

Nestlé India Limited



Nestlé

Good Food, Good Life



19th Financial Analysts' Meet - Gurgaon 17th March 2011

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, 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.

Financial Analysts Meet

17th March, 2011

OVERVIEW OF OPERATIONS

“With the financial results in December, we have delivered 16 consecutive quarters of double digit growth.

However, we have started 2011 with a number of uncertainties, including the intensity of cost increases specially the volatile raw material prices.”

Overview 2010 ...

- Sustained momentum
- Outperforming industry
- Investments in growth
- Acceleration of NCE
- Nestlé S.A and India R&D

...and into 2011

- Challenging year ahead
- Cost pressures and uncertainties
- Levy of Excise duty
- Leverage our competitive advantages
- Retain focus on operational efficiency
- Financial performance

Building for growth

- Branding
- Manufacturing
- Distribution
 - ✓ Wider and deeper
 - ✓ Urban and rural
- Capabilities
 - ✓ Human
 - ✓ Technical
 - ✓ Local insights
 - ✓ Agricultural
- Right Values and stakeholder relationships

Managing uncertainty

- Started managing 2011 in 2010 !
- Dynamic and close alignment across units
- Leveraging scale and best practices
- Effective Procurement
- Working with Nestle Centers of Expertise
- Long Term Relationships

Conclusion

- Fully aligned company
- “Anticipation” mindset
- Building and creating competitive advantage along value chain
- Differentiated I&R pipeline
- Strong Market Share performance
- Engaged people

We are an *and* company !

“It will be challenging

and

we will work even harder”

A. Helio Waszyk

FINANCIAL RESULTS 2010

Excerpts from Analysts' Reports 2011...

Consistent strong sales growth.. Momentum to continue

Capex plans firming up

Cut in dividend payout ratio to 56%

Raw material cost pressure continue

No signs of competitive pressure

Performance in line with expectations

Strong long term growth potential

High pricing power

Best play on packaged foods

Margins a major concern

'Band of margin' strategy

Going ahead, lower pressure from input cost inflation

Gross margins improve due to price hikes

Commendable cost management

Fading tax sops reduce PAT growth

Outperforms peers & broad market

Diversified & dominant product portfolio

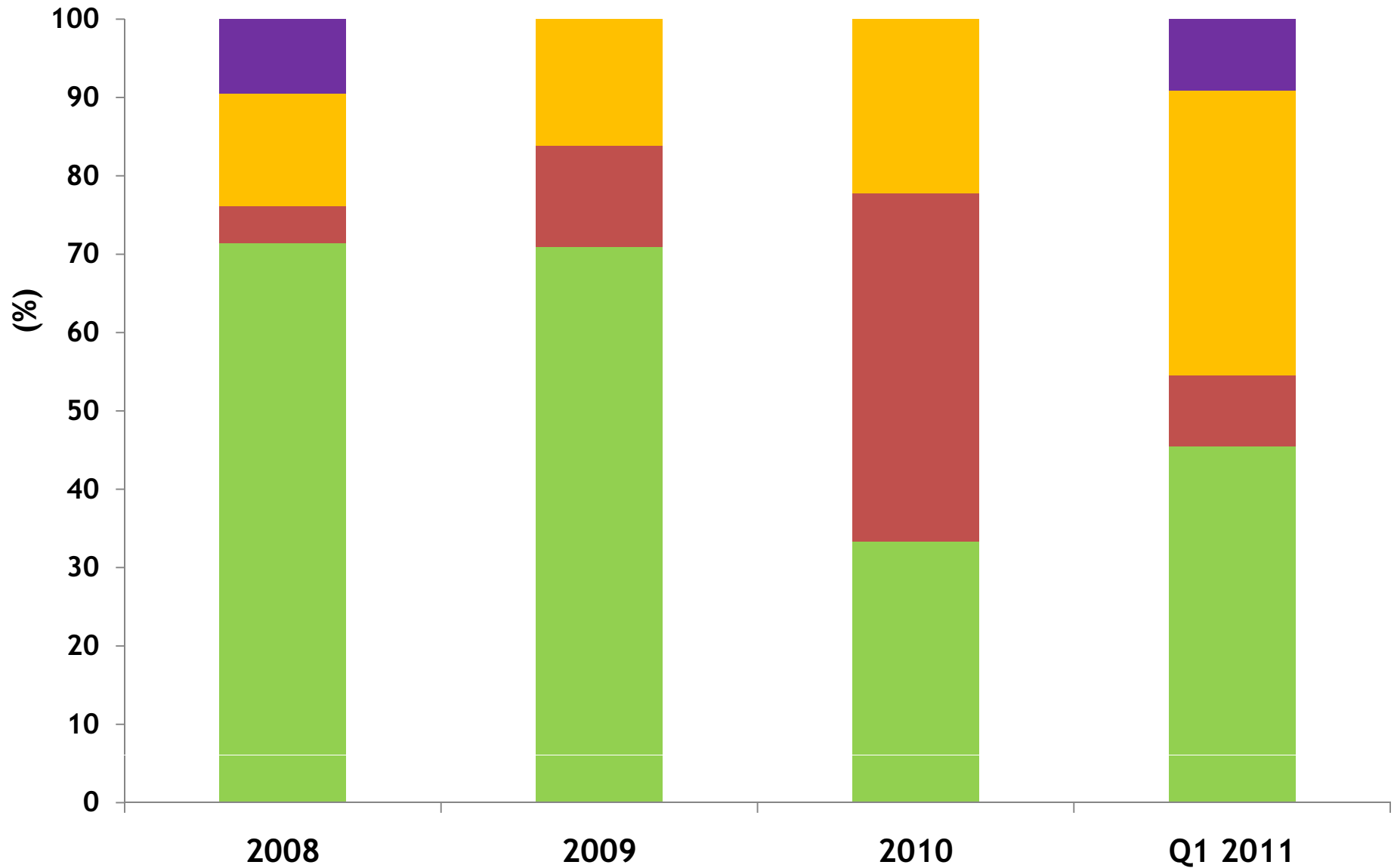
Nestle Model delivers again

Input cost pressure softens

Positive budget measures to boost FMCG growth

Analysts' Rating on Nestle India

Buy Sell Hold Not rated



Full Year highlights

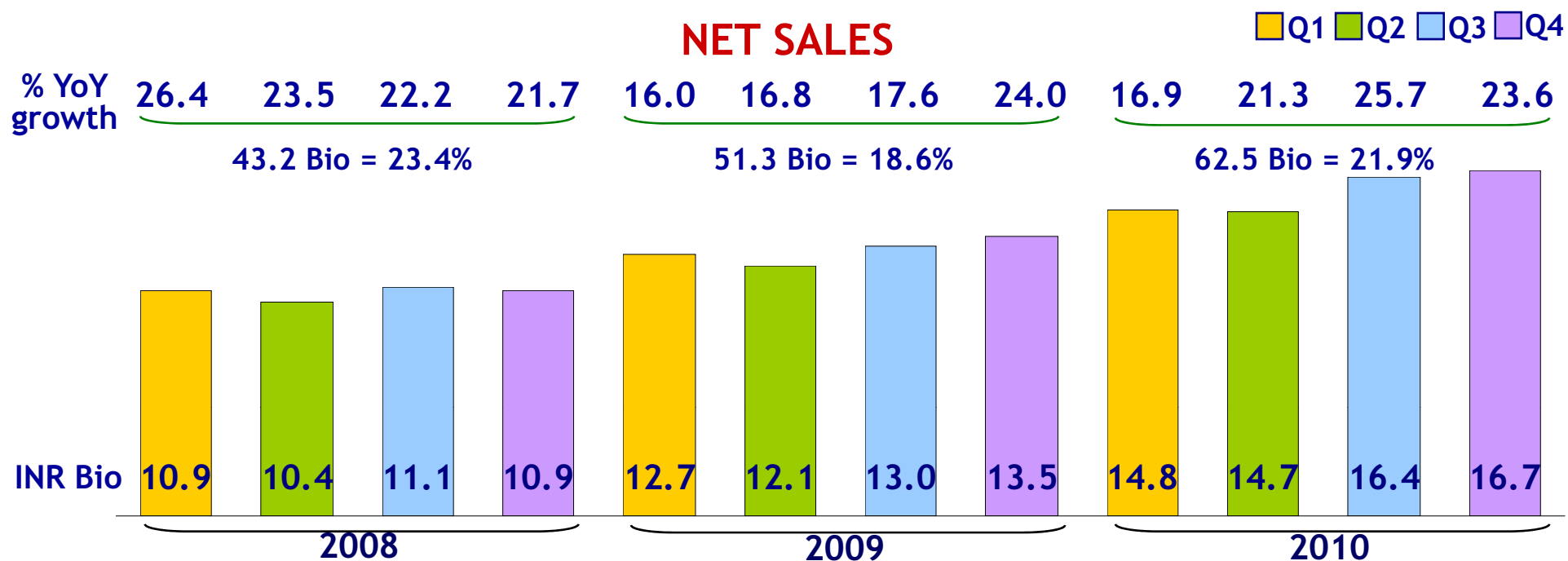


Includes figures from Nestlé Internal Reporting Standards

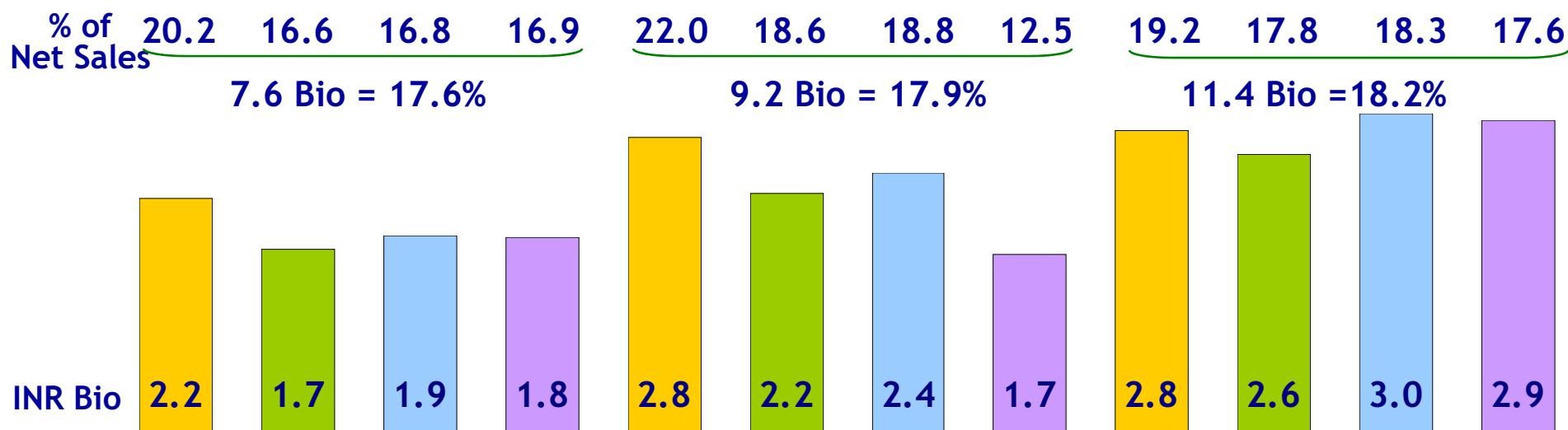


Successive quarters of double digit growth

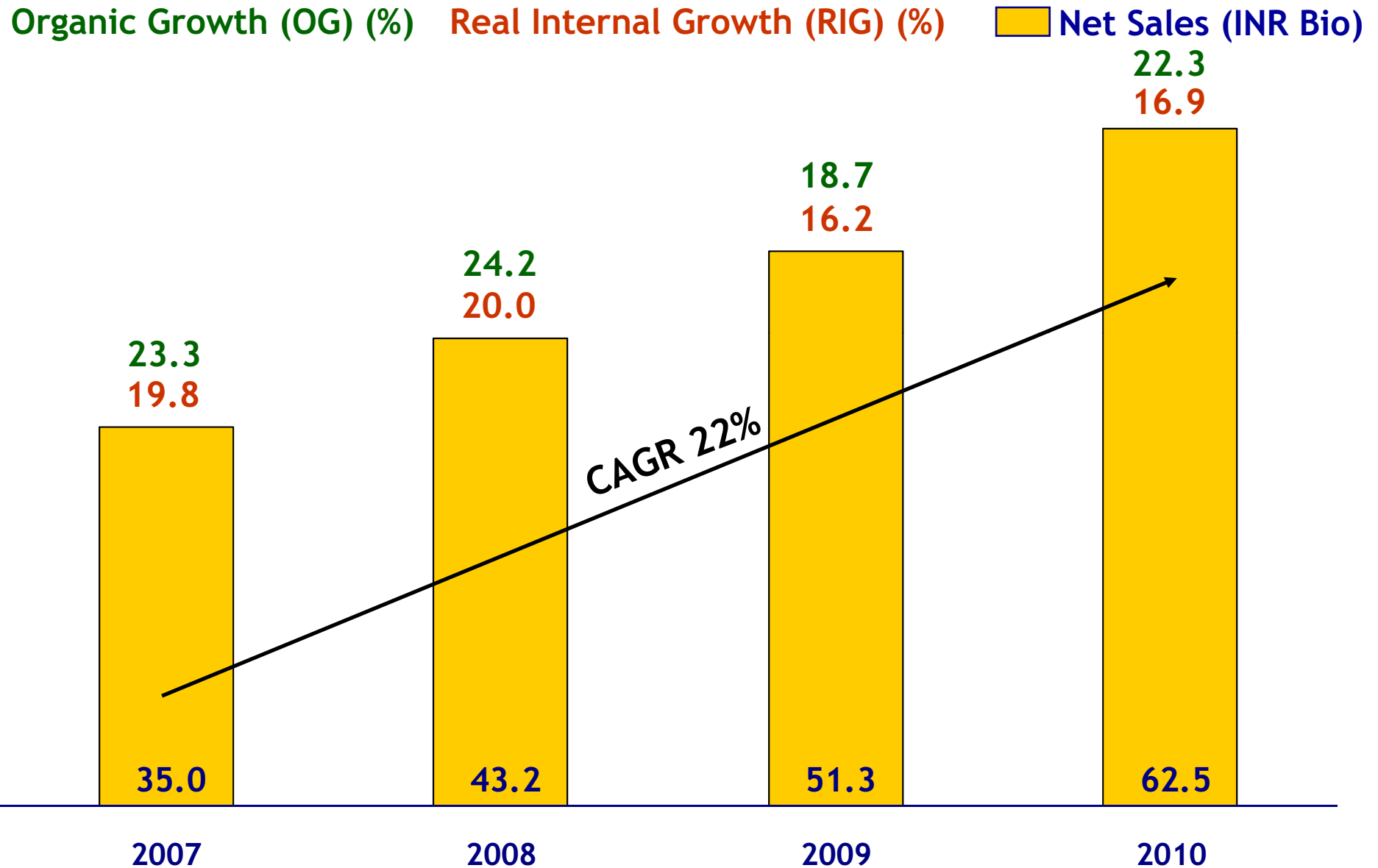
NET SALES



OPBIT

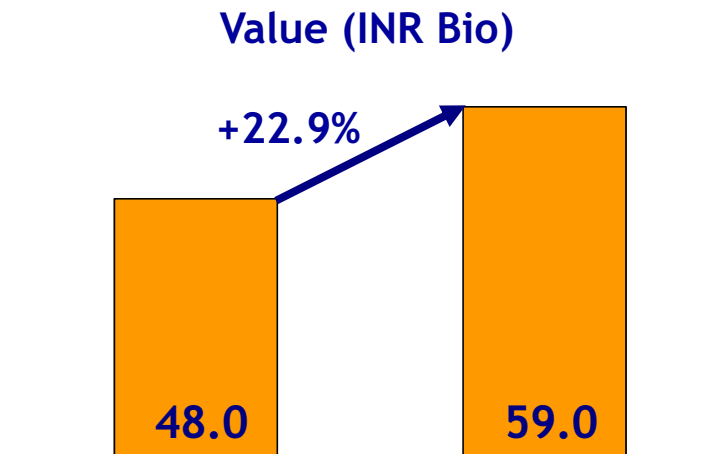
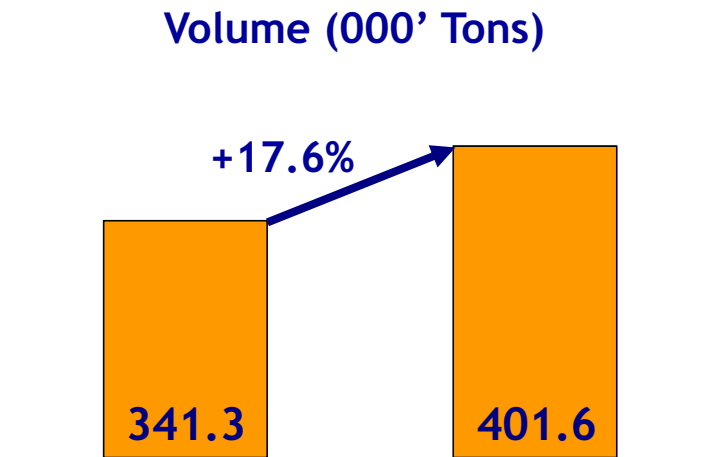


