20th Financial Analysts’ Meet - Gurgaon 30th November 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.
Jan - Sep highlights

**Jan-Sep 2011**

- **Net Sales**: INR 55.4 Bio
- **RIG**: 15.5
- **OG%**: 21.5
- **OPBIT**: INR 10.3 Bio
- **Weighted Volumes & Prices**: 18.6% *
- **Net Profit**: INR 7.3 Bio

**Jan-Sep 2010**

- **Net Sales**: INR 45.8 Bio
- **RIG**: 16.3
- **OG%**: 21.1
- **OPBIT**: INR 8.4 Bio
- **Net Profit**: INR 6.2 Bio

**Third Party Sales**

- **Net Sales**: INR 55.4 Bio
- **RIG**: 15.5
- **OG%**: 21.5
- **OPBIT**: INR 10.3 Bio
- **Net Profit**: INR 7.3 Bio

Includes figures from Nestlé Internal Reporting Standards

* % of Net Sales
Sustained successive quarters of double digit growth and profitability

**NET SALES**

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>16.9</td>
<td>21.3</td>
<td>25.7</td>
<td>23.6</td>
</tr>
<tr>
<td>2010</td>
<td>22.3</td>
<td>20.2</td>
<td>19.9</td>
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<tr>
<td>2011</td>
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% YoY growth

<table>
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<tr>
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<th>16.8</th>
<th>17.6</th>
<th>24.0</th>
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<tbody>
<tr>
<td>51.3</td>
<td>Bio=18.6%</td>
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</table>

% of Net Sales

<table>
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<tr>
<th></th>
<th>22.0</th>
<th>18.6</th>
<th>18.8</th>
<th>12.5</th>
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<tbody>
<tr>
<td>9.2</td>
<td>Bio=17.9%</td>
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</table>

**OPBIT**

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>19.2</td>
<td>17.8</td>
<td>18.3</td>
<td>17.6</td>
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<tr>
<td>2010</td>
<td>19.3</td>
<td>17.4</td>
<td>18.9</td>
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</tr>
<tr>
<td>2011</td>
<td></td>
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</table>

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<thead>
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<th></th>
<th>2.8</th>
<th>2.2</th>
<th>2.4</th>
<th>1.7</th>
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<tbody>
<tr>
<td>51.3</td>
<td>Bio=18.6%</td>
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<td></td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2.8</th>
<th>2.6</th>
<th>3.0</th>
<th>2.9</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.4</td>
<td>Bio=18.2%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>3.5</th>
<th>3.1</th>
<th>3.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.3</td>
<td>Bio=18.6%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Contributors & diluters to Net Sales

Channel mix: 0.7
Product mix: 0.2
Government regulations: 0.1

Price & mix: 5.4
Volume: 5.2

Jan-Sep 10: 45.8
Jan-Sep 11: 55.4

All figures are in INR Bio
Sales growth negatively impacted by...

Impacts computed basis stripping out discontinued/curtailed business from both periods
Figures in boxes represent basis points
Underlying factors of Sales growth

- **Price increase & Sales Mix**
- **Aggregate of Volume growth as reported**
- **Discontinued / curtailed business volumes** *

* Impacts computed basis stripping out discontinued/curtailed business from both periods
Volume, Price & Mix led growth

**Domestic**

Volume (000’ Tons)  
297.8  
326.1  
+9.5%

Value (INR Bio)  
43.0  
52.3  
+21.5%

**Exports**

Volume (000’ Tons)  
12.8  
11.5  
-10.2%

Value (INR Bio)  
2.8  
3.0  
+8.9%
Contribution of Product categories to Net Sales

<table>
<thead>
<tr>
<th>Category</th>
<th>% Share</th>
<th>Jan-Sep 11</th>
<th>Jan-Sep 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milk Products &amp; Nutrition</td>
<td>44.7</td>
<td></td>
<td>45.0</td>
</tr>
<tr>
<td>Prepared Dishes &amp; Cooking Aids</td>
<td>28.5</td>
<td></td>
<td>27.1</td>
</tr>
<tr>
<td>Chocolate &amp; Confectionery</td>
<td>13.9</td>
<td></td>
<td>14.6</td>
</tr>
<tr>
<td>Beverages</td>
<td>12.9</td>
<td></td>
<td>13.3</td>
</tr>
</tbody>
</table>
All Product categories grow

Bubble shows Net Sales (INR Bio)

Jan-Sep 11
Milk Products & Nutrition
‘Weeded out non-strategic part of portfolio’

