 5.5 Bio</td>
<td>INR 5.2 Bio</td>
</tr>
<tr>
<td>EPS</td>
<td>INR 57.1</td>
<td>INR 54.1</td>
</tr>
</tbody>
</table>

Includes figures from Nestlé Internal Reporting Standards

* % of Net Sales
Quarterly Evolution

**NET SALES**

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>% YoY growth</td>
<td>22.3</td>
<td>20.2</td>
<td>19.9</td>
<td>17.0</td>
</tr>
<tr>
<td>% of Net Sales</td>
<td>13.1</td>
<td>12.7</td>
<td>7.8</td>
<td>10.1</td>
</tr>
<tr>
<td>INR Bio</td>
<td>19.3</td>
<td>17.4</td>
<td>18.9</td>
<td>18.2</td>
</tr>
</tbody>
</table>

% of Net Sales 2011:
- 18.1 INR Bio = 19.8%

2012:
- 19.5 INR Bio = 18.48%
- 20.5 INR Bio = 18.48%

2013:
- 22.5 INR Bio = 18.5%

**OPBIT**

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>% YoY growth</td>
<td>9.8</td>
<td>11.4</td>
<td>13.8</td>
<td>15.4</td>
</tr>
<tr>
<td>% of Net Sales</td>
<td>19.5</td>
<td>18.3</td>
<td>17.5</td>
<td>18.8</td>
</tr>
<tr>
<td>INR Bio</td>
<td>3.5</td>
<td>3.1</td>
<td>3.7</td>
<td>3.6</td>
</tr>
</tbody>
</table>

% of Net Sales 2011:
- 13.8 Bio = 18.48%

2012:
- 19.5 Bio = 18.5%
- 15.4 Bio = 18.5%

2013:
- 19.8 Bio = 18.5%
- 8.4 Bio = 18.9%
RIG led Sales Growth

Volume (000' Tons)  Value (INR Bio)

<table>
<thead>
<tr>
<th></th>
<th>H1 12</th>
<th>H1 13</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RIG</strong></td>
<td>213.3</td>
<td>216.7</td>
<td>+1.6%</td>
</tr>
<tr>
<td><strong>Domestic</strong></td>
<td>38.1</td>
<td>41.3</td>
<td>+8.4%</td>
</tr>
<tr>
<td><strong>OG</strong></td>
<td>3.2</td>
<td>6.4</td>
<td>+42.8%</td>
</tr>
<tr>
<td><strong>Exports</strong></td>
<td>1.1</td>
<td>2.2</td>
<td>+48.7%</td>
</tr>
</tbody>
</table>
% Contribution to Domestic Sales

Milk Products & Nutrition
- H1 13: 47.0%
- H1 12: 49.3%

Prepared Dishes & Cooking Aids
- H1 13: 30.0%
- H1 12: 28.2%

Chocolate & Confectionery
- H1 13: 13.2%
- H1 12: 13.6%

Beverages
- H1 13: 9.8%
- H1 12: 8.9%
Category level Domestic Sales Growth H1 13

Mean = 1.6
RIG 8.2%

Mean = 8.4

Bubble shows Domestic Sales (INR Bio)

RIG 8.2%
OG 8.9%

Milk Products & Nutrition
Chocolate & Confectionery
Prepared Dishes & Cooking Aids
Beverages

Volume Growth (%)
Value Growth (%)

19.4
5.5
10
25
(10)
(5)
0
10

Bubble shows Domestic Sales (INR Bio)
Milk Products & Nutrition

Innovation & Renovation

Market Position (Value)

• No. 1 in Baby Foods
• No. 1 in Infant Formula
• No. 1 in Dairy Whitener & Sweetened Condensed Milk
Milk Products & Nutrition - Domestic

RIG 3.8%

Volume (000’ Tons)  |  H1 12  |  H1 13  |  Value (INR Bio)

EVERYDAY Dairy Whitener

HCN Supply issues
Market Position (Value)

- No. 1 in Instant Noodles, Sauces & Pasta
- No. 2 in Healthy Soups
Prepared Dishes & Cooking Aids - Domestic

- RIG 13.8%
- OG 15.2%

Successes:
- Successful Media Campaign
- Good response to innovation & renovation with 60:40 win
- Strong growth in Flavour World
Chocolate & Confectionery

Market Position (Value)
• No. 1 in Wafers and Whites
Chocolate & Confectionery - Domestic

- RIG 8.1%: -3.3% decrease from H1 12 to H1 13
- OG 6.9%: +5.8% increase from H1 12 to H1 13

Volume (000' Tons) H1 12 H1 13
23.6 22.8

Value (INR Bio)
5.2 5.5

Impact of Portfolio optimization

MUNCH re-launched
Beverages

Innovation & Renovation

Market Position (Value)
• No. 1 in Instant Coffee
• Strong presence in Vending
Beverages - Domestic