Doubled sales in less than 4 years

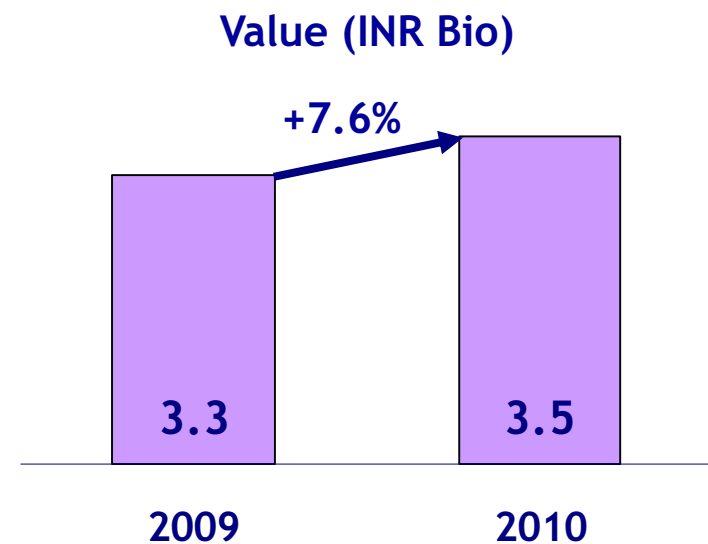
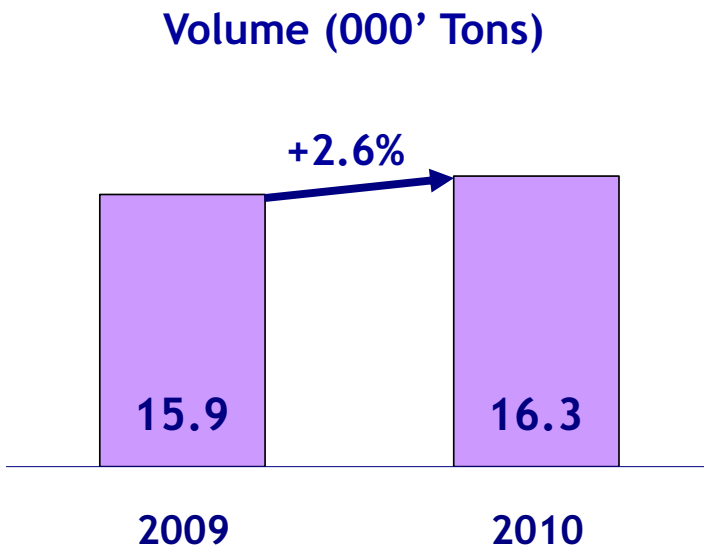


RIG & OG are basis Nestlé Internal Reporting Standards in relation to third party sales only

Good domestic performance

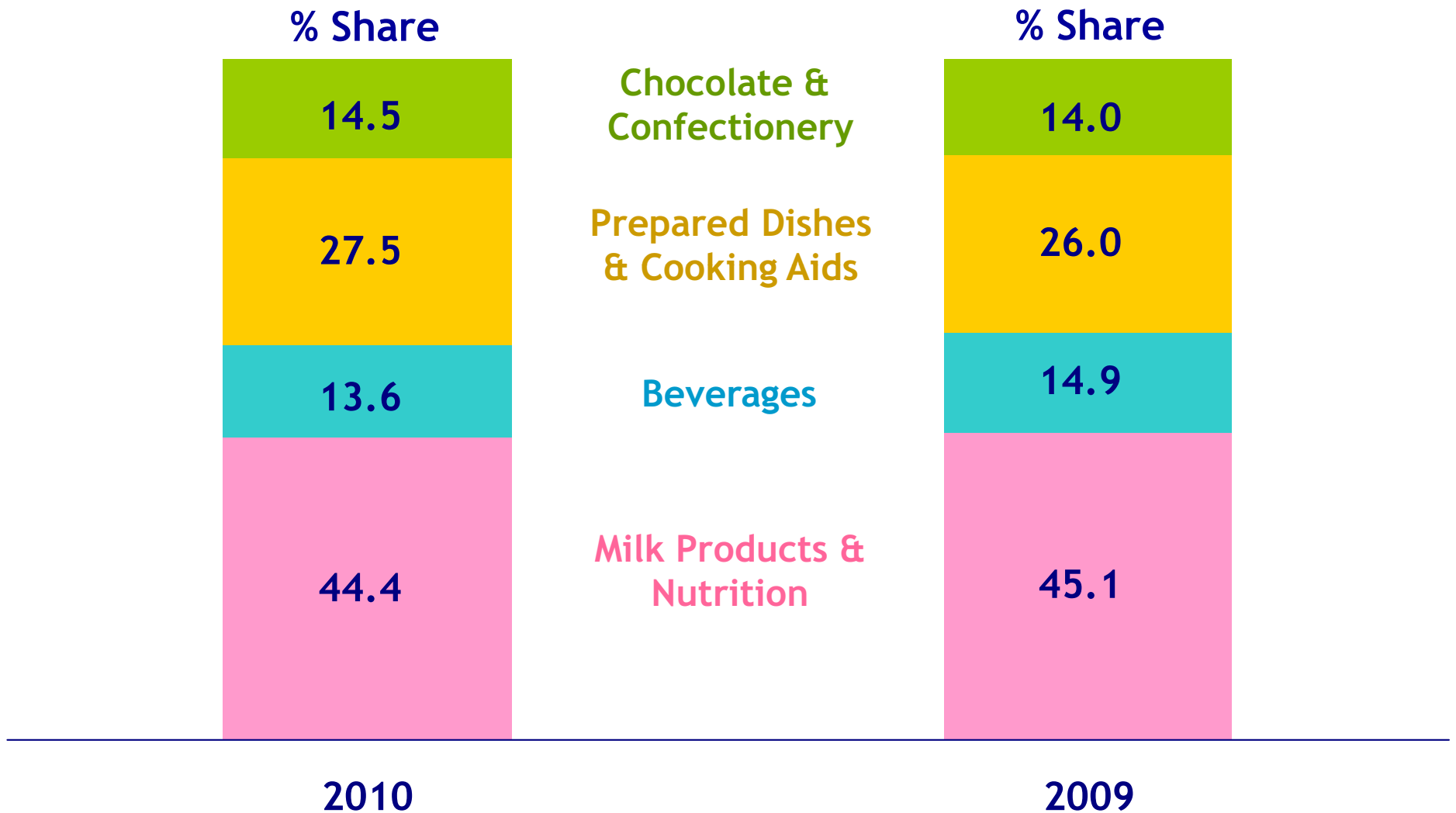


Exports marginally ↑ due diversion of capacity.

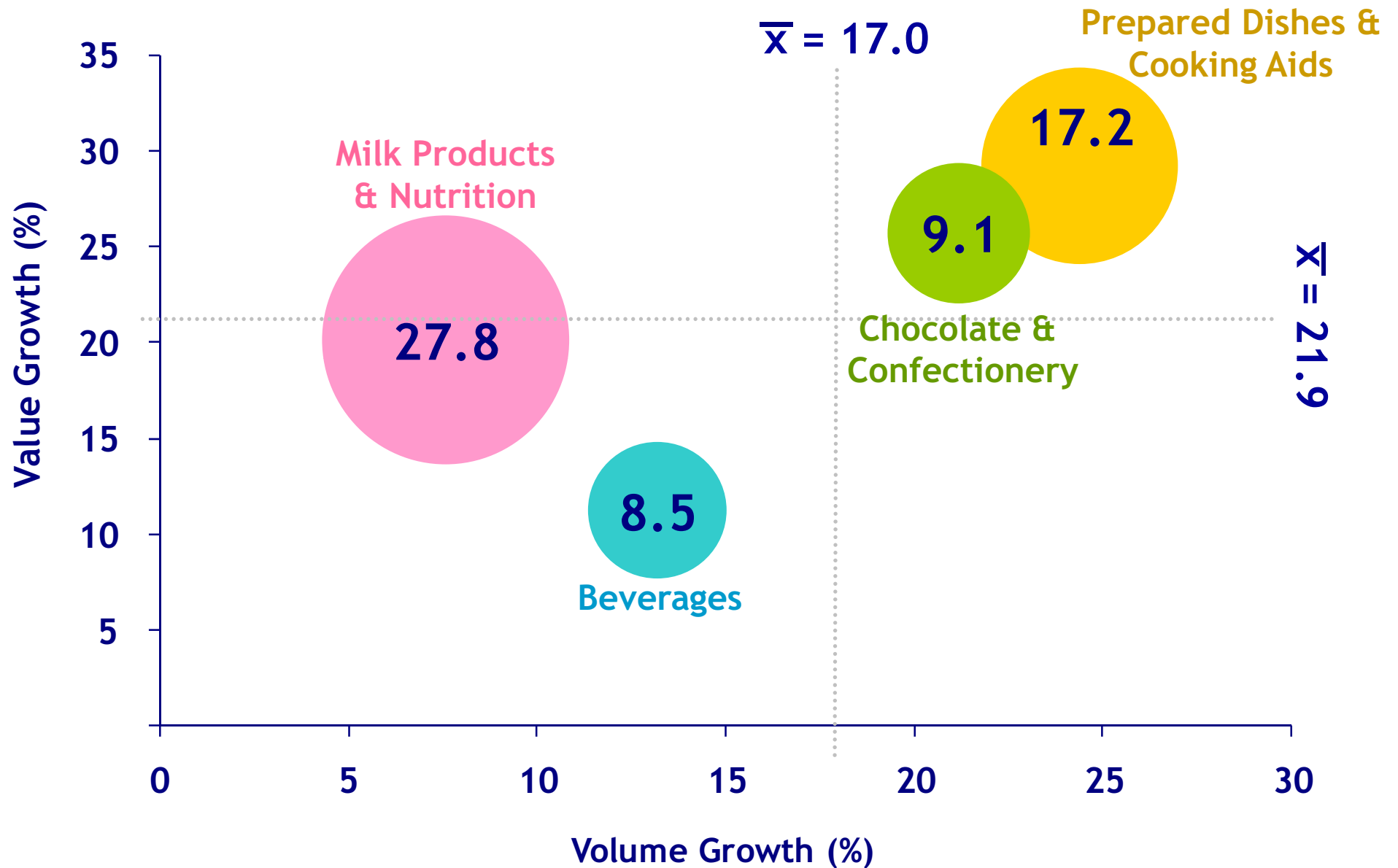


Our strong pillars

Contribution to Net Sales



All the pillars grow



2010

Bubble shows Net Sales (INR Bio)

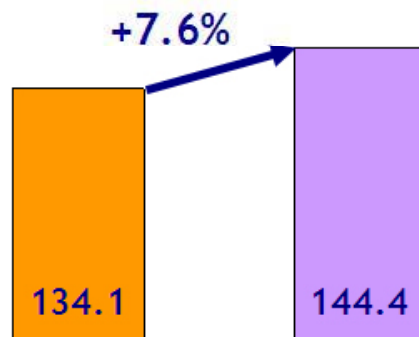
Milk Products & Nutrition

‘Non-strategic products / channels phased out: impact volumes but improve value’

Innovation & Renovation



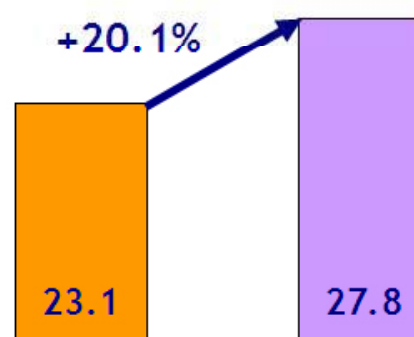
Sales (000' tons)



2009

2010

Sales (INR Bio)



2009

2010

Market Position (Value)

- No. 1 in Baby Foods & Infant Formula
- No. 1 in Dairy Whitener & Sweetened Condensed Milk

Contribution 44.4%

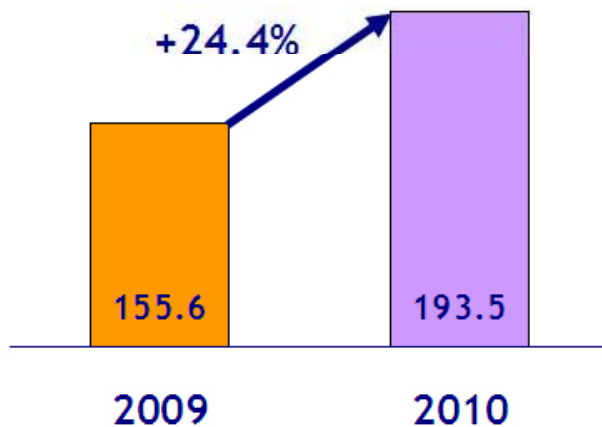
Prepared Dishes & Cooking Aids

'Doubled sales in 3 years'

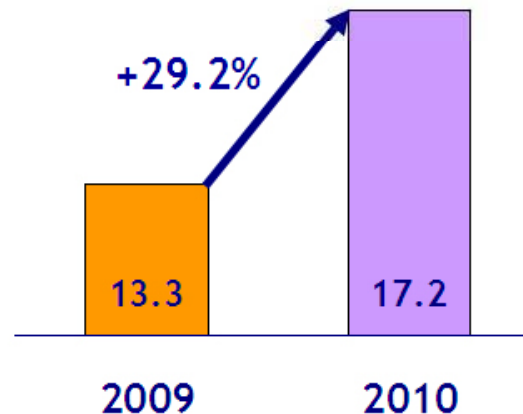
Innovation & Renovation



Sales (000' tons)



Sales (INR Bio)



Market Position (Value)

- No. 1 in Instant Noodles, Sauces & Pasta
- No. 2 in Healthy Soups

Contribution 27.5%

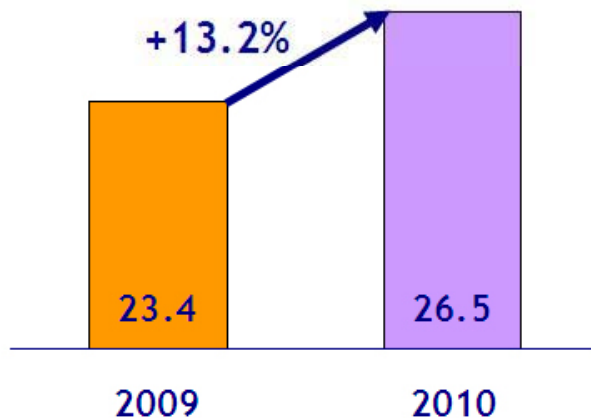
Beverages

'Domestic business picks up in second half, exports improves overall performance'

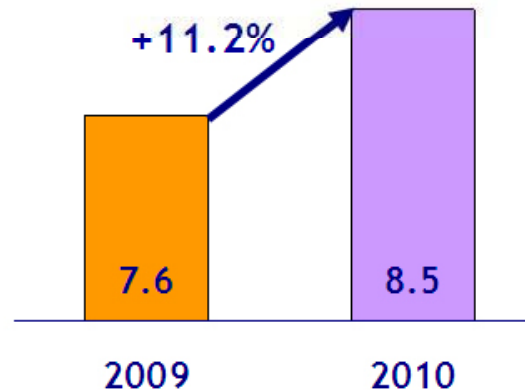
Innovation & Renovation



Sales (000' tons)



Sales (INR Bio)



Market Position (Value)

- No. 1 in Instant Coffee
- Very strong presence in Vending

Contribution 13.6%

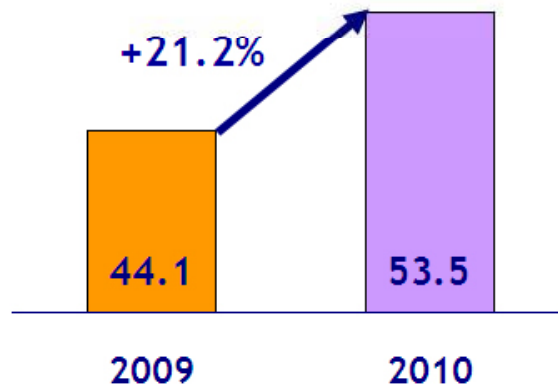
Chocolate & Confectionery

‘Widespread growth and more price points’