Sales (000’ tons)
- Jan-Sep 10: 108.9
- Jan-Sep 11: 113.8
  +11.7%
  +4.4%

Sales (INR Bio)
- Jan-Sep 10: 20.6
- Jan-Sep 11: 24.7
  +26.4%
  +19.9%

Market Position (Value)
- No. 1 in Baby Foods & Infant Formula
- No. 1 in Dairy Whitener & Sweetened Condensed Milk

Contribution 44.7%
Prepared Dishes & Cooking Aids

‘Recent gains in market shares’

**Sales (000’ tons)**

- Jan-Sep 10: 140.8
- Jan-Sep 11: 162.4
+15.4%

**Sales (INR Bio)**

- Jan-Sep 10: 12.4
- Jan-Sep 11: 15.8
+27.1%

**Market Position (Value)**

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

**Contribution 28.5%**
Chocolate & Confectionery

‘Capped non-strategic part of portfolio’

Innovation & Renovation

Market Position (Value)
- No. 1 in Wafers and Whites
- Leading player in Éclairs

Sales (000’ tons)
- Jan-Sep 10: 40.7
- Jan-Sep 11: 41.3
  +15.1%

Sales (INR Bio)
- Jan-Sep 10: 6.7
- Jan-Sep 11: 7.7
  +22.9%

Contribution 13.9%
**Beverages**

*Exports depress overall volume growth*

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### Market Position (Value)

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

### Innovation & Renovation

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**Sales (000’ tons)**

<table>
<thead>
<tr>
<th></th>
<th>Jan-Sep 10</th>
<th>Jan-Sep 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>20.1</td>
<td>20.0</td>
</tr>
</tbody>
</table>

-0.5%

**Sales (INR Bio)**

<table>
<thead>
<tr>
<th></th>
<th>Jan-Sep 10</th>
<th>Jan-Sep 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>6.1</td>
<td>7.1</td>
</tr>
</tbody>
</table>

+17.2%

**Contribution 12.9%**
Our Cost Structure

- **Materials**: 49.3% (Jan-Sep 11), 22.6% (Jan-Sep 10)
- **Employees cost**: 7.2% (Jan-Sep 11), 6.9% (Jan-Sep 10)
- **Distribution**: 4.8% (Jan-Sep 11), 4.9% (Jan-Sep 10)
- **A&SP**: 4.2% (Jan-Sep 11), 4.5% (Jan-Sep 10)
- **Power & Fuel**: 3.8% (Jan-Sep 11), 3.5% (Jan-Sep 10)
- **Depreciation**: 2.0% (Jan-Sep 11), 2.0% (Jan-Sep 10)

Facts:
- Figures have been regrouped/reclassified to make them comparable.
- Not to scale.
Margins remain within band
Contributors & diluters to OPBIT%

Sales Mix
- 50

Cost of Materials
- 40
- 30

Employees cost
- 30

Power & Fuel
- 10

Exchange loss
- 30

A&SP
- 40
- 30

Contingencies & Exceptions
- 40

Jan-Sep 2010: 18.4%
Jan-Sep 2011: 18.6%

% & basis points in boxes are with reference to Net sales

*W/o Employees cost
Effective tax rate

2008: Tax Expense (INR Bio) = 2.3, Marginal Tax Rate (%) = 34.0, Effective Tax Rate (%) = 33.4
2009: Tax Expense (INR Bio) = 2.6, Marginal Tax Rate (%) = 33.4, Effective Tax Rate (%) = 33.5
2010: Tax Expense (INR Bio) = 3.3, Marginal Tax Rate (%) = 32.7, Effective Tax Rate (%) = 29.9
Jan-Sep 10: Tax Expense (INR Bio) = 2.4, Marginal Tax Rate (%) = 33.5, Effective Tax Rate (%) = 28.1
Jan-Sep 11: Tax Expense (INR Bio) = 3.1, Marginal Tax Rate (%) = 32.7, Effective Tax Rate (%) = 29.9

Excludes Fringe Benefit & Dividend Distribution Tax

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

Jan-Sep 10

- OPBIT *
  - 15

Jan-Sep 11

- Tax holiday
  - 50

- Marginal Tax rate
  - 15

13.4%

13.2%

* Net of tax

% & basis points in boxes are with reference to Net sales
Earnings Per Share growth over 10 years

CAGR 21.3%

EPS (INR)

2001: 18.0
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
Jan-Sep 10: 63.8
Jan-Sep 11: 75.8

X 2.6
X 4.7
Operating working capital...

