23rd Financial Analysts’ Meet
Gurgaon 31st March 2014
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.

Figures have been regrouped / reclassified to make them comparable to current period.
The Strategic Direction

- Consumer-centric
- NHW Leadership
- Big Ambition
We continue to focus on..

Strengthening portfolio

Allocating resources
Strengthening Portfolio

Scope
• SKU’s
• Products
• Customers
• Geography

Criteria
• Strategic fit
• Profitable growth
• Resource intensity

Decisions
• Invest ?
• Fix ?
• Divest ?

Drive Returns
Allocating Resources

Resources

- Capex
- M&A
- Marketing Expenditure
- Talent
- Time
- Sales resources
- Structure

Portfolio

Growth

Return
Brand Equity - Most Trusted Brands 2013

- 5 Nestlé Brands in top 100
- MAGGI as no. 1 food brand
- MUNCH, KIT-KAT & NESTLÉ MILK CHOCOLATE amongst top 5 Chocolate brands.
- NESCAFÉ is amongst the Top 5 brands in Hot Beverages

Economic Times 18th December 2013
### 2013 highlights

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales</th>
<th>OG</th>
<th>RIG%</th>
<th>OPBIT</th>
<th>Net Profit</th>
<th>EPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>INR 83.0 Bio</td>
<td>12.5</td>
<td>9.2</td>
<td>INR 15.4 Bio</td>
<td>INR 10.8 Bio</td>
<td>INR 110.8</td>
</tr>
<tr>
<td>2013</td>
<td>INR 90.6 Bio</td>
<td>7.1</td>
<td>6.8</td>
<td>INR 16.4 Bio</td>
<td>INR 11.2 Bio</td>
<td>12.3% *</td>
</tr>
</tbody>
</table>

- **Third Party Sales**
  - Includes figures from Nestlé Internal Reporting Standards
  - * % of Net Sales

---

**Revenue**

- **Net Sales**
  - 2012: INR 83.0 Bio
  - 2013: INR 90.6 Bio

- **Weighted Volumes & Prices**
  - 2012: INR 16.4 Bio
  - 2013: INR 18.1% *

- **Profit**
  - 2012: INR 10.8 Bio
  - 2013: INR 11.2 Bio

---

*Includes figures from Nestlé Internal Reporting Standards*
Quarterly evolution of sales & operating profit

**NET SALES**

- **% YoY growth**
  - Q1: 22.3
  - Q2: 20.2
  - Q3: 19.9
  - Q4: 17.0
  - 2011: 74.9 Bio = 19.8%
  - 2012: 83.0 Bio = 10.8%
  - 2013: 90.6 Bio = 9.1%

- **INR Bio**
  - Q1: 18.1
  - Q2: 17.6
  - Q3: 19.6
  - Q4: 19.5
  - 2011: 13.8 Bio = 18.5%
  - 2012: 20.5
  - 2013: 22.5

- **% of Net Sales**
  - Q1: 19.3
  - Q2: 17.4
  - Q3: 18.9
  - Q4: 18.2
  - 2011: 13.8 Bio = 18.5%
  - 2012: 19.5
  - 2013: 19.8

**OPBIT**

- **INR Bio**
  - Q1: 3.5
  - Q2: 3.1
  - Q3: 3.7
  - Q4: 3.6
  - 2011: 4.0
  - 2012: 4.5
  - 2013: 4.5

**Notes**

- 2011: 74.9 Bio = 19.8%
- 2012: 83.0 Bio = 10.8%
- 2013: 90.6 Bio = 9.1%
- 2011: 13.8 Bio = 18.5%
- 2012: 19.5
- 2013: 19.8
- 2011: 4.0
- 2012: 4.5
- 2013: 4.5
Full year Sales Growth:
Domestic Sales

- Volume (000' Tons)
  - 2012: 432.3
  - 2013: 435.9
  - Growth: +0.8%

- Value (INR Bio)
  - 2012: 78.8
  - 2013: 84.4
  - Growth: +7.1%

Exports Affiliates + Third parties

- Volume (000’ Tons)
  - 2012: 14.6
  - 2013: 19.7
  - Growth: +35.1%

- Value (INR Bio)
  - 2012: 4.3
  - 2013: 6.3
  - Growth: +47.1%
% Contribution to Domestic Sales

- **Milk Products & Nutrition**
  - 2012: 47.3%
  - 2013: 45.2%

- **Prepared Dishes & Cooking Aids**
  - 2012: 29.5%
  - 2013: 30.8%

- **Chocolate & Confectionery**
  - 2012: 13.3%
  - 2013: 13.6%

- **Beverages**
  - 2012: 9.9%
  - 2013: 10.4%
Milk Products & Nutrition

SUPER BABY CAMPAIGN to promote Breast Feeding

500,000 pledges
1,000,000 videos views on You Tube

Market Position (Value)

• No. 1 in Baby Foods
• No. 1 in Infant Formula
• No. 1 in Dairy Whitener & Sweetened Condensed Milk
Growth impacted by portfolio review & challenges in certain products.
Prepared Dishes & Cooking Aids

Innovation & Renovation

Market Position (Value)
- No. 1 in Instant Noodles, Sauces & Pasta
- No. 2 in Soups
Prepared Dishes & Cooking Aids - Domestic

Increasing the value up part of portfolio.
Chocolate & Confectionery

Innovation & Renovation

Market Position (Value)
• No. 1 in Wafers and Whites
Growth impacted by portfolio review & challenges in certain products.
Beverages

Innovation & Renovation

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

Growth impacted by portfolio review.