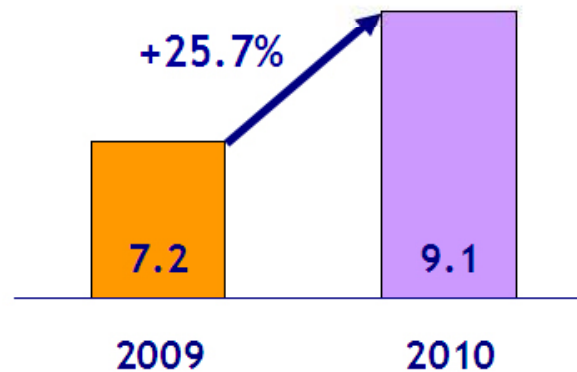
Innovation & Renovation



Sales (000' tons)



Sales (INR Bio)

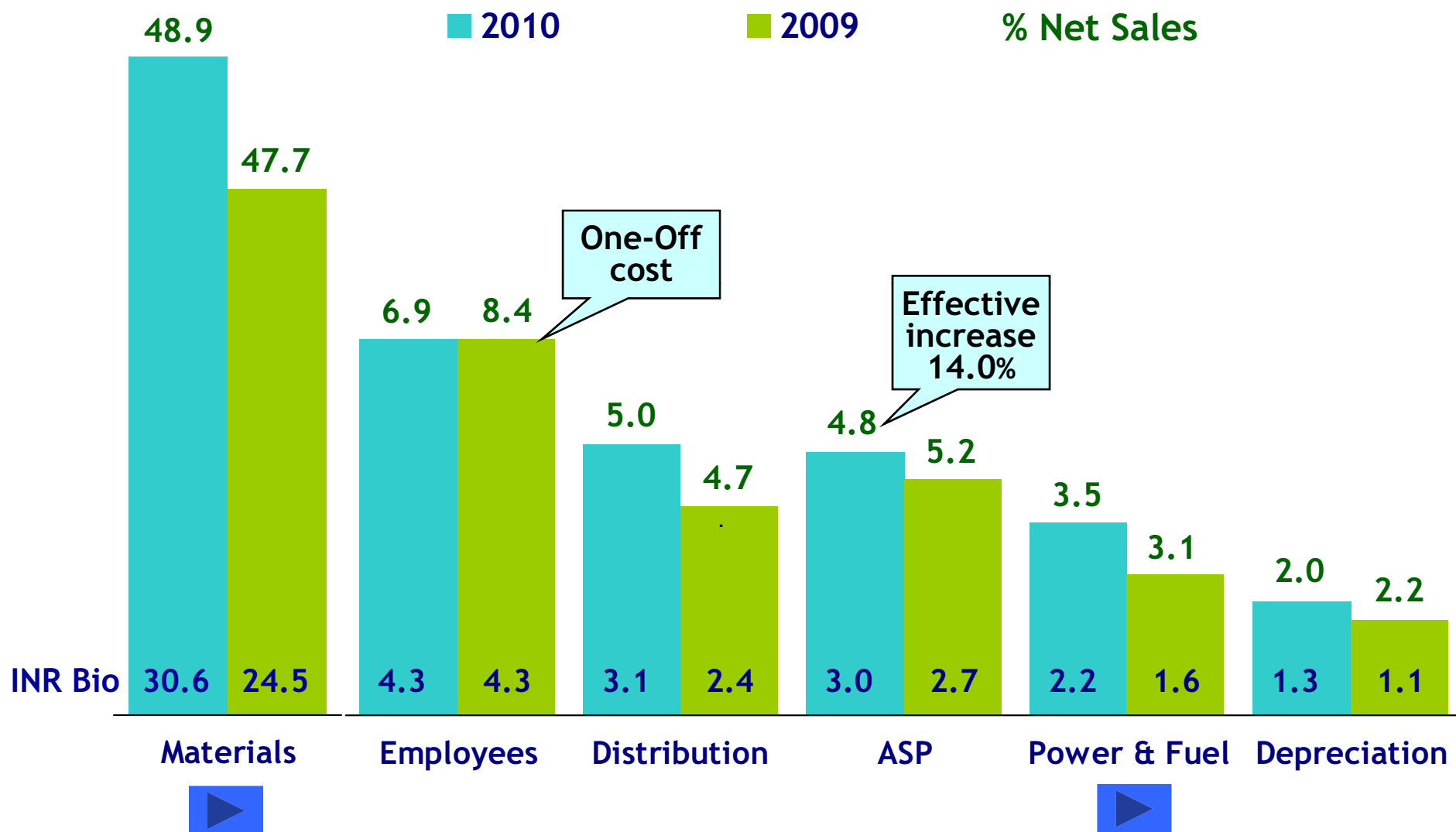


Market Position (Value)

- No. 1 in Wafers and Whites
- Leading player in Éclairs

Contribution 14.5%

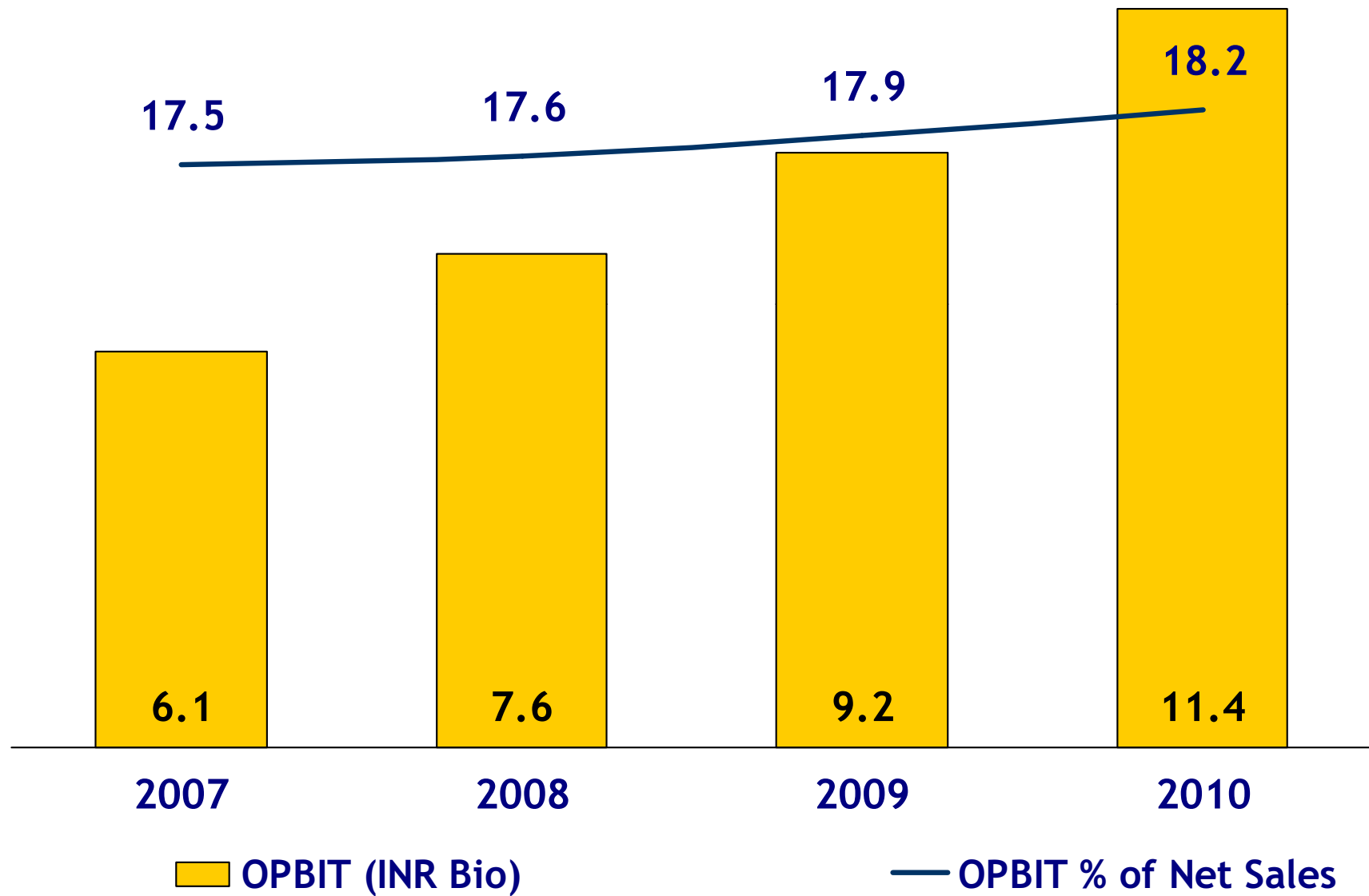
Our Cost Structure



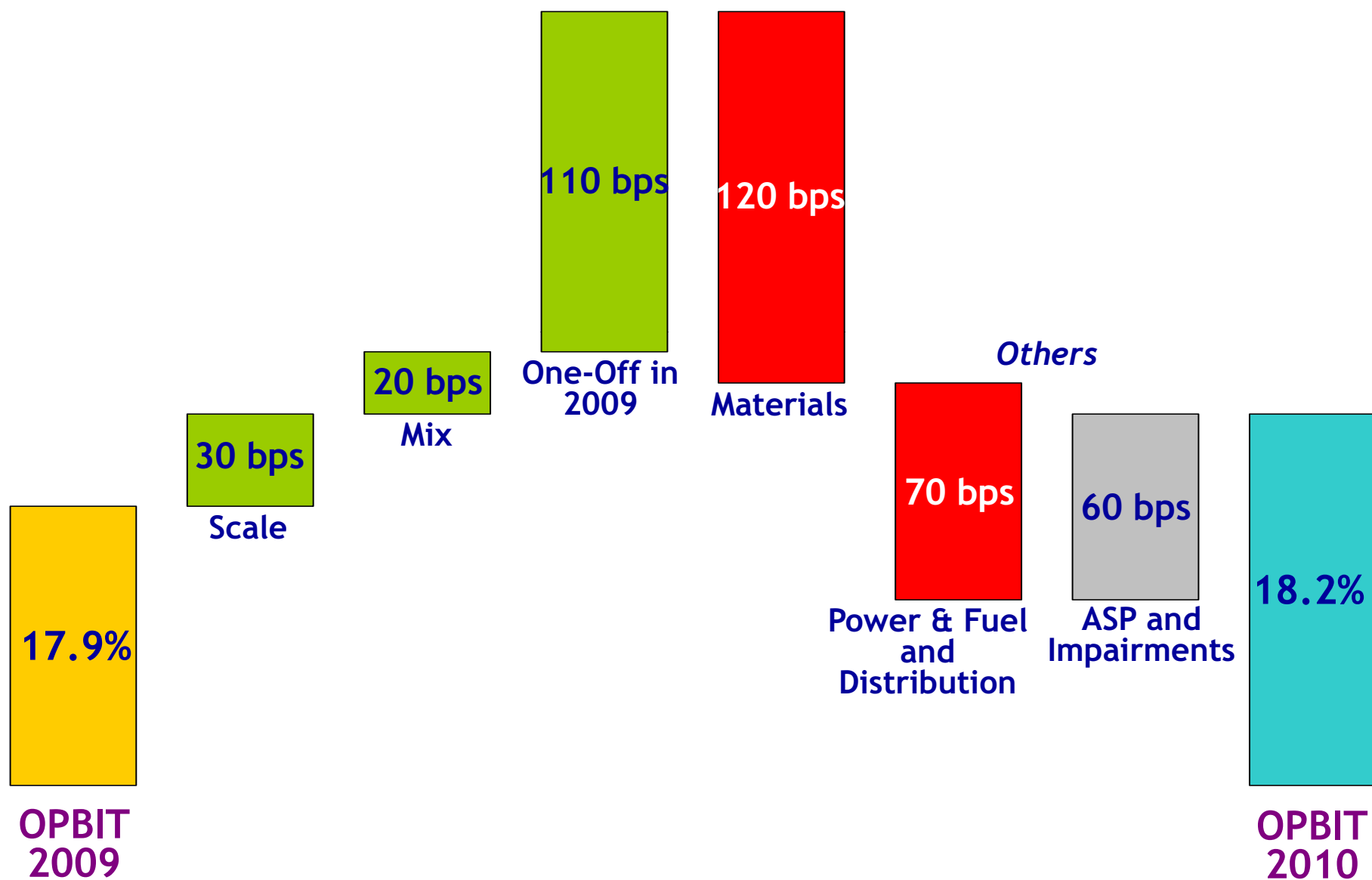
Figures have been regrouped / reclassified to make them comparable.

Not to scale

Margins remain within a healthy band



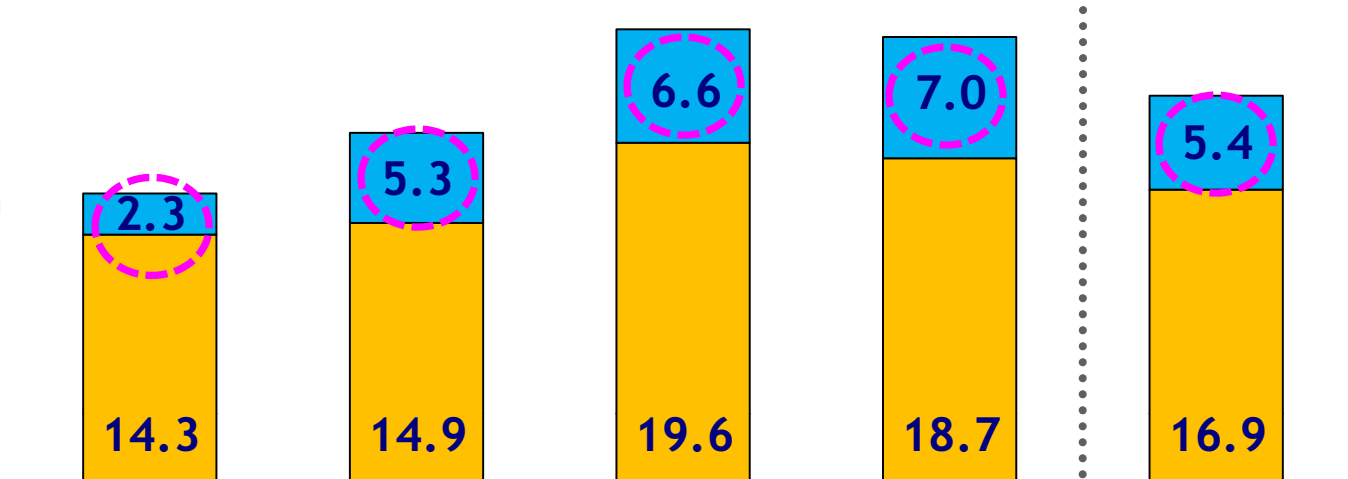
OPBIT Bridge



% & bps are with reference to Net sales

Increased selling prices while retaining growth

■ Price increase
■ Real Internal Growth (RIG)

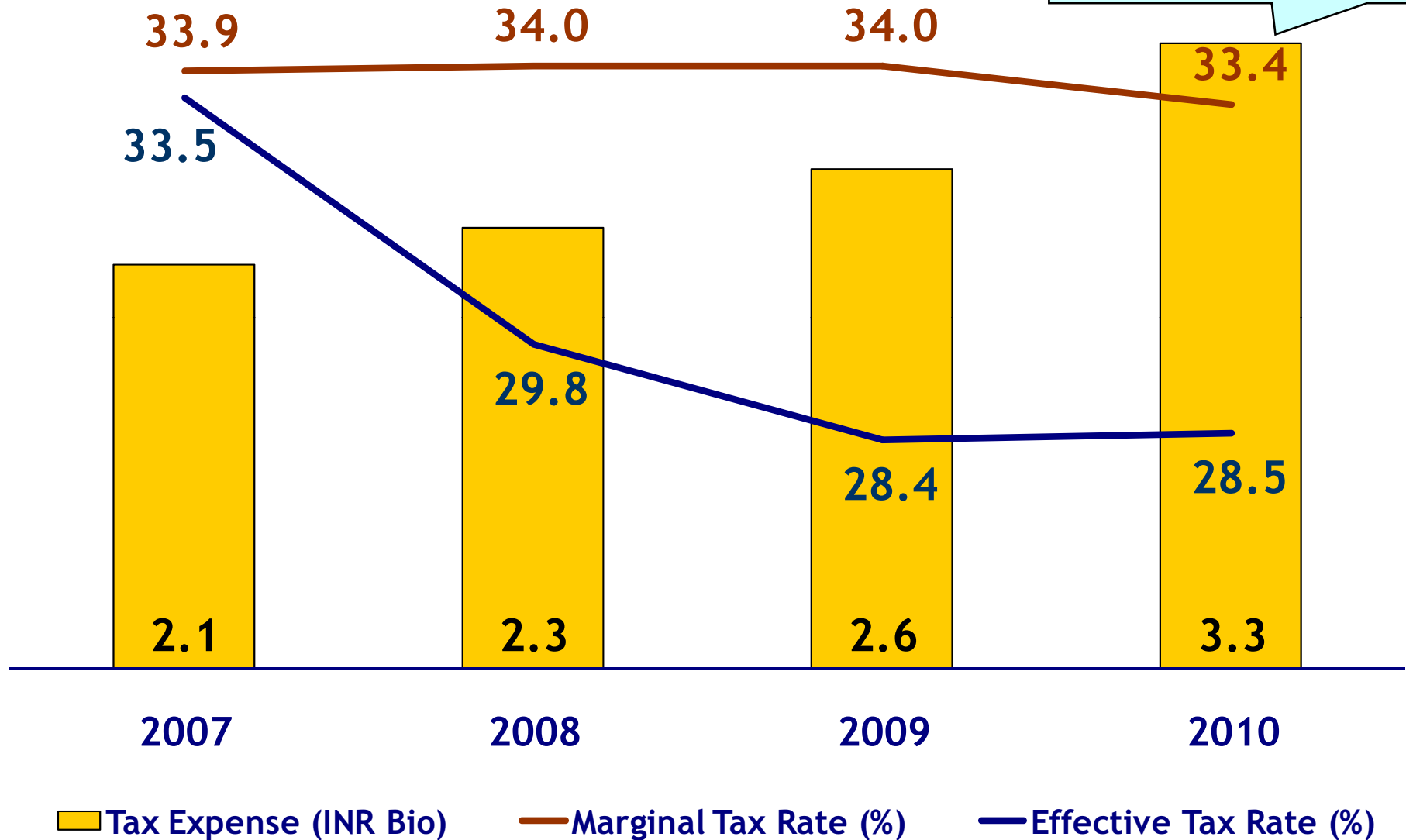


Material Cost as % of Net Sales

	Q1	Q2	Q3	Q4	Full Year
2009	47.2	47.6	47.8	48.2	47.7
2010	49.8	49.0	49.1	47.6	48.9
Change bps	260 ↑	140 ↑	130 ↑	60 ↓	120 ↑