RIG 15.7%

OG 19.7%

+6.5%

9.2

+18.6%

3.4

9.8

4.0

Volume (000’ Tons) | H1 12 | H1 13 | Value (INR Bio)

Impact of Portfolio optimization

Successful media campaigns
Key Cost Elements

<table>
<thead>
<tr>
<th>Cost Element</th>
<th>Jan-June 13</th>
<th>Jan-June 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials</td>
<td>20.2%</td>
<td>18.4%</td>
</tr>
<tr>
<td>Employees cost</td>
<td>3.6%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Selling &amp; Distribution</td>
<td>4.6%</td>
<td>4.5%</td>
</tr>
<tr>
<td>A&amp;SP</td>
<td>4.3%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Power &amp; Fuel</td>
<td>4.2%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>3.8%</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

Height of bars represent absolute value in INR Bio. Not to scale.
Key factors impacting OPBIT% are with reference to Net sales:

- Material Cost: +40 bps
- A&SP: -20 bps
- Power & Fuel: +70 bps
- Depreciation: +20 bps
- SHARK: +30 bps
- Product Mix: +70 bps
- Channel Mix: -50 bps
- Commodities: -190 bps
- Realisations etc.: +180 bps

% are with reference to Net sales.
Surcharge up from 5 to 10% : 70 bps
Deferred Tax Liabilities revalued : 110 bps
Timing difference of contingency provisions : 120 bps

<table>
<thead>
<tr>
<th>Year</th>
<th>Tax Expense (INR Bio)</th>
<th>Marginal Tax Rate (%)</th>
<th>Effective Tax Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>33.4</td>
<td>28.5</td>
<td>3.3</td>
</tr>
<tr>
<td>2011</td>
<td>32.6</td>
<td>30.7</td>
<td>4.3</td>
</tr>
<tr>
<td>2012</td>
<td>32.5</td>
<td>31.2</td>
<td>4.8</td>
</tr>
<tr>
<td>H1 12</td>
<td>32.5</td>
<td>31.1</td>
<td>2.4</td>
</tr>
<tr>
<td>H2 13</td>
<td>34.1</td>
<td>33.2</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Excludes Fringe Benefit & Dividend Distribution Tax
Net profit after tax (PAT)

- Provision for Contingency: 70 bps
- Surcharge up from 5 to 10%: 15 bps
- Deferred tax revaluation: 20 bps
- Higher Cash flows/ Liquidities: 25 bps
- Finance Cost: 15 bps

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>H1 12</th>
<th>H1 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit (INR Bio)</td>
<td>8.2</td>
<td>9.6</td>
<td>10.7</td>
<td>5.2</td>
<td>5.5</td>
</tr>
<tr>
<td>% of Net Sales</td>
<td></td>
<td></td>
<td></td>
<td>+5.5%</td>
<td></td>
</tr>
</tbody>
</table>

+5.5%
Key factors impacting PAT%

- **Non routine**
  - Finance Cost: 15 bps
  - Contingency: 70 bps

- **2012**
  - Treasury Income: 25 bps
  - Revaluation of Deferred Tax Liabilities: 20 bps

- **Change in I.Tax surcharge**
  - Marginal Tax Rate: 15 bps

H1 12: 12.9%
H1 13: 12.3%

% are net of tax & in reference to sales
Earnings Per Share growth over 10 years

CAGR 18.2%

EPS (INR)

2002: 20.9
2003: 27.3
2004: 26.1
2005: 32.1
2006: 32.7
2007: 42.9
2008: 55.4
2009: 67.9
2010: 84.9
2011: 99.7
2012: 110.8

H1 12: 54.1
H1 13: 57.1
Operating Working Capital (Average for 5 quarter end data)
= Inventories + Debtors - Trade Payables (except Staff Costs, Contingencies, Capex & Taxes)

*Basis Nestlé Internal Reporting Standards*
Operating Cash Flow (OCF)

- 2010: 10.4%
- 2011: 16.6%
- 2012: 20.4%
- H1 12: 15.7%
- H1 13: 18.7%

+31.4%
# Sources and Utilisation of Cash

<table>
<thead>
<tr>
<th>Year</th>
<th>INR Bio</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>H1 13</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>5.4</td>
<td>5.4</td>
<td>15.3</td>
<td>9.4</td>
<td>4.5</td>
</tr>
<tr>
<td>Borrowings</td>
<td></td>
<td>2.6</td>
<td>4.5</td>
<td>(0.5)</td>
<td>2.9</td>
<td>1.4</td>
</tr>
<tr>
<td></td>
<td>5.4</td>
<td>5.4</td>
<td>5.4</td>
<td>5.4</td>
<td>5.4</td>
<td></td>
</tr>
<tr>
<td>Operating Cash Flows</td>
<td>9.3</td>
<td>10.4</td>
<td>11.6</td>
<td>16.9</td>
<td>8.3</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>1.3</td>
<td>0.5</td>
<td>5.4</td>
<td>2.4</td>
<td>8.3</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>0.5</td>
<td>5.4</td>
<td>15.3</td>
<td>2.9</td>
<td>8.3</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>5.4</td>
<td>2.4</td>
<td>2.9</td>
<td>1.4</td>
<td>8.3</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>2.4</td>
<td>2.9</td>
<td>5.4</td>
<td>8.3</td>
<td>8.3</td>
<td></td>
</tr>
<tr>
<td>H1 13</td>
<td>4.5</td>
<td>1.4</td>
<td>2.4</td>
<td>8.3</td>
<td>8.3</td>
<td></td>
</tr>
</tbody>
</table>