Increasing the value up part of portfolio.
## Key Cost Elements

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials</td>
<td>41.2</td>
<td>37.8</td>
</tr>
<tr>
<td>Employees cost</td>
<td>6.6</td>
<td>8.0</td>
</tr>
<tr>
<td>Selling &amp; Distribution</td>
<td>3.8</td>
<td>4.6</td>
</tr>
<tr>
<td>A&amp;SP</td>
<td>3.6</td>
<td>4.3</td>
</tr>
<tr>
<td>Power &amp; Fuel</td>
<td>3.7</td>
<td>4.5</td>
</tr>
<tr>
<td>Depreciation</td>
<td>2.8</td>
<td>3.3</td>
</tr>
</tbody>
</table>

*Height of bars: INR Bio*

*Not to scale*
Profit from Operations

- Contingency
- Project Related Costs

Commodity Prices:
- Milk/Wheat etc.: 220 bps
- Selling Prices / Realizations: 175 bps
- Product Mix: 60 bps
- Channel Mix: 40 bps
- SHARK: 30 bps

% are with reference to Net sales

Slide 21
Increase in effective tax rate:
Surcharge up from 5 to 10%:
- Current Tax: 110 bps
- Deferred Tax revaluation: 50 bps
- One offs in 2012 & timing difference: 60 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>2012</td>
<td>32.5</td>
<td>4.8</td>
<td>31.2</td>
</tr>
<tr>
<td>2013</td>
<td>33.6</td>
<td>5.6</td>
<td>33.4</td>
</tr>
</tbody>
</table>
Key factors impacting Profit after tax

% is in reference to sales
Evolution of basic earnings per share

CAGR 15.6%

EPS (INR)

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
2013: 115.9
Average Trade Net Working Capital (ATNWC)

ATNWC : Basis 12 Months Average (Nestlé Internal Reporting Standards)

Inventories + Debtors - Trade Payables (except Staff Costs, Contingencies, Capex & Taxes)

Exceptions lower the:
- Inventory : 140 bps
- Trade Payables : 50 bps
Operating Cash Flow

INR (Mio)

- 17,964
- 707
- 362
- 332
- 392
- 694
- 16,934

- 43
- 19.8 %*

2012

- PBIT
- Depreciation & Impairment
- Total Working Capital Changes
- Contingency
- Current Income Tax
- Others

2013

+ 1,029 (+6%)

* % of Net Sales
Sources and Utilisation of Cash

Operating Cash Flow

Net Borrowings

2012

2013

Fixed Assets

Dividends

Repayment

Cash movement

LT Investments
Invested capital: basis average of 5 quarter end (Nestlé Internal Reporting Standards)
Return on Equity

Debt : Equity 37 : 63 33 : 67

110.8 — 115.9

AAA Rating reaffirmed by CRISIL

70 — 54

48.5 — 48.5

18.0 — 23.7

2012 — 2013

Avg. Share Price (INR) 4,541 — 5,032

Period end Shareholders fund (INR Bio)

DPS (INR) — EPS (INR) — ROE %
Excerpts from Nov’10 Analysts’ Meet

- Nestlé has generated strong cash flows.
- Annualized return to the shareholders has been over 35%.
- Current capacity utilizations are at all time high
- India growth story is compelling
- CAPEX is being stepped up across most locations & products
- Financing is foreseen through a judicious mix of ‘Internal Accruals’ and ‘Debt’
- Following elements will be key to the financing strategy:
  - Dividend Payout
  - Debt :Equity
  - Local and foreign currency debt.
  - Credit Ratings : Nestlé India (locally AAA); Nestlé SA (AA)
Linked Slides
Nestlé India’s Commodity Basket

Year: 2008, Value: 100
Year: 2009, Value: 102 (9.8% increase)
Year: 2010, Value: 112 (12.5% increase)
Year: 2011, Value: 126 (7.1% increase)
Year: 2012, Value: 135 (3.7% increase)
Year: 2013, Value: 140
Milks: 7% Increase over 2012

Indexed with base Q1-11
Indexed with base Q1-11
Wheat Flour: 17% Increase over 2012

Indexed with base Q1-11

Slide 35
Green Coffee: 5% decrease over 2012

Indexed with base Q1-11
Palm Oil: Neutral over 2012

Indexed with base Q1-11
Sugar: 1% Decrease Over 2012

Indexed with base Q1-11

Slide 38
Employee Base

2012: 7,008
2013: 7,159

No. of Employees
Thank You