Effective tax rate

100% tax holiday drops to 30% from 1 Apr 2011 for 5 years at PANTNAGAR FACTORY

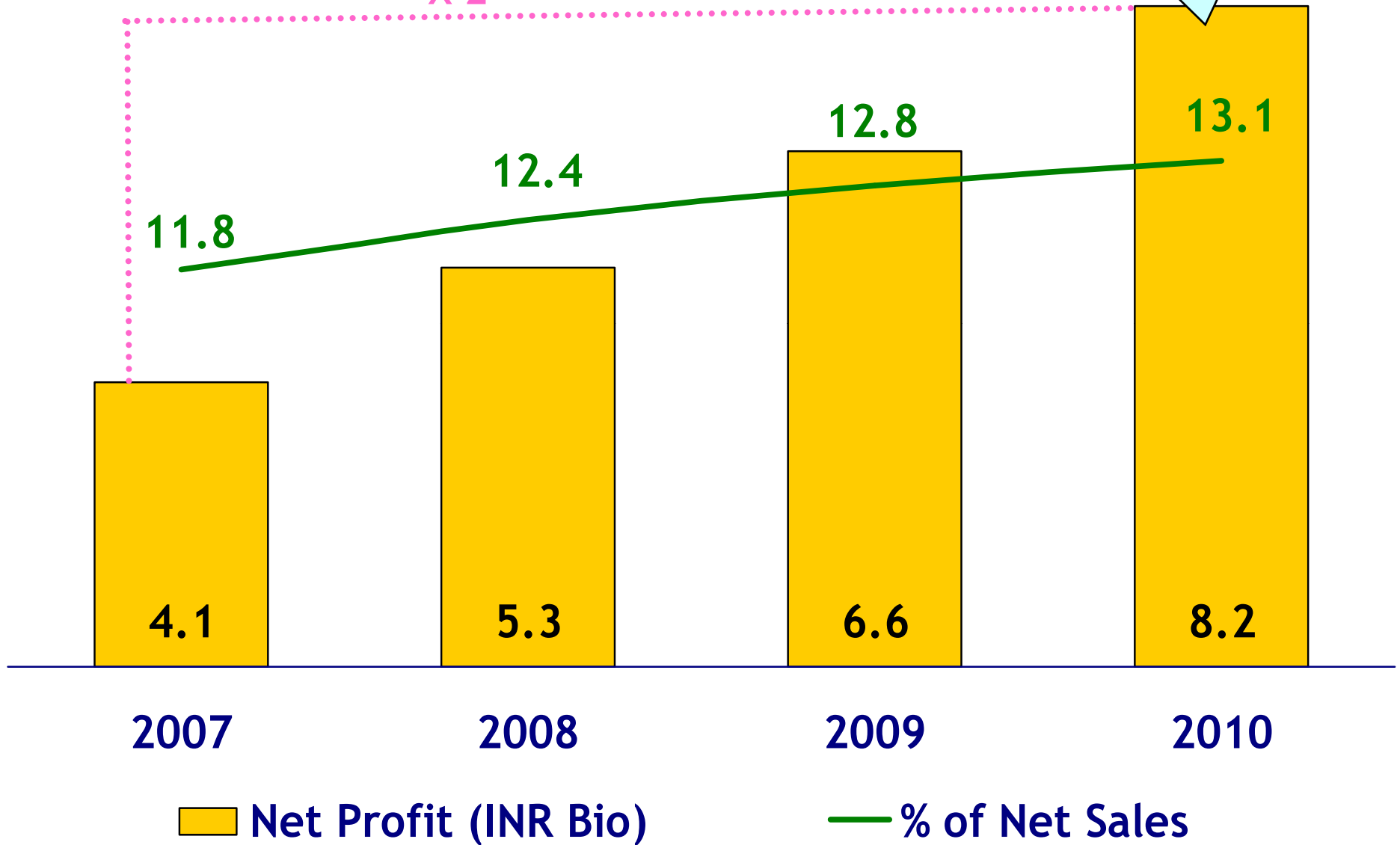


Excludes Fringe Benefit & Dividend Distribution Tax

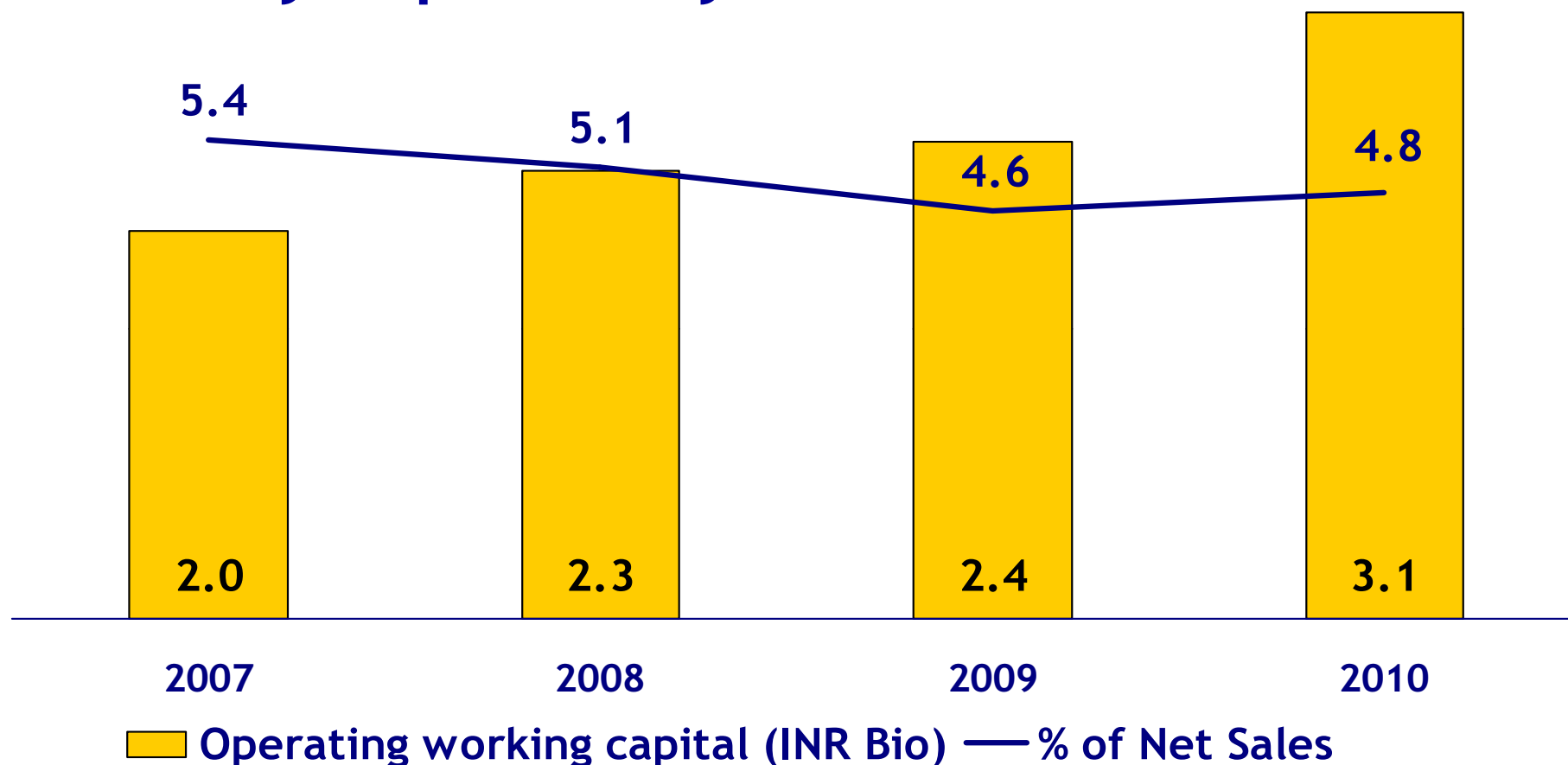
Net profit doubled in 3 years

Comes from OPBIT

X 2



Operating working capital within tolerance levels, adversely impacted by unabsorbed material cost

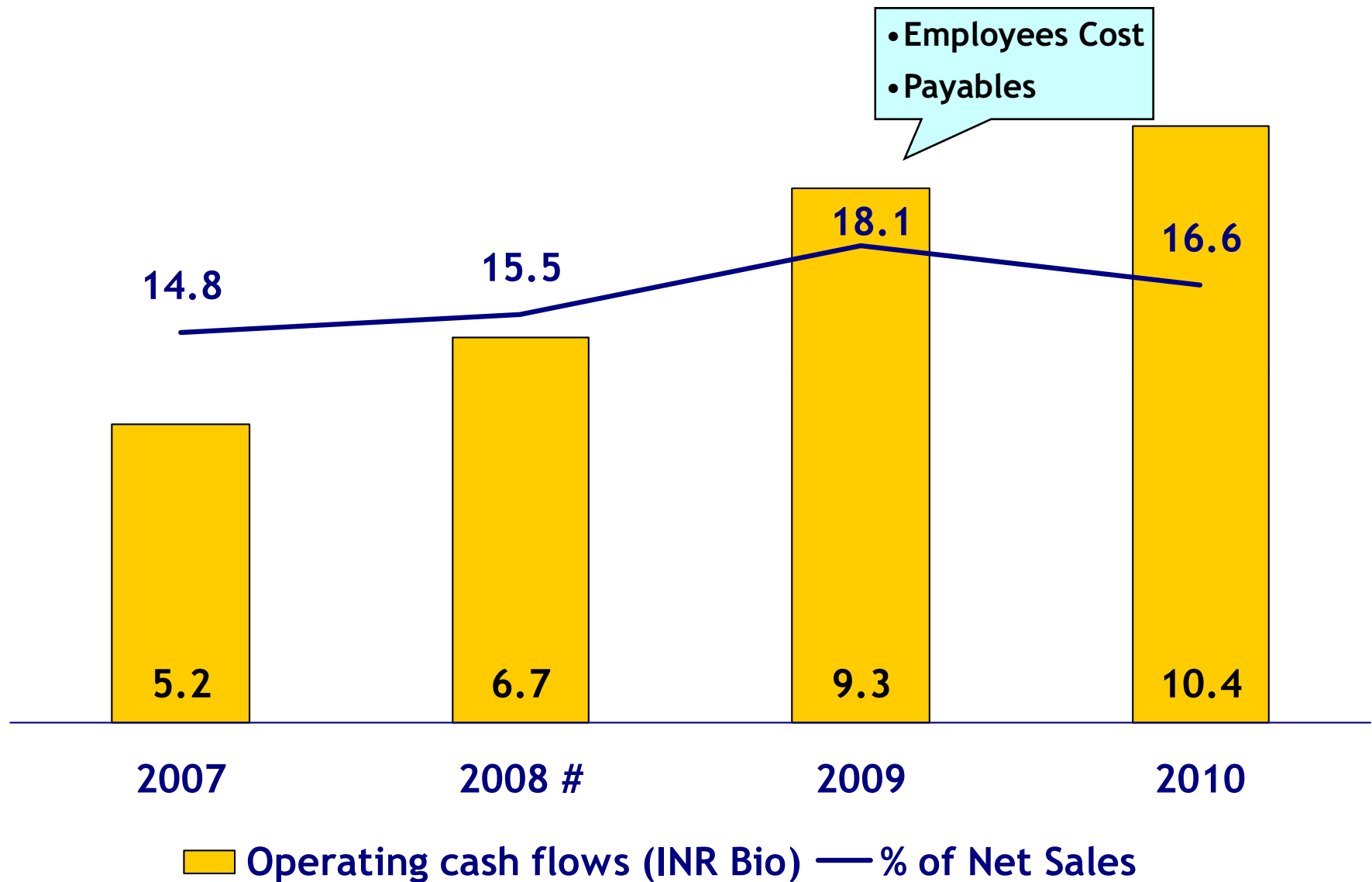


Operating Working Capital = Inventories + Debtors - Trade Payables (excluding Staff Costs, Contingencies, Capex & Taxes)

Operating Working capital is average for 5 quarter end data points

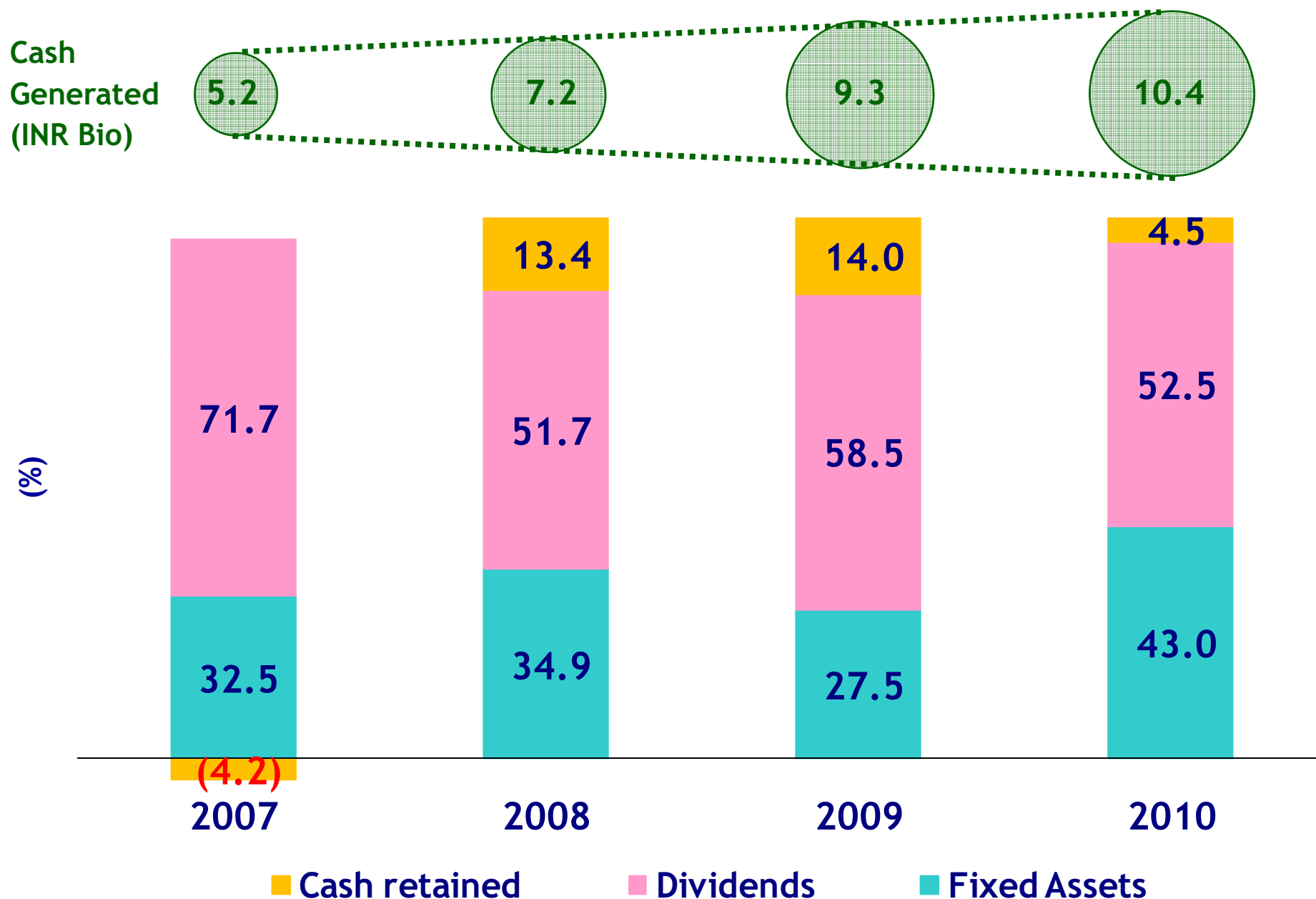
Basis Nestlé Internal Reporting Standards