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

2008 # | 2009 | 2010 | Jan-Sep 10 | Jan-Sep 11
---|---|---|---|---
15.5 | 18.1 | 16.6 | 16.4 | 16.9
6.7 | 9.3 | 10.4 | 7.5 | 9.4

Operating cash flows (INR Bio) — % of Net Sales

# excludes one off inflows. Reported 16.7%
Utilisation of cash generated / borrowed

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Generated/Borrowed</th>
<th>INR Bio</th>
<th>Jan-Sep 10</th>
<th>Jan-Sep 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>7.2</td>
<td>3.7</td>
<td>2.5</td>
<td>1.0</td>
</tr>
<tr>
<td>2009</td>
<td>9.3</td>
<td>5.4</td>
<td>2.6</td>
<td>1.3</td>
</tr>
<tr>
<td>2010</td>
<td>10.4</td>
<td>4.5</td>
<td>2.9</td>
<td>0.5</td>
</tr>
<tr>
<td>Jan-Sep 10</td>
<td>7.5</td>
<td>2.4</td>
<td>2.2</td>
<td></td>
</tr>
<tr>
<td>Jan-Sep 11</td>
<td>9.4</td>
<td>10.0</td>
<td>2.4</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Legend:
- **Yellow**: Cash retained
- **Pink**: Dividends
- **Teal**: Fixed Assets
ROIC is 4 times ACC

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

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Jan-Sep 10</th>
<th>Jan-Sep 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Profit (INR Bio)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Economic Profitability (%)</td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Return on Invested Capital (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACC %</td>
<td>11.6</td>
<td>12.8</td>
<td>12.9</td>
<td>13.0</td>
<td>12.9</td>
</tr>
<tr>
<td>Risk Free rate %</td>
<td>7.9</td>
<td>8.5</td>
<td>8.0</td>
<td>8.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Group risk</td>
<td>2.5</td>
<td>3.0</td>
<td>3.5</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Premium%</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tbody>
</table>

Basis Nestlé Internal Reporting Standards
### Period end Shareholders fund (INR Bio)

<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>2008</td>
<td>4.7</td>
<td></td>
<td></td>
<td>42.5</td>
</tr>
<tr>
<td>2009</td>
<td>5.8</td>
<td></td>
<td>48.5</td>
<td>67.9</td>
</tr>
<tr>
<td>2010</td>
<td>8.6</td>
<td></td>
<td>48.5</td>
<td>84.9</td>
</tr>
<tr>
<td>Jan-Sep 10</td>
<td>7.9</td>
<td></td>
<td>63.8</td>
<td>67.9</td>
</tr>
<tr>
<td>Jan-Sep 11</td>
<td>14.9</td>
<td></td>
<td>75.8</td>
<td>66</td>
</tr>
</tbody>
</table>

- **Average Share Price (INR):**
  - 2008: 1544
  - 2009: 1987
  - 2010: 3021
  - Jan-Sep 10: 2831
  - Jan-Sep 11: 3953

### Debt : Equity

<table>
<thead>
<tr>
<th>Year</th>
<th>Debt : Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>4.7 : 100</td>
</tr>
<tr>
<td>2009</td>
<td>5.8 : 100</td>
</tr>
<tr>
<td>2010</td>
<td>8.6 : 100</td>
</tr>
<tr>
<td>Jan-Sep 10</td>
<td>7.9 : 100</td>
</tr>
<tr>
<td>Jan-Sep 11</td>
<td>14.9 : 100</td>
</tr>
</tbody>
</table>

- **Average Debt : Equity:** 25 : 75

### ROE decreases as earning retained to finance expansion

- **Average:** 1544 1987 3021 2831 3953

- **Debt:**
  - 2008 : 100
  - 2009 : 0
  - 2010 : 0
  - Jan-Sep 10 : 0
  - Jan-Sep 11 : 0

- **Equity:**
  - 2008 : 100
  - 2009 : 100
  - 2010 : 100
  - Jan-Sep 10 : 100
  - Jan-Sep 11 : 75
CAPEX on high trajectory

FA Rotation  5.8  5.6  5.4  5.8  4.0
Dep.  0.82  1.01  1.19  0.87  1.09

Fixed Assets exclude Intangibles
Capex excludes Capital advances which are shown in commitments
**External Commercial Borrowing (ECB) for CAPEX**

### Financing Cost for USD 85 Mio

- **Gross cost**: 421.5
- **Net cost**: 399.0
- **Annualised Gross Cost**: 368.8
- **Interest cost**: 52.7
- **(22.5)**
- **Jan-Sep 2011**

