Nestlé India Limited

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
Consistent strong sales growth. Momentum to continue.

Cut in dividend payout ratio to 56%.

No signs of competitive pressure.

Performance in line with expectations.

Strong long term growth potential.

Margins a major concern.

Going ahead, lower pressure from input cost inflation.

Best play on packaged foods.

‘Band of margin’ strategy.

Fading tax sops reduce PAT growth.

Gross margins improve due to price hikes.

Commendable cost management.

Outperforms peers & broad market.

Input cost pressure softens.

Positive budget measures to boost FMCG growth.

Diversified & dominant product portfolio.

Nestle Model delivers again.
Analysts' Rating on Nestle India
### Full Year highlights

#### 2010

<table>
<thead>
<tr>
<th>Category</th>
<th>2010 Value</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>INR 62.5 Bio</td>
<td></td>
</tr>
<tr>
<td>Volumes &amp; Prices</td>
<td>16.9%</td>
<td>+21.9%</td>
</tr>
<tr>
<td>OPBIT</td>
<td>18.2%</td>
<td></td>
</tr>
<tr>
<td>Net Profit</td>
<td>INR 8.2 Bio</td>
<td></td>
</tr>
<tr>
<td>Volumes</td>
<td>+ INR 11.3 Bio</td>
<td>+21.9%</td>
</tr>
<tr>
<td>Prices</td>
<td>+ INR 2.2 Bio</td>
<td>+30 bps</td>
</tr>
<tr>
<td>RIG%</td>
<td>+ 25.0%</td>
<td></td>
</tr>
<tr>
<td>OG%</td>
<td>+ INR 1.6 Bio</td>
<td></td>
</tr>
</tbody>
</table>

Includes figures from Nestlé Internal Reporting Standards
Successive quarters of double digit growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>10.9</td>
<td>10.4</td>
<td>11.1</td>
<td>10.9</td>
</tr>
<tr>
<td>2009</td>
<td>12.7</td>
<td>12.1</td>
<td>13.0</td>
<td>13.5</td>
</tr>
<tr>
<td>2010</td>
<td>14.8</td>
<td>14.7</td>
<td>16.4</td>
<td>16.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales % YoY Growth</th>
<th>OPBIT % of Net Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>26.4 43.2 Bio = 23.4%</td>
<td>20.2 7.6 Bio = 17.6%</td>
</tr>
<tr>
<td>2009</td>
<td>23.5 51.3 Bio = 18.6%</td>
<td>16.6 9.2 Bio = 17.9%</td>
</tr>
<tr>
<td>2010</td>
<td>22.2 62.5 Bio = 21.9%</td>
<td>17.6 11.4 Bio = 18.2%</td>
</tr>
</tbody>
</table>
Doubled sales in less than 4 years

Organic Growth (OG) (%)  Real Internal Growth (RIG) (%)  Net Sales (INR Bio)

<table>
<thead>
<tr>
<th>Year</th>
<th>OG (%)</th>
<th>RIG (%)</th>
<th>Net Sales (INR Bio)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>23.3</td>
<td>19.8</td>
<td>35.0</td>
</tr>
<tr>
<td>2008</td>
<td>24.2</td>
<td>20.0</td>
<td>43.2</td>
</tr>
<tr>
<td>2009</td>
<td>18.7</td>
<td>16.2</td>
<td>51.3</td>
</tr>
<tr>
<td>2010</td>
<td>16.9</td>
<td>16.9</td>
<td>62.5</td>
</tr>
</tbody>
</table>

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

CAGR 22%
Good domestic performance

Volume (000’ Tons)  Value (INR Bio)

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>341.3</td>
<td>48.0</td>
</tr>
<tr>
<td>2010</td>
<td>401.6</td>
<td>59.0</td>
</tr>
</tbody>
</table>

Exports marginally ↑ due diversion of capacity.