Operating cash flow back to normal levels

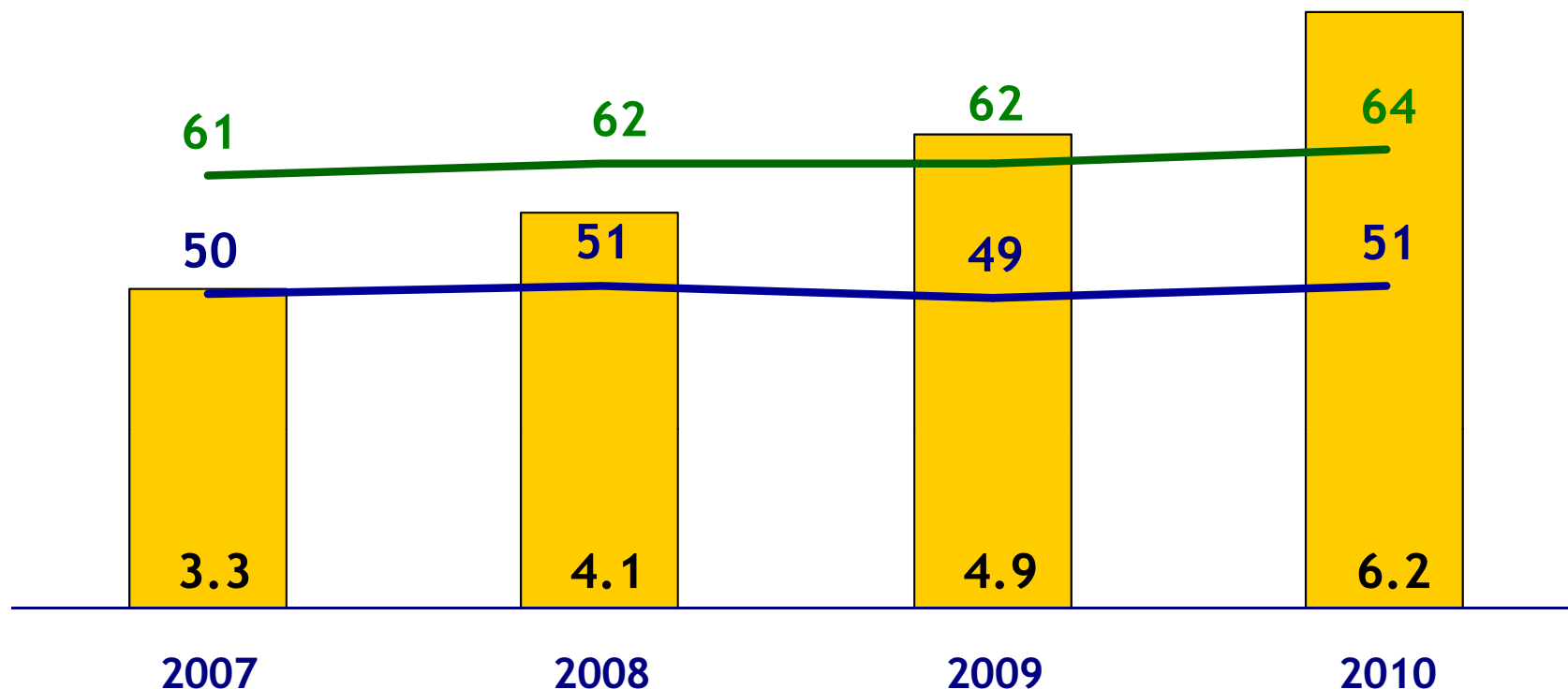


excludes one off inflows. Reported 16.7%

How have we used the cash generated from operations ?



ROIC is 5 times ACC



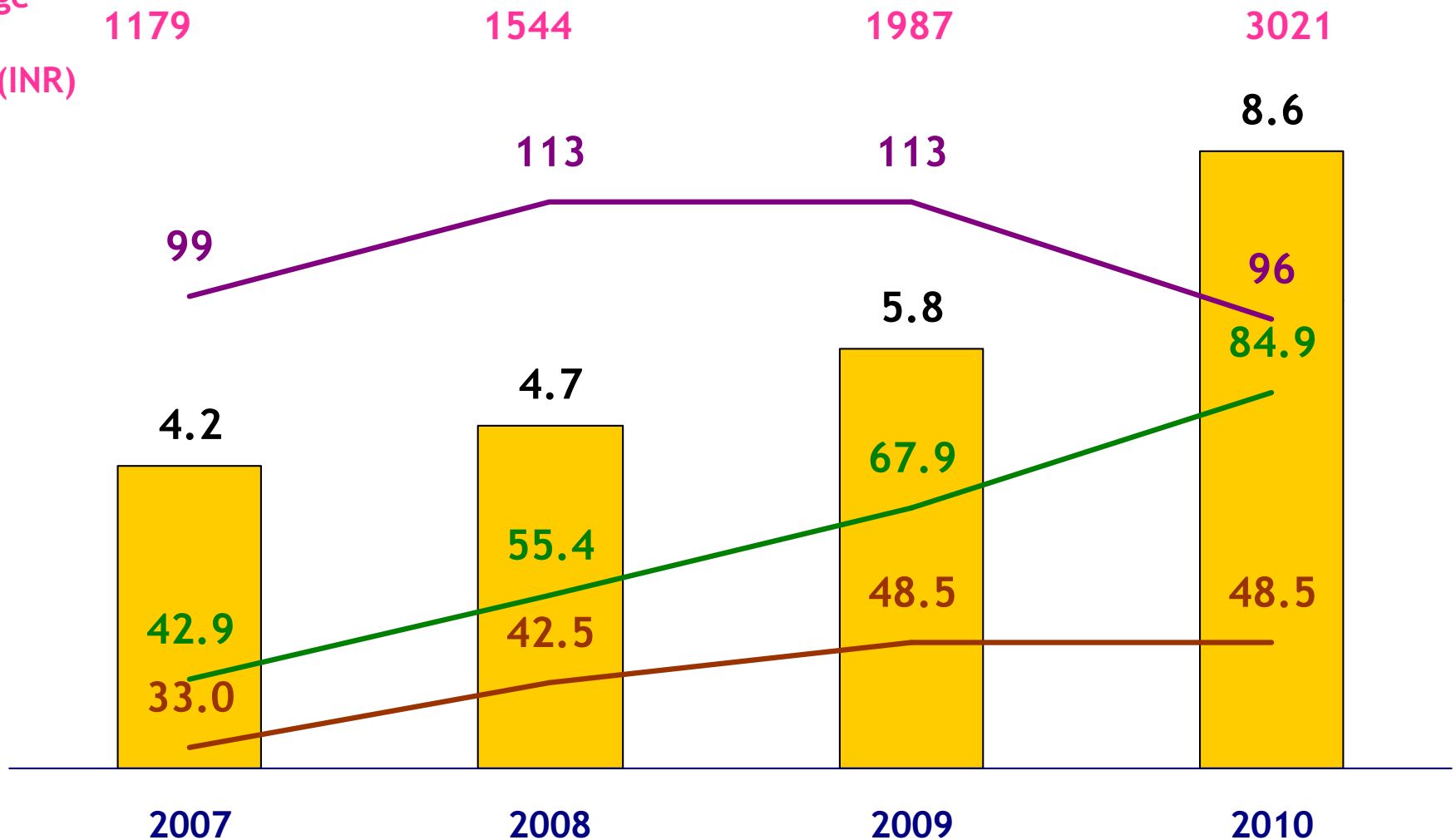
■ Economic Profit (INR Bio)
 — Economic Profitability (%)
 — Return on Invested Capital (%)

ACC %	11.3	11.6	12.8	12.9
Risk Free rate %	7.7	7.9	8.5	8.0
Group risk Premium%	2.5	2.5	3.0	3.5

Basis Nestlé Internal Reporting Standards

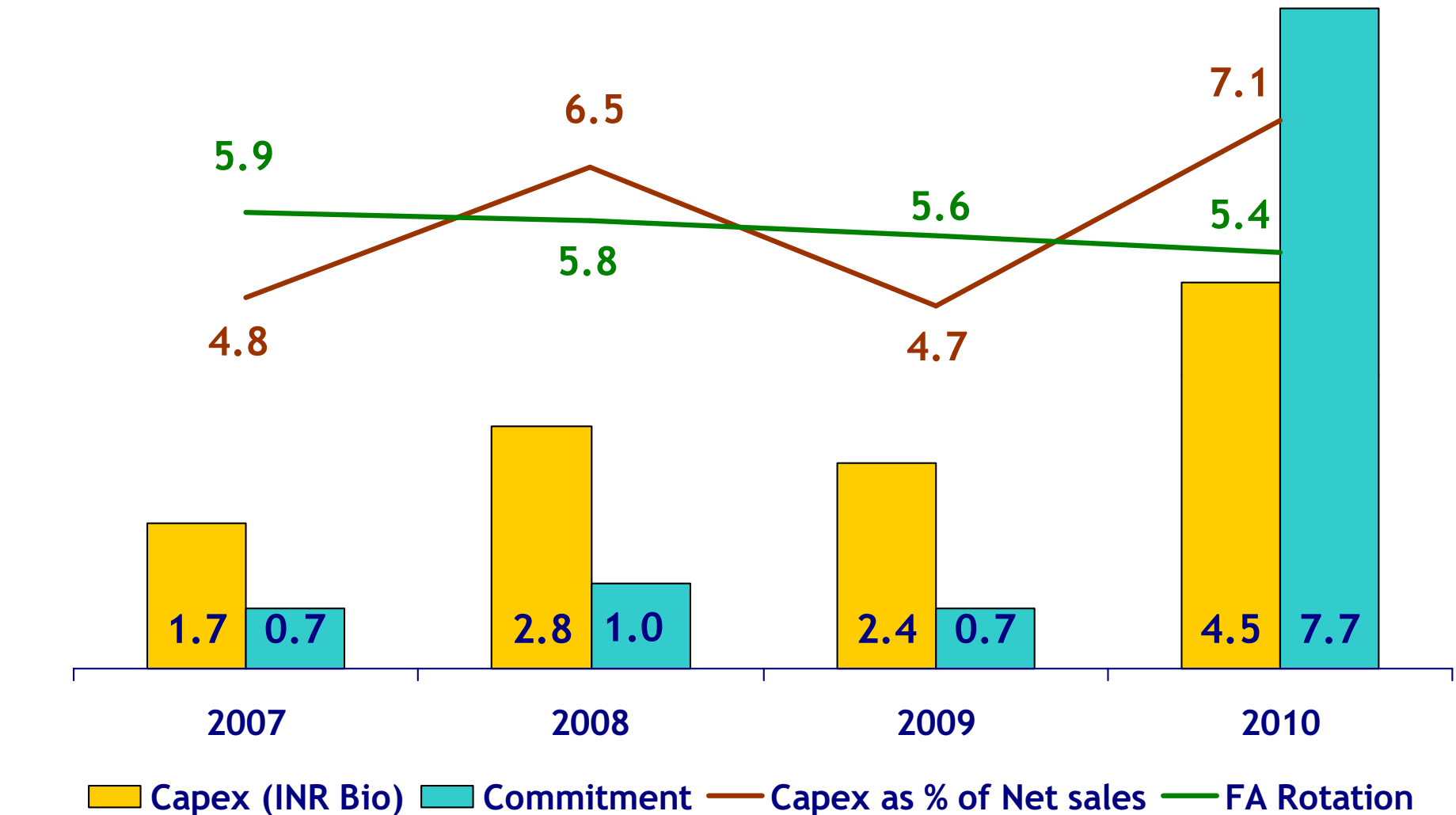
Retained shareholders wealth increases & ROE % decreases

Average
Share
Price (INR)



Period end Shareholders fund (INR Bio) — DPS (INR) — EPS (INR) — ROE %

CAPEX on high trajectory



Dep.
(INR Bio)

0.64

0.82

1.01

1.19

Fixed Assets exclude Intangibles

Capex excludes Capital advances which are shown in commitments

Financing Strategy on track

- Dividend maintained at 2009 level ~INR 48.5/ Share=485%.
Payout is 74% (including DDT) of the distributable profits.
- RBI approves ECB USD 450 Mio. from foreign equity holders.
- Other elements of strategy in progress

Impact of Union Budget 2011

Impact basis 2010 actual

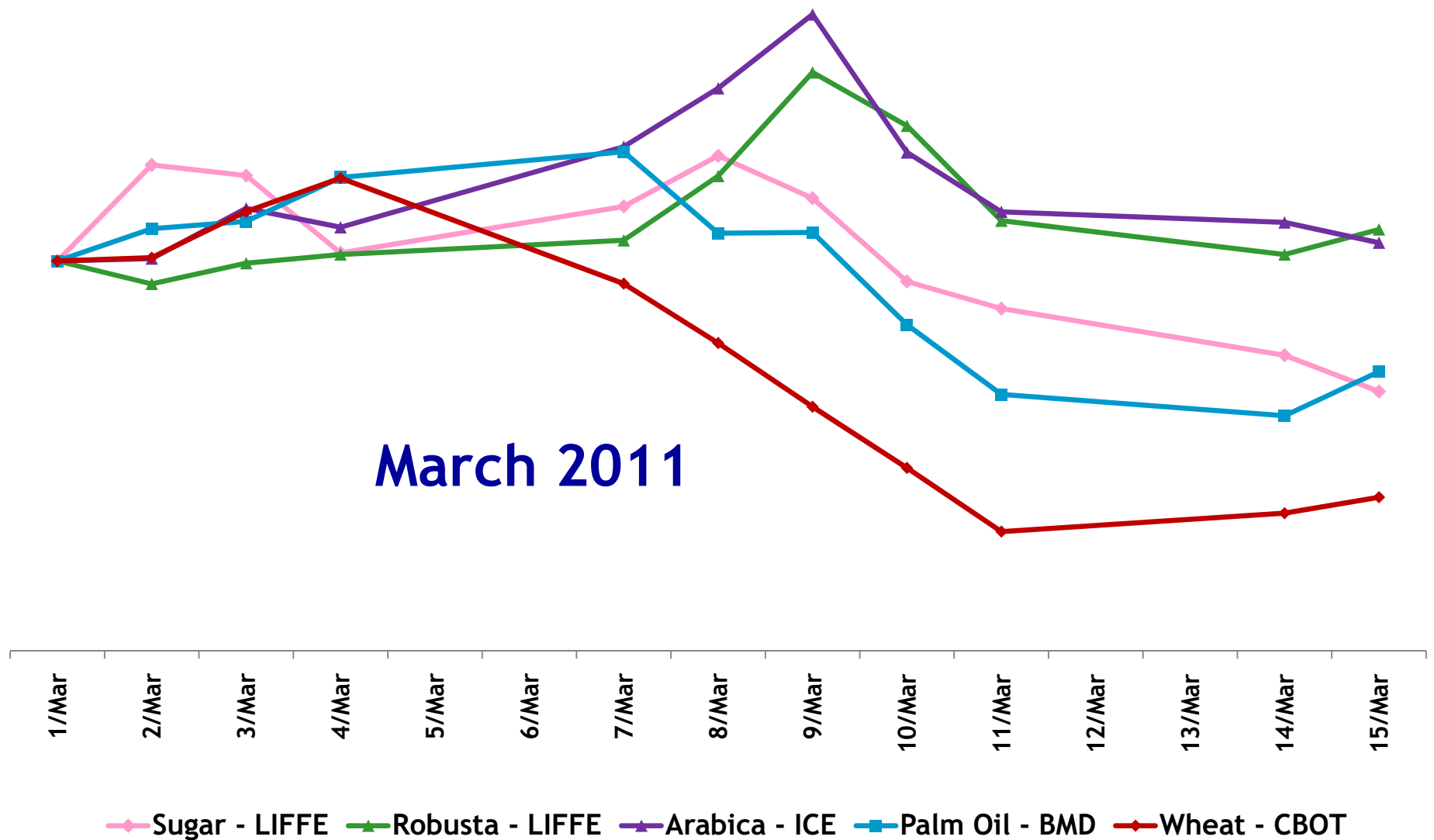
BUT without factoring mitigating measures

