Nestlé India Limited

18th Financial Analysts’ Meet

Gurgaon, 24th November 2010
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.
9 months highlights

Jan-Sep 10

- INR 45.8 Bio
- Volumes 16.3\% 21.1\%
- OPBIT + INR 0.9 Bio
- INR 8.4 Bio
- RIG\% OG\% Net Sales + 21.3\% - 140 bps
- INR 4.6 Bio

Includes figures from Nestlé Internal Reporting Standards
3 months highlights

Jul-Sep 10

- INR 16.4 Bio
- Volumes: 19.6
- OG%: 26.2
- OPBIT: INR 3.0 Bio
- Net Profit: INR 2.2 Bio

Volumes & Prices

- INR 3.4 Bio, + 25.7%
- INR 0.6 Bio, -50 bps

Includes figures from Nestlé Internal Reporting Standards
Quarter 3 in line with past trend...

**NET SALES**

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>16.0</td>
<td>16.8</td>
<td>17.6</td>
<td>24.0</td>
</tr>
<tr>
<td>2009</td>
<td>16.9</td>
<td>21.3</td>
<td>25.7</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>16.9</td>
<td>21.3</td>
<td>25.7</td>
<td></td>
</tr>
</tbody>
</table>

**OPBIT**

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>20.2</td>
<td>16.6</td>
<td>16.8</td>
<td>16.9</td>
</tr>
<tr>
<td>2009</td>
<td>22.0</td>
<td>18.6</td>
<td>18.8</td>
<td>12.5</td>
</tr>
<tr>
<td>2010</td>
<td>19.2</td>
<td>17.8</td>
<td>18.3</td>
<td></td>
</tr>
</tbody>
</table>

**% YoY growth**

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>INR Bio</td>
<td>10.9</td>
<td>12.7</td>
<td>14.8</td>
</tr>
<tr>
<td></td>
<td>10.4</td>
<td>12.1</td>
<td>14.7</td>
</tr>
<tr>
<td></td>
<td>11.1</td>
<td>13.0</td>
<td>16.4</td>
</tr>
<tr>
<td></td>
<td>10.9</td>
<td>13.5</td>
<td></td>
</tr>
</tbody>
</table>

**% of Net Sales**

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>INR Bio</td>
<td>2.2</td>
<td>2.8</td>
<td>2.8</td>
</tr>
<tr>
<td></td>
<td>1.7</td>
<td>2.2</td>
<td>2.6</td>
</tr>
<tr>
<td></td>
<td>1.9</td>
<td>2.4</td>
<td>3.0</td>
</tr>
<tr>
<td></td>
<td>1.8</td>
<td>1.7</td>
<td></td>
</tr>
</tbody>
</table>
Healthy growth continues…

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

2007  23.3  19.8  35.0
2008  24.2  20.0  43.2
2009  18.7  16.2  51.3
Jan-Sep 09  17.0  13.6
Jan-Sep 10  21.1  16.3

CAGR +22%

RIG & OG are basis Nestlé Internal Reporting Standards in relation to third party sales only
...based on consistent domestic performance...

Volume (000’ Tons)

Jan-Sep 09: 252.0
Jan-Sep 10: 297.8

Value (INR Bio)

Jan-Sep 09: 35.4
Jan-Sep 10: 43.0

...and recovery in exports.

Volume (000’ Tons)

Jan-Sep 09: 11.4
Jan-Sep 10: 12.8

Value (INR Bio)

Jan-Sep 09: 2.4
Jan-Sep 10: 2.8
Sustained diversified portfolio across categories...

Contribution to Net Sales

% Share

Jan-Sep 10

14.6

Chocolate & Confectionery

27.1

Prepared Dishes & Cooking Aids

13.3

Beverages

45.0

Milk Products & Nutrition

Jan-Sep 09

14.1

25.5

14.1

46.3
....through Billionaire Brands...
A balanced performance

Bubble shows Net Sales (INR Bio)

Jan-Sep 10
Milk Products & Nutrition

‘Phasing out non-strategic products / channels impact growth but improve realisations’

Innovation & Renovation

Sales (000’ tons)

Jan-Sep 09: 101.3
Jan-Sep 10: 108.9

+7.5%

Sales (INR Bio)

Jan-Sep 09: 17.5
Jan-Sep 10: 20.6

+17.9%

Market Position (Value)

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

Contribution 45.0%
Prepared Dishes & Cooking Aids
‘Unfazed by competition’

Innovation & Renovation

Sales (000' tons)

Sales (INR Bio)

Jan-Sep 09  112.9  140.8
Jan-Sep 10  9.6  12.4

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

Contribution 27.1%
Beverages

‘Exports improves overall performance, domestic business picks up in Q3’

Sales (000’ tons)

Sales (INR Bio)

Market Position (Value)
- No. 1 in Instant Coffee
- Very strong presence in Vending