Volume (000’ Tons)  Value (INR Bio)

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>15.9</td>
<td>3.3</td>
</tr>
<tr>
<td>2010</td>
<td>16.3</td>
<td>3.5</td>
</tr>
</tbody>
</table>
Our strong pillars

Contribution to Net Sales

<table>
<thead>
<tr>
<th>% Share</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chocolate &amp; Confectionery</td>
<td>14.5</td>
<td>14.0</td>
</tr>
<tr>
<td>Prepared Dishes &amp; Cooking Aids</td>
<td>27.5</td>
<td>26.0</td>
</tr>
<tr>
<td>Beverages</td>
<td>13.6</td>
<td>14.9</td>
</tr>
<tr>
<td>Milk Products &amp; Nutrition</td>
<td>44.4</td>
<td>45.1</td>
</tr>
</tbody>
</table>
All the pillars grow

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)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>134.1</td>
</tr>
<tr>
<td>2010</td>
<td>144.4</td>
</tr>
</tbody>
</table>

Sales (INR Bio)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>23.1</td>
</tr>
<tr>
<td>2010</td>
<td>27.8</td>
</tr>
</tbody>
</table>

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’

Sales (000’ tons)

Sales (INR Bio)

Market Position (Value)
- No. 1 in Instant Noodles, Sauces & Pasta
- No. 2 in Healthy Soups

Contribution 27.5%
‘Domestic business picks up in second half, exports improves overall performance’

**Sales (000’ tons)**

- 2009: 23.4
- 2010: 26.5

**Sales (INR Bio)**

- 2009: 7.6
- 2010: 8.5

**Market Position (Value)**

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

**Contribution 13.6%**
Chocolate & Confectionery

‘Widespread growth and more price points’

Sales (000’ tons)

- 2009: 44.1
- 2010: 53.5

+21.2%

Sales (INR Bio)

- 2009: 7.2
- 2010: 9.1

+25.7%

Market Position (Value)

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

Contribution 14.5%
Our Cost Structure

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2009</th>
<th>% Net Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>INR Bio</td>
<td>30.6</td>
<td>24.5</td>
<td></td>
</tr>
<tr>
<td>Materials</td>
<td>6.9</td>
<td>8.4</td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>5.0</td>
<td>4.7</td>
<td>4.8</td>
</tr>
<tr>
<td>Distribution</td>
<td>5.0</td>
<td>4.7</td>
<td>4.8</td>
</tr>
<tr>
<td>ASP</td>
<td>3.5</td>
<td>3.1</td>
<td>1.6</td>
</tr>
<tr>
<td>Power &amp; Fuel</td>
<td>2.0</td>
<td>2.2</td>
<td>1.3</td>
</tr>
<tr>
<td>Depreciation</td>
<td>2.2</td>
<td>2.2</td>
<td></td>
</tr>
</tbody>
</table>

One-Off cost
Effective increase 14.0%

Figures have been regrouped / reclassified to make them comparable.

Not to scale
Margins remain within a healthy band

- **2007**: 6.1%
- **2008**: 7.6%
- **2009**: 9.2%
- **2010**: 11.4%

**OPBIT (INR Bio)**

**OPBIT % of Net Sales**
OPBIT Bridge

% & bps are with reference to Net sales
Increased selling prices while retaining growth

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Full Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price increase</td>
<td>2.3</td>
<td>5.3</td>
<td>6.6</td>
<td>7.0</td>
<td>5.4</td>
</tr>
<tr>
<td>RIG</td>
<td>14.3</td>
<td>14.9</td>
<td>19.6</td>
<td>18.7</td>
<td>16.9</td>
</tr>
</tbody>
</table>

Material Cost as % of Net Sales

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>Change bps</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>47.2</td>
<td>49.8</td>
<td>260</td>
</tr>
<tr>
<td></td>
<td>47.6</td>
<td>49.0</td>
<td>140</td>
</tr>
<tr>
<td></td>
<td>47.8</td>
<td>49.1</td>
<td>130</td>
</tr>
<tr>
<td></td>
<td>48.2</td>
<td>47.6</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>47.7</td>
<td>48.9</td>
<td>120</td>
</tr>
</tbody>
</table>

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

Net Profit (INR Bio)

2007: 4.1
2008: 5.3
2009: 6.6
2010: 8.2

% of Net Sales

2007: 11.8
2008: 12.4
2009: 12.8
2010: 13.1

Comes from OPBIT
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

- Employees Cost
- Payables

Comparison:
- 2007: 14.8%
- 2008: 15.5%
- 2009: 18.1%
- 2010: 16.6%

Notes:
# excludes one off inflows. Reported 16.7%
How have we used the cash generated from operations?