Negative impact on OPBIT ~ 50 bps
(Excise Duty & Service Tax)

Positive impact in Direct Taxes ~ 10 bps

Negative impact on PAT ~ 22 bps

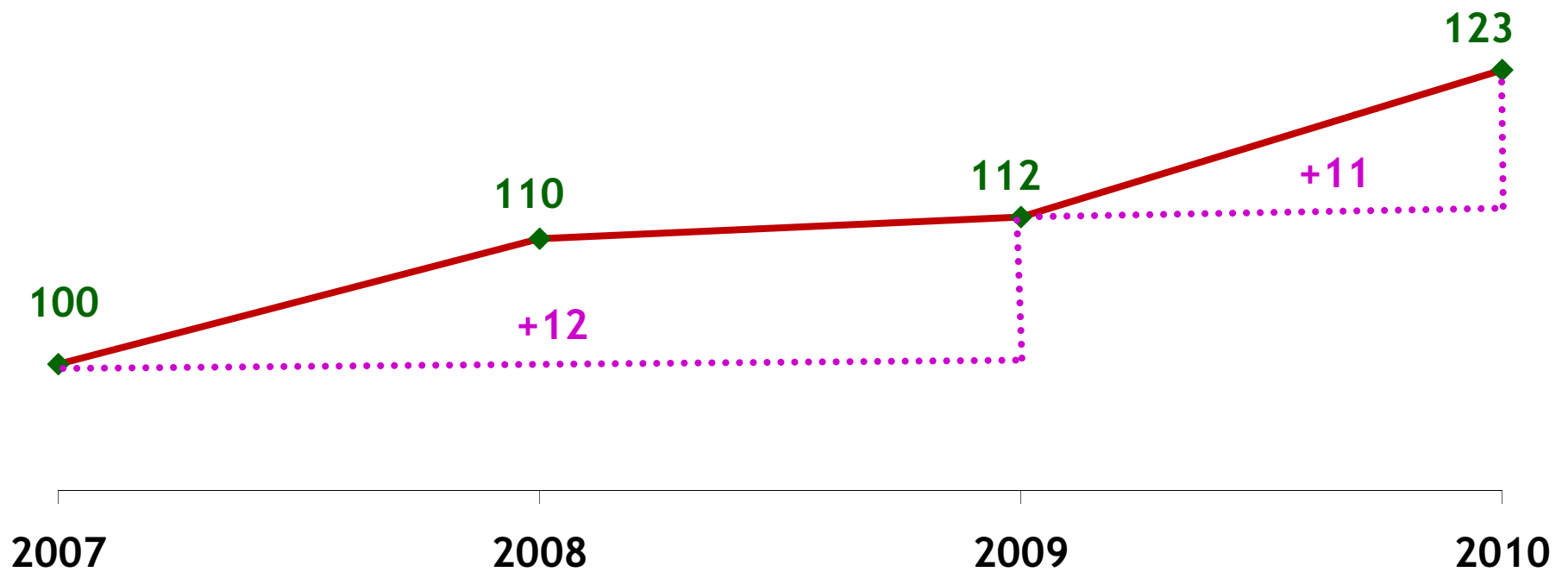
Volatility in commodity prices!



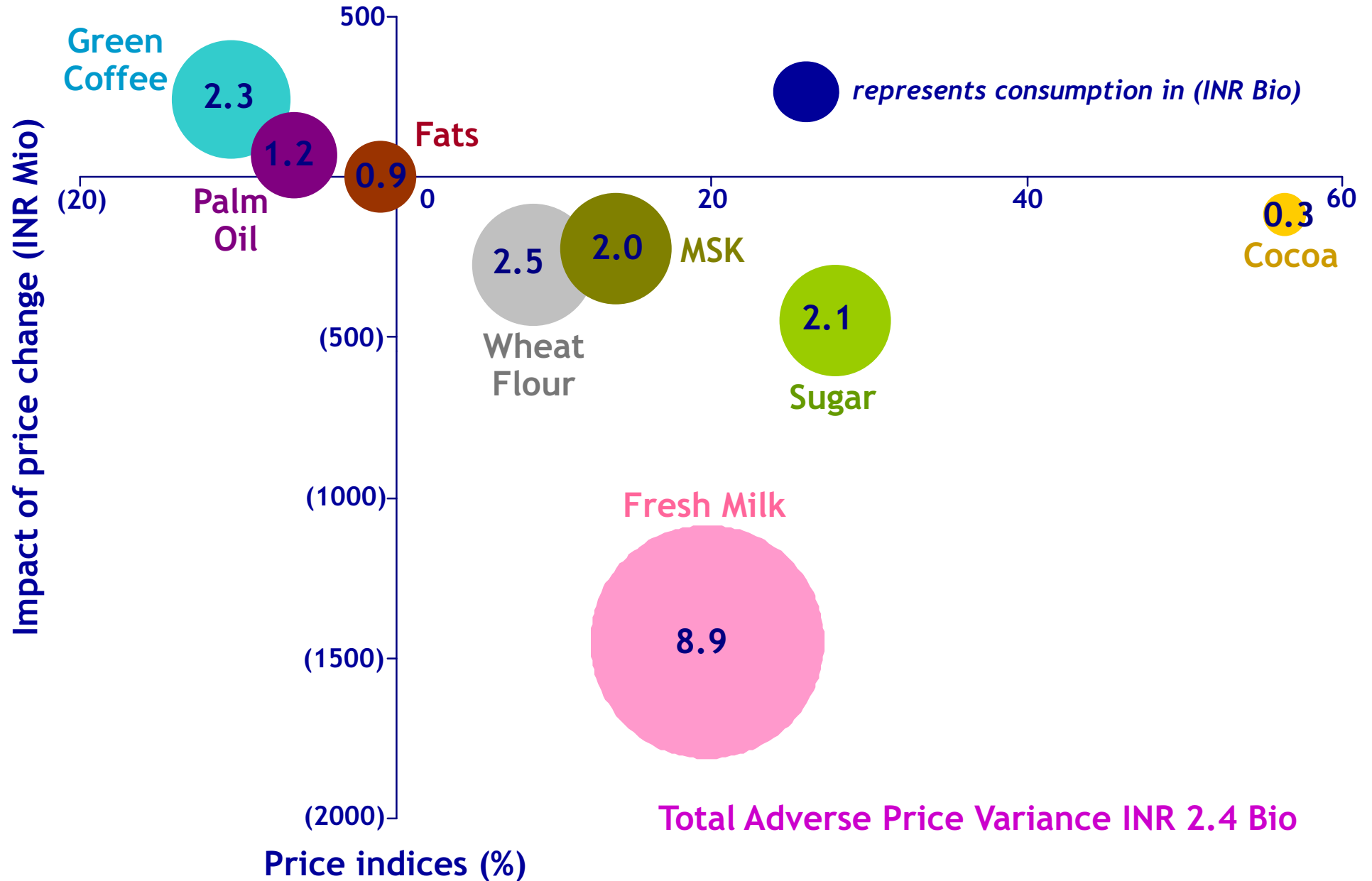
Indexed with base 1 March 2011

Thank You

Nestlé India's Commodity Basket Price Index

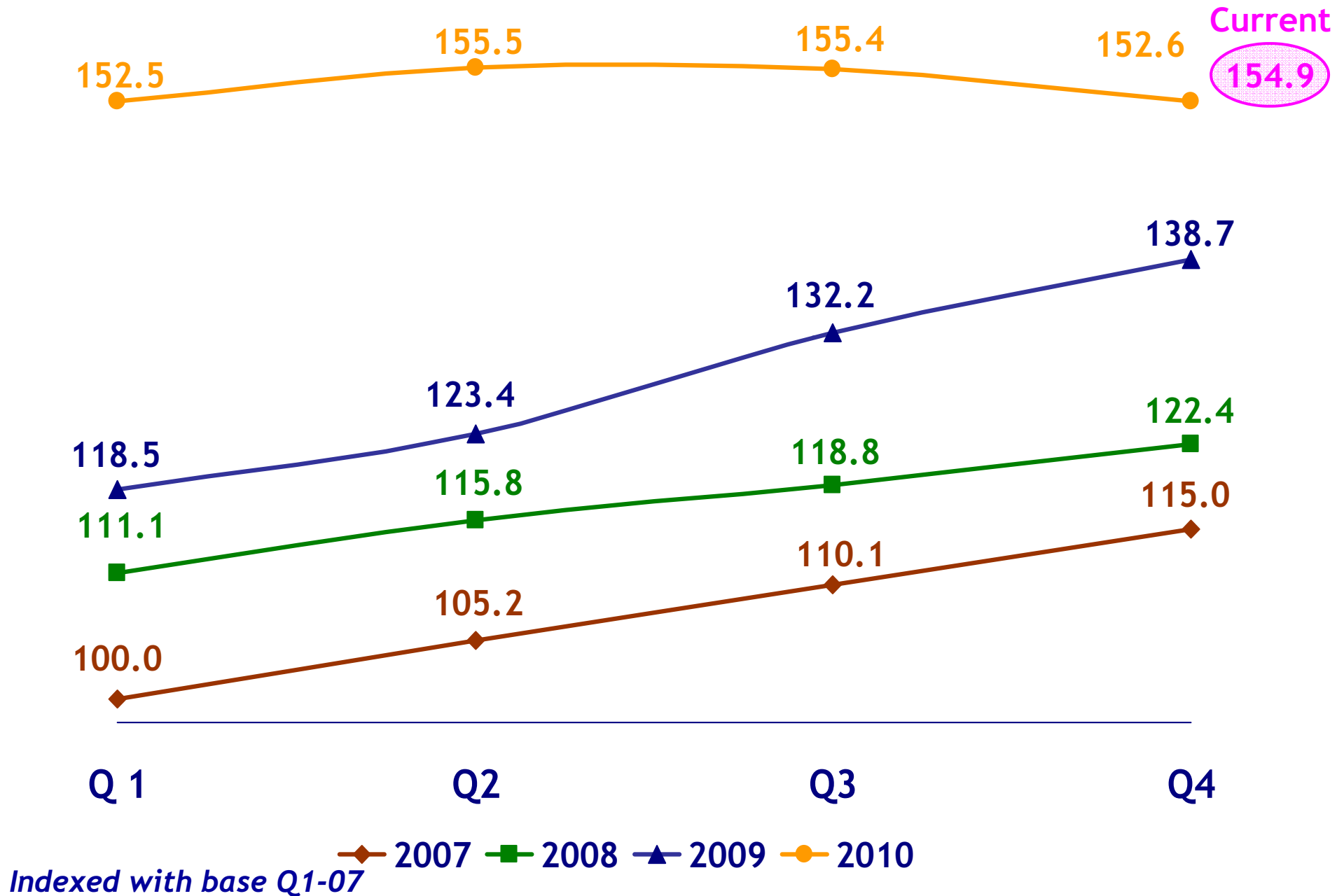


Key Raw Materials 2010



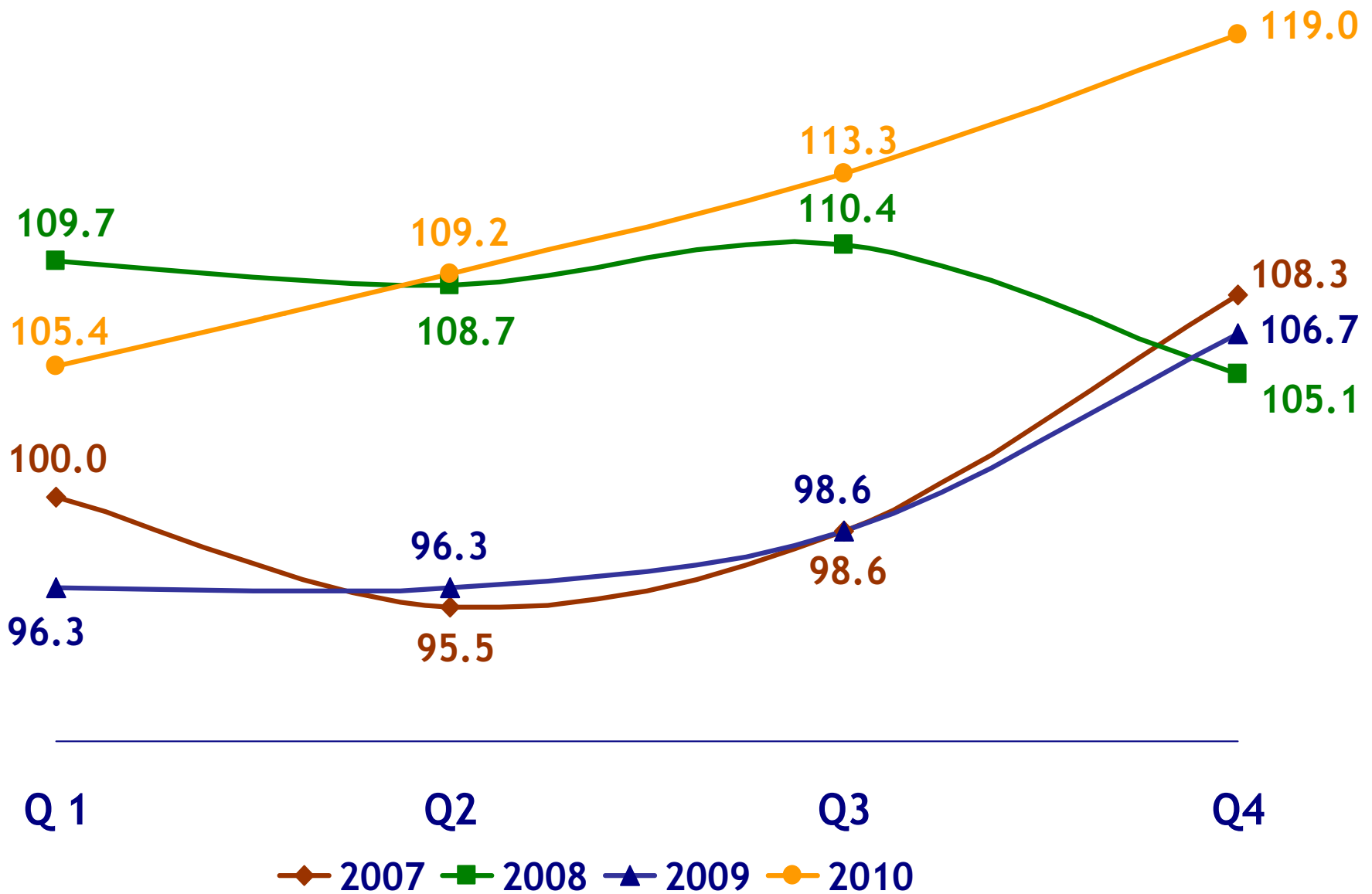
Impact of price change & Price indices reflect YoY change. Based on production and Internal Accounting Standards