### Accounting Treatment

- **Cost above benchmark**: 421.5
- **Cost upto benchmark (Per AS 16)**: 295.0
  - **local borrowing cost benchmark**: 73.8
  - **Exchange diff above benchmark**: 52.7
  - **Capitalised (INR 88 mio)**
  - **Expensed off (INR 16 mio)**, after offsetting income earned on ECB ahead of utilisation (INR 22.5 mio)

**INR Mio**

- **Interest cost**:
- **Exchange diff upto benchmark**
- **Exchange diff above benchmark**
- **Earning**
USD:INR Movement

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan-Sep</th>
<th>Oct-Nov</th>
<th>% △ ptp</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>46.0</td>
<td>44.7</td>
<td>2</td>
</tr>
<tr>
<td>2011</td>
<td>45.3</td>
<td>50.0</td>
<td>(16)</td>
</tr>
</tbody>
</table>

△: 0.7
%
1.5
USD/INR – Worst Performer in AxEJ

Source: Bloomberg, Morgan Stanley Research
Nestlé India Limited rankings as given by

<table>
<thead>
<tr>
<th>Total Income</th>
<th>Net Profit</th>
<th>ROCE</th>
<th>Mkt Cap</th>
<th>EPS</th>
<th>Dividend %</th>
<th>Tax paid</th>
<th>Employee number</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>91</td>
<td>1</td>
<td>34</td>
<td>61</td>
<td>26</td>
<td>53</td>
<td>99</td>
</tr>
</tbody>
</table>
Thank You
July - September Quarter highlights

Q3 2011

- INR 19.6 Bio
- RIG: 15.2
- OG%: 20.6
- INR 3.7 Bio
- Weighted Volumes & Prices: 15.2
- OPBIT: + INR 0.7 Bio
- Net Profit: + INR 2.6 Bio

Q3 2010

- INR 16.4 Bio
- RIG: 19.5
- OG%: 26.2
- OPBIT: INR 3.0 Bio
- Net Profit: INR 2.2 Bio

Includes figures from Nestlé Internal Reporting Standards

* % of Net Sales
Key Raw Materials Jan-Sep 11

Impact of price change & Price indices reflect YoY change. Based on production and Internal Accounting Standards.
Fresh Milk Fat prices ↑ 4.4 % over 2010

Indexed with base Q1-08
MSK prices ↑ 27.2 % over 2010

Indexed with base Q1-08
Green Coffee prices ↑ 35.2 % over 2010

Indexed with base Q1-08
Sugar prices ↓ 12.6 % over 2010

Indexed with base Q1-08
Wheat Flour prices ↓ 1.4% over 2010

Indexed with base Q1-08
Palm Oil prices ↑ 40.7 % over 2010

Indexed with base Q1-08
COFFEE - ROBUSTA [LIFFE]

London International Financial Futures Exchange
Bursa Malaysia Derivatives

PALM OIL - [BMD]

Daily Q/FCPOc3
Line, Q/FCPOc3, Last Trade (Last)
18/11/2011, 3,366

06/01/2010 - 10/11/2011 (KUL)
Evolution - Crude Oil Prices [NYMEX]

Current X Jan-Sep 10 77.7 USD/Barrel

Current X Jan-Sep 11 95.5 USD/Barrel

+ 22.9%
Fuel Oils

Share % in total Power & Fuel cost
- Furnace Oil ~ 55%
- HSD ~ 10%

Price - Rs./litr
- Furnace Oil:
  - Jan-Sep 11: 38.6
  - Jan-Sep 10: 30.1
  - Increase: +28.1%
- HSD:
  - Jan-Sep 11: 36.9
  - Jan-Sep 10: 33.8
  - Increase: +8.9%
## Materials Cost as % of Net Sales

<table>
<thead>
<tr>
<th></th>
<th>Q1 10</th>
<th>Q2 10</th>
<th>Q3 10</th>
<th>Q4 10</th>
<th>Q1 11</th>
<th>Q2 11</th>
<th>Q3 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>PY</td>
<td>47.2</td>
<td>47.6</td>
<td>47.8</td>
<td>48.2</td>
<td>49.8</td>
<td>49.03</td>
<td>49.1</td>
</tr>
<tr>
<td>CY</td>
<td>49.8</td>
<td>49.0</td>
<td>49.1</td>
<td>47.6</td>
<td>48.8</td>
<td>49.45</td>
<td>48.2</td>
</tr>
</tbody>
</table>

| Change bps | 260↑  | 140↑  | 130↑  | 60↓   | 100↓  | 42↑   | 90↓   |