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Generated (INR Bio)</th>
<th>(% Cash Retained)</th>
<th>(% Dividends)</th>
<th>(% Fixed Assets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>5.2</td>
<td>32.5</td>
<td>71.7</td>
<td>(4.2)</td>
</tr>
<tr>
<td>2008</td>
<td>7.2</td>
<td>34.9</td>
<td>51.7</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>9.3</td>
<td>27.5</td>
<td>58.5</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>10.4</td>
<td>43.0</td>
<td>52.5</td>
<td></td>
</tr>
</tbody>
</table>
ROIC is 5 times ACC

<table>
<thead>
<tr>
<th>Year</th>
<th>Economic Profit (INR Bio)</th>
<th>Economic Profitability (%)</th>
<th>Return on Invested Capital (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>50</td>
<td>3.3</td>
<td>11.3</td>
</tr>
<tr>
<td>2008</td>
<td>51</td>
<td>4.1</td>
<td>11.6</td>
</tr>
<tr>
<td>2009</td>
<td>49</td>
<td>4.9</td>
<td>12.8</td>
</tr>
<tr>
<td>2010</td>
<td>51</td>
<td>6.2</td>
<td>12.9</td>
</tr>
</tbody>
</table>

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

*Basis Nestlé Internal Reporting Standards*
Retained shareholders wealth increases & ROE % decreases

Average Share Price (INR)

<table>
<thead>
<tr>
<th>Year</th>
<th>Shareholders Fund (INR Bio)</th>
<th>DPS (INR)</th>
<th>EPS (INR)</th>
<th>ROE %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1179</td>
<td>4.2</td>
<td>42.9</td>
<td>33.0</td>
</tr>
<tr>
<td>2008</td>
<td>1544</td>
<td>4.7</td>
<td>55.4</td>
<td>42.5</td>
</tr>
<tr>
<td>2009</td>
<td>1987</td>
<td>5.8</td>
<td>67.9</td>
<td>48.5</td>
</tr>
<tr>
<td>2010</td>
<td>3021</td>
<td></td>
<td>96</td>
<td>84.9</td>
</tr>
</tbody>
</table>
CAPEX on high trajectory

Dep. (INR Bio) 0.64 0.82 1.01 1.19

Commitment 0.7 1.0 0.7 7.7

Capex (INR Bio) 1.7 2.8 2.4 4.5

Capex as % of Net sales 6.5 5.8 5.6 5.4

FA Rotation 7.1

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
(Excise Duty & Service Tax) ~ 50 bps

Positive impact in Direct Taxes ~ 10 bps

Negative impact on PAT ~ 22 bps
Volatility in commodity prices!

March 2011

Indexed with base 1 March 2011
Thank You
Nestlé India's Commodity Basket Price Index

2007 2008 2009 2010

- 100
- 110
- 112
- 123

+12
+11
Impact of price change & Price indices reflect YoY change. Based on production and Internal Accounting Standards.
Fresh Milk Fat prices ↑ 20.1 % over 2009

Indexed with base Q1-07
MSK prices ↑ 12.3 % over 2009

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
Current - Crude Oil Prices [NYMEX]

Mean 2010
79.9 USD/Barrel

Mean 2009
62.1 USD/Barrel

+ 28.6%

New York Mercantile Exchange
Fuel Oils

Share % in total Power & Fuel cost
Furnace Oil ~ 49%
HSD ~ 14%
COFFEE - ARABICA [ICE]
WHEAT - [CBOT]

Chicago Board Of Trade
Fourth Quarter highlights

Oct-Dec 10

- INR 16.7 Bio
- Volumes & Prices: + 23.6%
- + INR 3.2 Bio
- + 510 bps
- + INR 1.3 Bio
- + INR 0.9 Bio

Oct-Dec 09

- INR 13.5 Bio
- Net Sales
- RIG%: 22.5
- OG%: 23.7
- OPBIT: INR 1.7 Bio
- Net Profit: INR 1.1 Bio
- Net Profit: 12.5%

Includes figures from Nestlé Internal Reporting Standards