Fresh Milk Fat prices ↑ 20.1 % over 2009



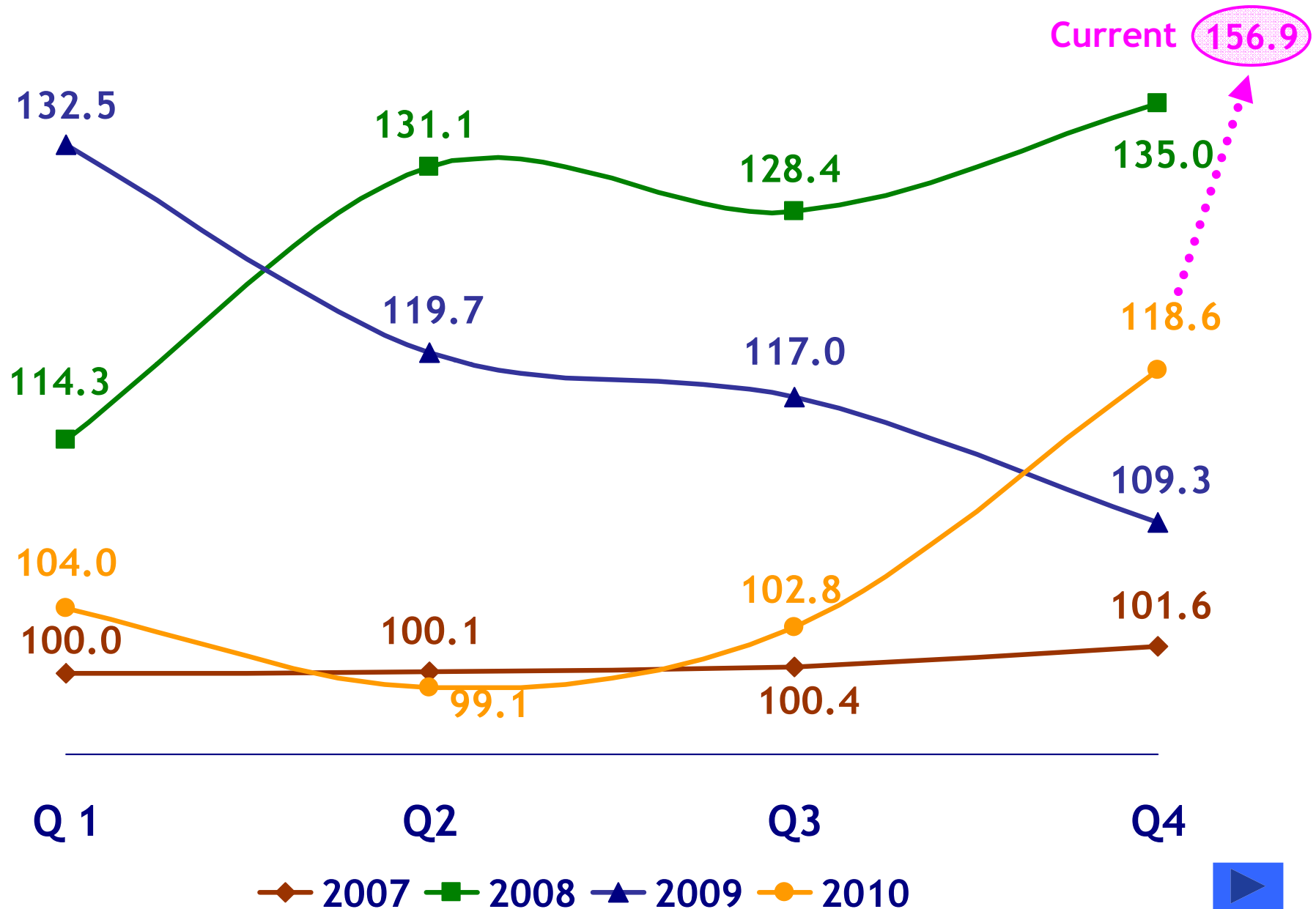
MSK prices ↑ 12.3 % over 2009

Current
140.9



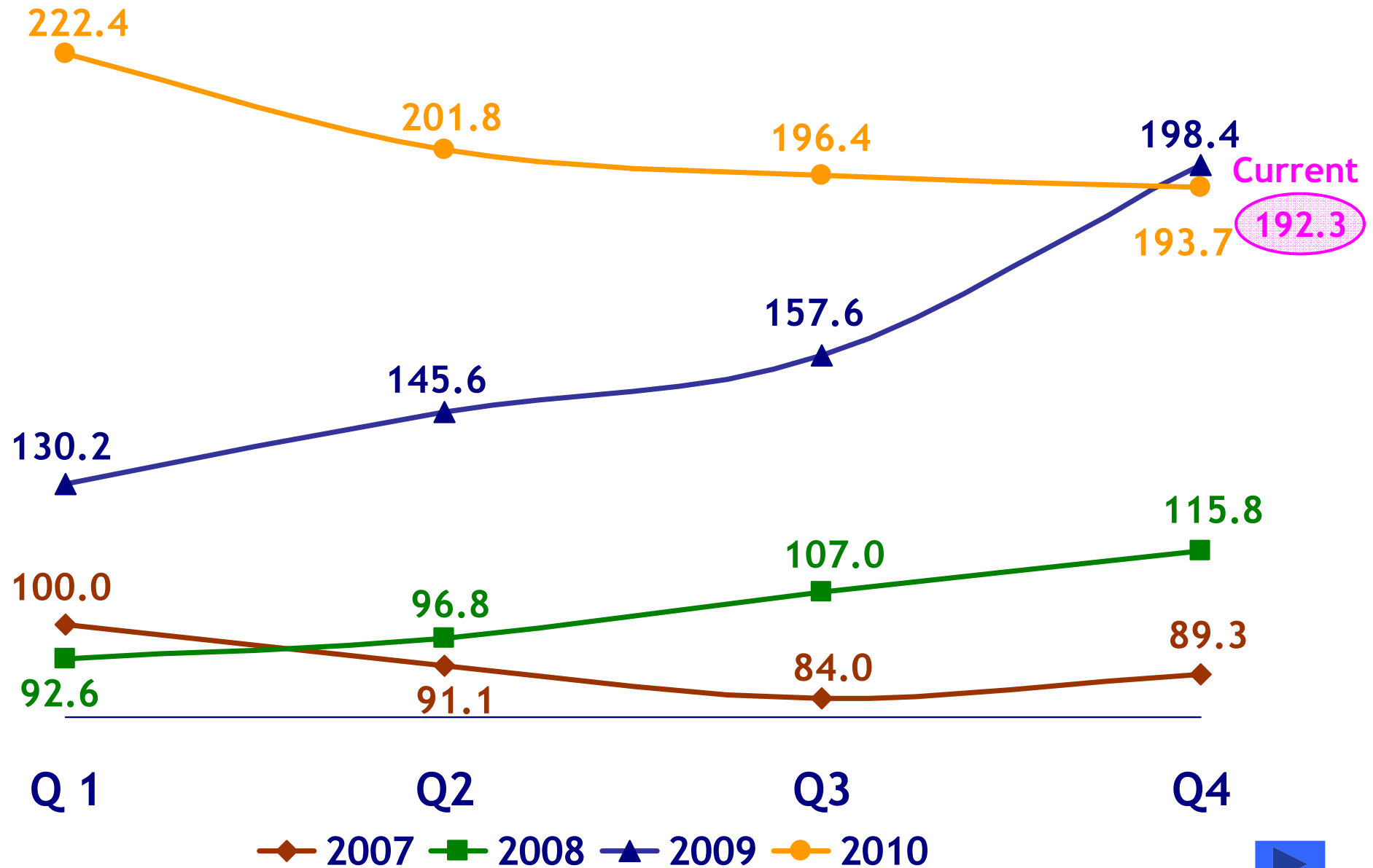
Indexed with base Q1-07

Green Coffee prices ↓ 10.4 % over 2009



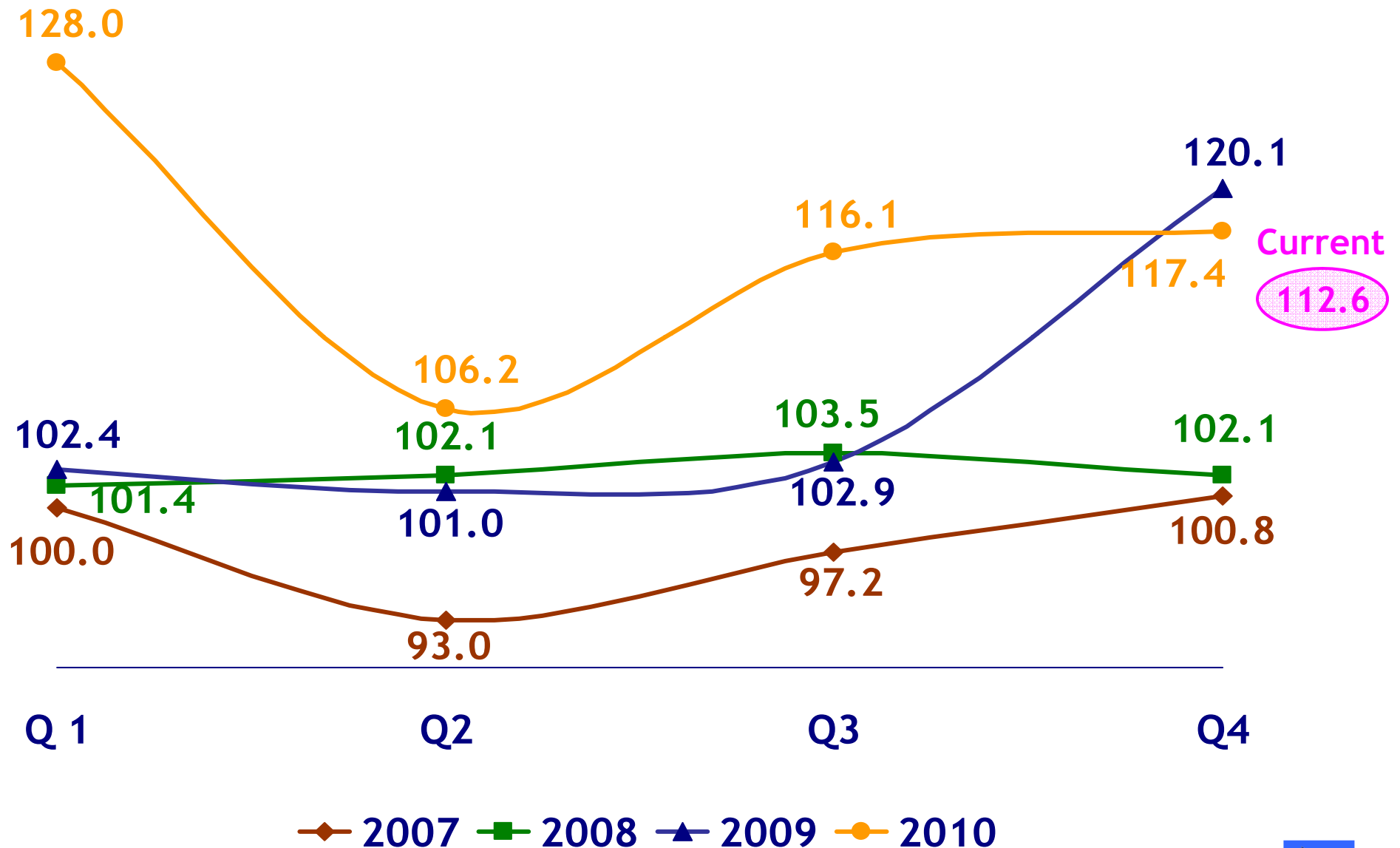
Indexed with base Q1-07

Sugar prices ↑ 27.8 % over 2009



Indexed with base Q1-07

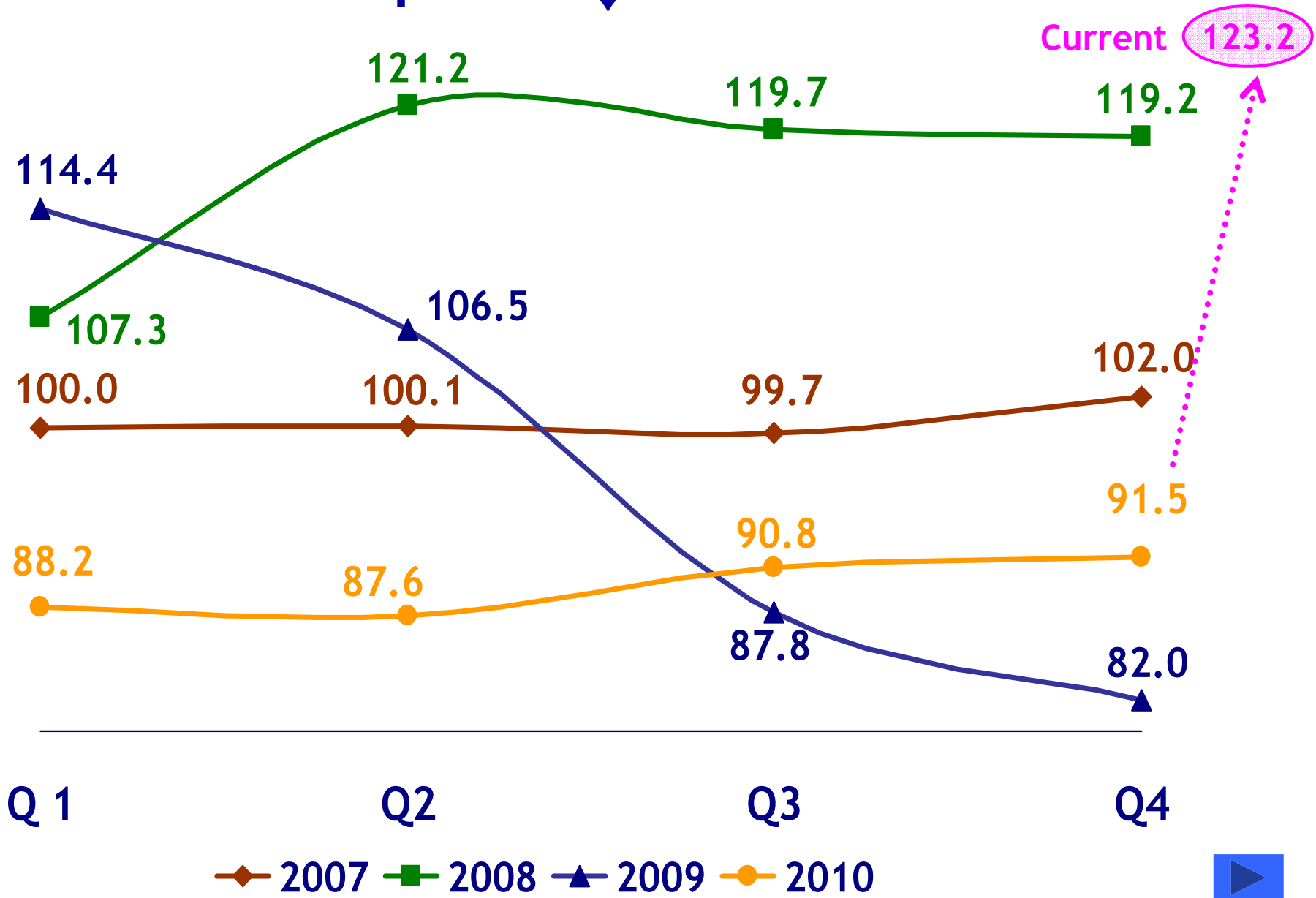
Wheat Flour prices ↑ 8.5% over 2009



Indexed with base Q1-07



Palm Oil prices ↓ 6.4 % over 2009

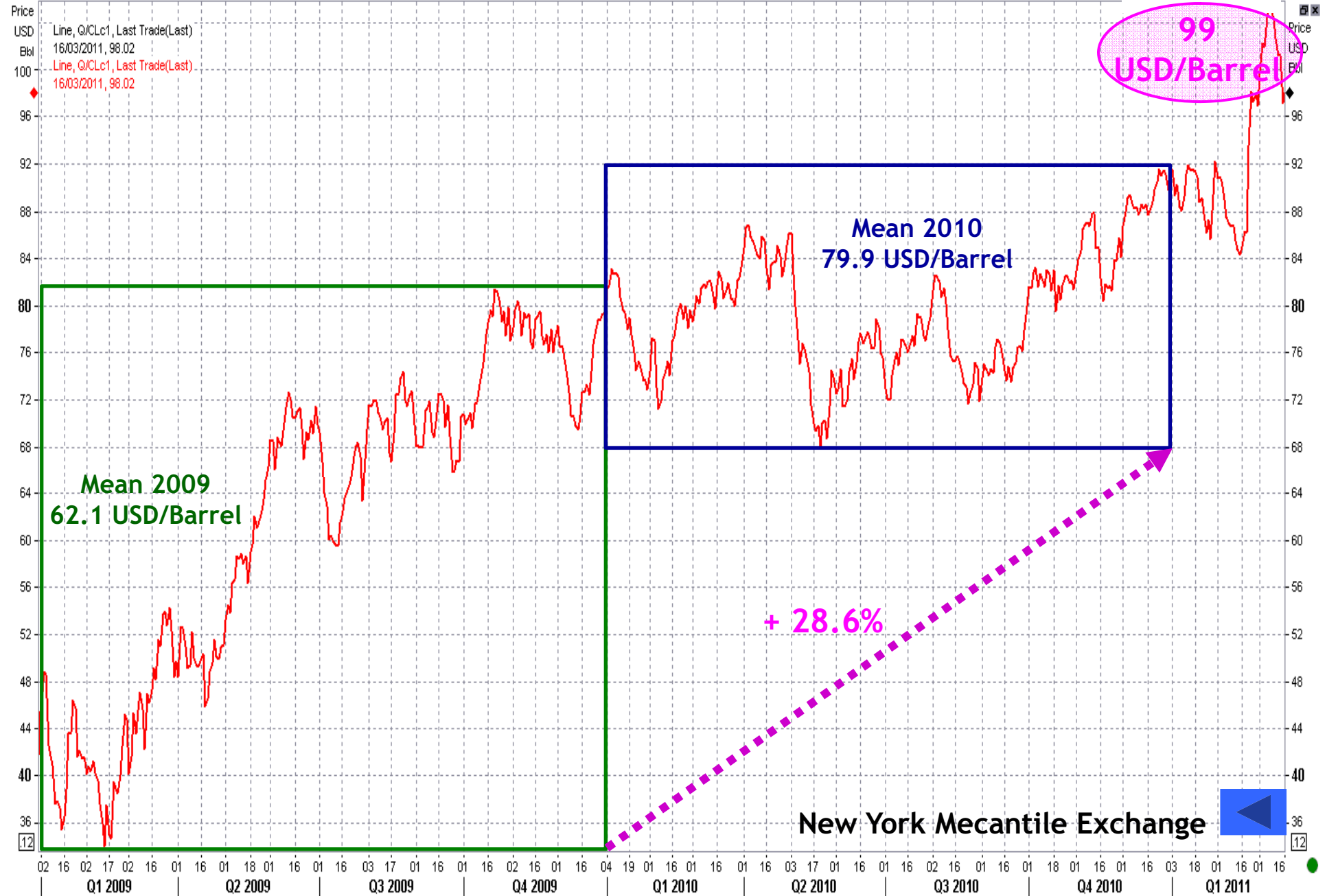


Indexed with base Q1-07

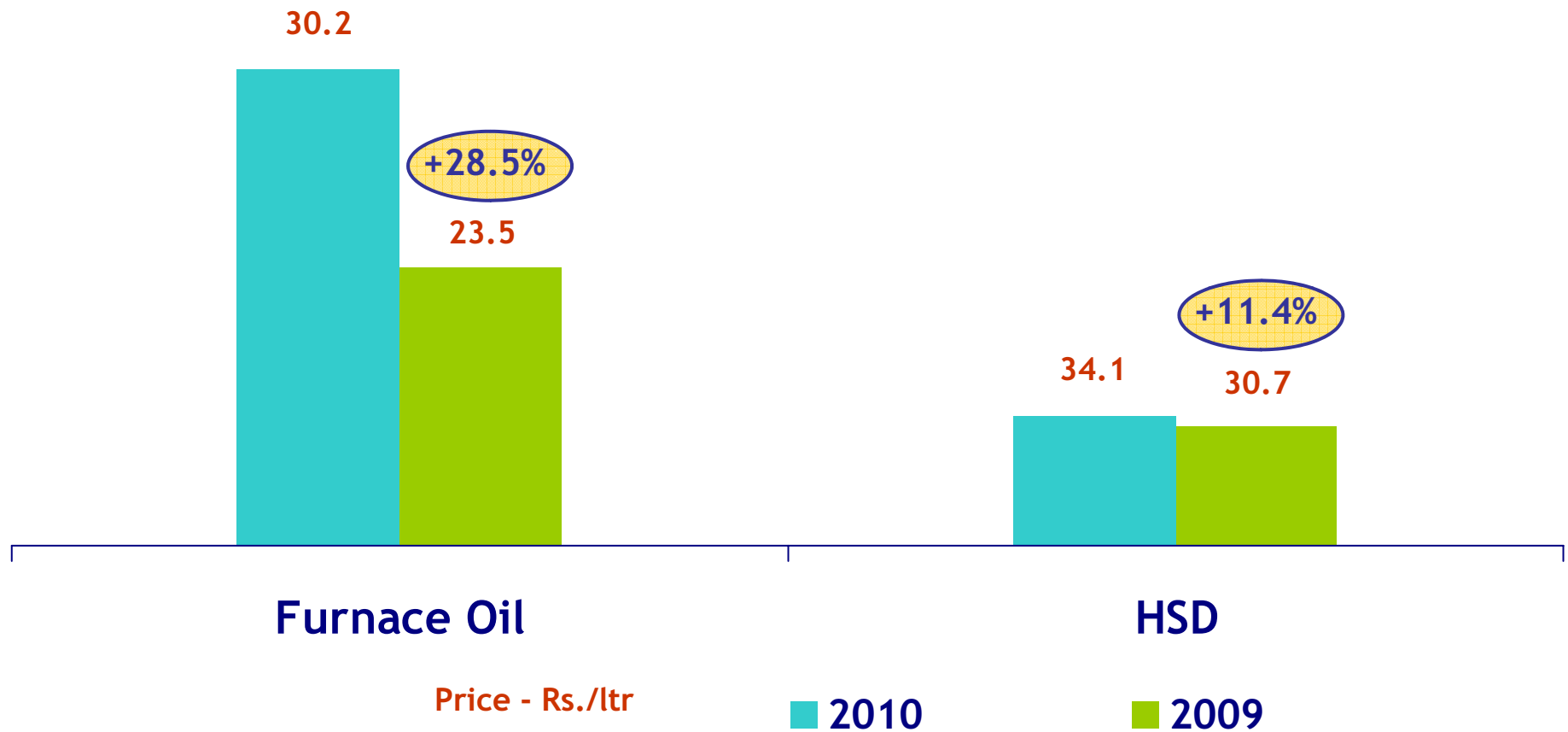