- **Fixed Assets**
- **Dividends**
- **Repayment**
- **Cash movement**
**Investment in Fixed Assets**

<table>
<thead>
<tr>
<th>Year</th>
<th>Capex (INR Bio)</th>
<th>% of Net Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>23.1</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>8.5</td>
<td></td>
</tr>
<tr>
<td>H1 12</td>
<td>5.4</td>
<td></td>
</tr>
<tr>
<td>H1 13</td>
<td>1.1</td>
<td></td>
</tr>
</tbody>
</table>

**Capex exclude:**
- Capital advances which are shown in commitments
- Financing cost / Exchange Difference of related loans (INR 2.5 Bio)

**Commitments**
- 7.7

**Depreciation**
- 1.2
Return on Invested Capital

Impacted by higher CAPEX

<table>
<thead>
<tr>
<th>Year</th>
<th>Invested Capital (INR Bio)</th>
<th>Economic Profit (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>12.2</td>
<td>6.2</td>
</tr>
<tr>
<td>2011</td>
<td>20.5</td>
<td>7.4</td>
</tr>
<tr>
<td>2012</td>
<td>33.2</td>
<td>6.5</td>
</tr>
<tr>
<td>H1 12</td>
<td>28.2</td>
<td>3.7</td>
</tr>
<tr>
<td>H1 13</td>
<td>35.1</td>
<td>4.1</td>
</tr>
</tbody>
</table>

ACC %  
- 2010: 12.9  
- 2011: 10.2  
- 2012: 12.7  
- H1 12: 11.4  
- H1 13: 11.2

Risk Free rate %  
- 2010: 8.0  
- 2011: 8.0  
- 2012: 8.3  
- H1 12: 8.3  
- H1 13: 8.2

Group risk  
- 2010: 3.5  
- 2011: 3.5  
- 2012: 3.5  
- H1 12: 3.5  
- H1 13: 3.5

Premium%  
- 2010: 3.5  
- 2011: 3.5  
- 2012: 3.5  
- H1 12: 3.5  
- H1 13: 3.5

Invested capital is average for 5 quarter end data - basis Nestlé Internal Reporting Standards
ROE decreases as earning retained to finance expansion

<table>
<thead>
<tr>
<th>Year</th>
<th>Debt : Equity</th>
<th>Debt %</th>
<th>Equity %</th>
<th>ROE %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>8.6</td>
<td>84.9</td>
<td></td>
<td>48.5</td>
</tr>
<tr>
<td>2011</td>
<td>12.7</td>
<td>83.3</td>
<td></td>
<td>48.5</td>
</tr>
<tr>
<td>2012</td>
<td>18.0</td>
<td>76</td>
<td></td>
<td>48.5</td>
</tr>
<tr>
<td>H1 2012</td>
<td>18.0</td>
<td></td>
<td>54.1</td>
<td>57.1</td>
</tr>
<tr>
<td>H1 2013</td>
<td>22.3</td>
<td></td>
<td>55</td>
<td></td>
</tr>
</tbody>
</table>

Ave Share Price (INR)
- 2010: 3021
- 2011: 4023
- 2012: 4541
- H1 2012: 4464
- H1 2013: 4820
Linked Slides
Key Raw Materials Jan - June 13

- Fresh Milk (5.2)
- Green Coffee (1.7)
- Fats (0.5)
- MSK (0.9)
- Cocoa (0.2)
- Palm Oil (1.1)
- Sugar (1.0)
- Wheat Flour (1.9)

Impact of price change shows consumption value in Bio.
Total Adverse Variance: 0.5 Bio

Based on production and Internal Reporting Standards
Green Coffee: 3% increase over 2012

*Indexed with base Q1-11*
Sugar: 11% Increase Over 2012

Indexed with base Q1-11
Palm Oil: 7% Increase over 2012

Indexed with base Q1-11
Wheat Four: 27 % Increase over 2012

Indexed with base Q1-11
Milks: 3% Decrease over 2012

Indexed with base Q1-11
MSK: 8% Decrease over 2012

Indexed with base Q1-11
ECB Cost Progression

$192 Mio drawdown @ 47 (avg.)

- USD:INR (closing)
- Annualised Cost since inception (%)

Graph showing the progression of ECB costs from September 2011 to July 2013.