Evolution - Crude Oil Prices [NYMEX]

Daily Q/CLc1, Q/KPOc3



Fuel Oils



Share % in total Power & Fuel cost

Furnace Oil ~ 49%

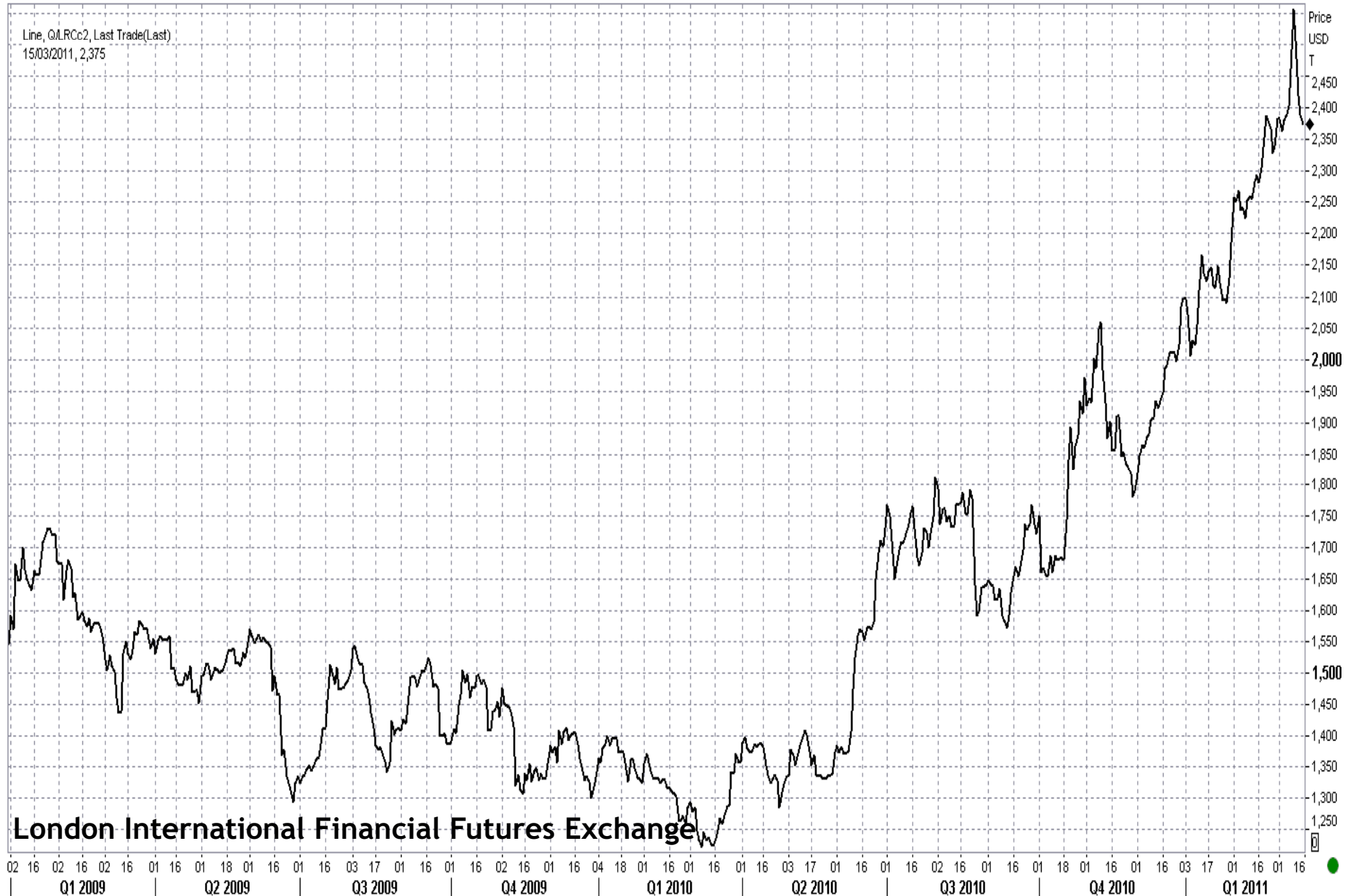
HSD ~ 14%



COFFEE - ROBUSTA [LIFFE]

Daily Q/LRCc2

31/12/2008 - 16/03/2011 (LON)



COFFEE - ARABICA [ICE]

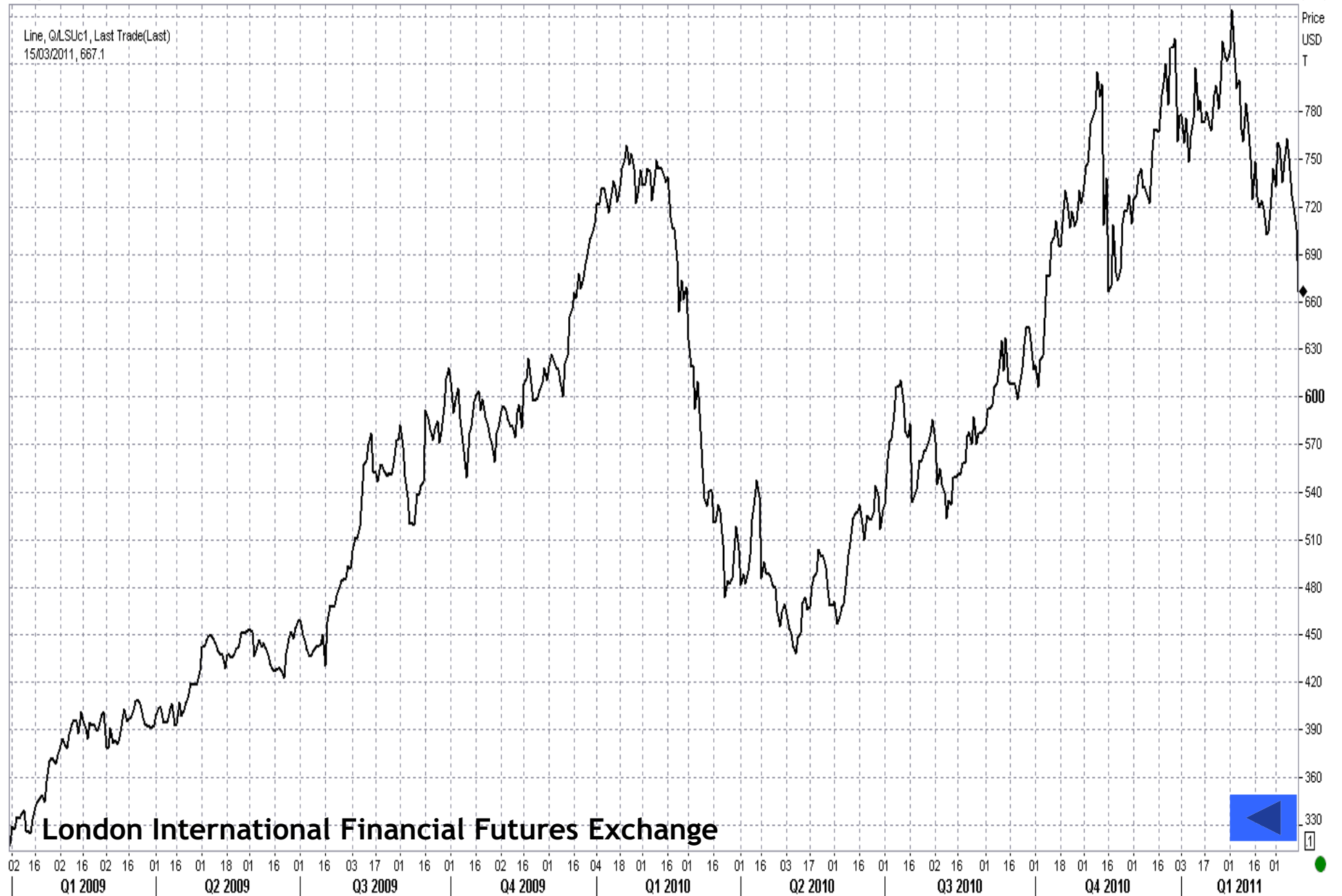
Daily Q/KCc2

31/12/2008 - 16/03/2011 (NYC)



Daily Q/LSUc1

Line, Q/LSuc1, Last Trade(Last)
15/03/2011, 667.1



WHEAT - [CBOT]



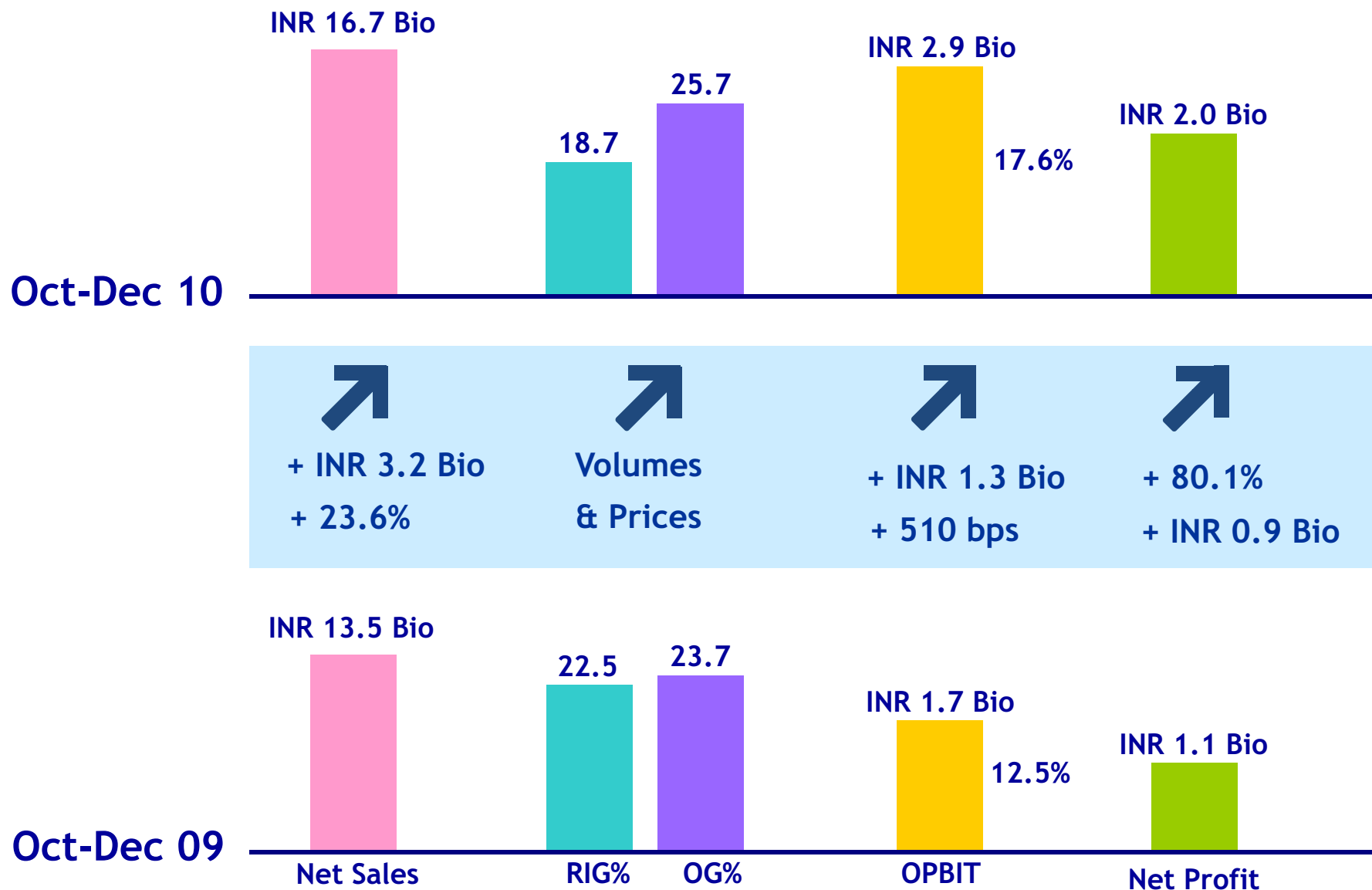
PALM OIL - [BMD]

Daily Q/KPOc3

31/12/2008 - 16/03/2011 (KUL)



Fourth Quarter highlights



Includes figures from Nestlé Internal Reporting Standards