Contribution 13.3%
Chocolate & Confectionery
‘Wide spread growth and I&R focus’

Sales (000’ tons)

<table>
<thead>
<tr>
<th></th>
<th>Jan-Sep 09</th>
<th>Jan-Sep 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>32.8</td>
<td>40.7</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>+24.2%</td>
<td></td>
</tr>
</tbody>
</table>

Sales (INR Bio)

<table>
<thead>
<tr>
<th></th>
<th>Jan-Sep 09</th>
<th>Jan-Sep 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>5.3</td>
<td>6.7</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>+25.8%</td>
<td></td>
</tr>
</tbody>
</table>

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

Contribution 14.6%
Our Cost Structure

![Cost Structure Chart]

- **Materials**: Jan-Sep 2010: 49.2%, Jan-Sep 2009: 47.4%
- **Staff Cost**: Jan-Sep 2010: 6.9%, Jan-Sep 2009: 7.8%
- **Distribution Cost**: Jan-Sep 2010: 2.3%, Jan-Sep 2009: 1.7%
- **Advertisement & Sales Promotion**: Jan-Sep 2010: 4.5%, Jan-Sep 2009: 4.5%
- **Power & Fuel**: Jan-Sep 2010: 3.5%, Jan-Sep 2009: 3.0%
- **Depreciation**: Jan-Sep 2010: 2.0%, Jan-Sep 2009: 0.8%

**Effective Increase**: 22.6%

*Figures have been regrouped / reclassified to make them comparable.*
High commodity prices impact margins... but margins remain healthy and have...
... improved over the quarters...

### OBIT %

<table>
<thead>
<tr>
<th>Year</th>
<th>Qtr 1</th>
<th>Qtr 2</th>
<th>Qtr 3</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>22.0</td>
<td>18.6</td>
<td>18.8</td>
<td>19.8</td>
</tr>
<tr>
<td>2010</td>
<td>19.2</td>
<td>17.8</td>
<td>18.3</td>
<td>18.4</td>
</tr>
</tbody>
</table>

**Change bps**: 280, 80, 50, 140

### Material cost as % of Net Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Qtr 1</th>
<th>Qtr 2</th>
<th>Qtr 3</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>47.2</td>
<td>47.6</td>
<td>47.8</td>
<td>47.5</td>
</tr>
<tr>
<td>2010</td>
<td>49.8</td>
<td>49.0</td>
<td>49.1</td>
<td>49.3</td>
</tr>
</tbody>
</table>

**Change bps**: 260, 140, 130, 180
...margin recovery...
Steady increase in selling prices

- Q1 '10: 16.6%
  - Real Internal Growth (RIG): 14.3%
  - Price Increase: 2.3%
- Q2 '10: 17.3%
  - Real Internal Growth (RIG): 14.9%
  - Price Increase: 5.3%
- Q3 '10: 26.2%
  - Real Internal Growth (RIG): 19.6%
  - Price Increase: 6.6%

Organic Growth (OG)

Basis Nestlé Internal Reporting Standards
Marginal & Effective tax rates move in tandem

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Jan-Sep 09</th>
<th>Jan-Sep 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marginal Tax Rate (%)</td>
<td>33.9</td>
<td>34.0</td>
<td>34.0</td>
<td>34.0</td>
<td>33.5</td>
</tr>
<tr>
<td>Effective Tax Rate (%)</td>
<td>2.1</td>
<td>2.3</td>
<td>2.6</td>
<td>2.2</td>
<td>2.4</td>
</tr>
</tbody>
</table>

Excludes Fringe Benefit & Dividend Distribution Tax
Impact of decline in OPBIT % partially offset by tax

- 2007: 11.8%
- 2008: 12.4%
- 2009: 12.8%
- Jan-Sep 09: 14.3%
- Jan-Sep 10: 13.4%

Net Profit (INR Bio) % of Net Sales
Level impacted by margins but within tolerance

Operating Working Capital = Inventories + Debtors - Trade Payables (excluding Staff Costs, Contingencies, Capex & Taxes)
Sales are on rolling 4 quarters basis and Operating Working capital is average for rolling 4 quarters

*Basis Nestlé Internal Reporting Standards*
Healthy Cash flow....albeit impacted by period end working capital & margins

- Base effect of working capital
- Non cash costs in 09
- Margins

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Cash Flows (INR Bio)</th>
<th>Margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>14.8</td>
<td>5.2</td>
</tr>
<tr>
<td>2008 #</td>
<td>15.5</td>
<td>6.7</td>
</tr>
<tr>
<td>2009</td>
<td>18.1</td>
<td>9.3</td>
</tr>
<tr>
<td>Jan-Sep 09</td>
<td>19.3</td>
<td>7.3</td>
</tr>
<tr>
<td>Jan-Sep 10</td>
<td>16.4</td>
<td>7.5</td>
</tr>
</tbody>
</table>

% of Net Sales

# excludes one off inflows. Reported 16.7%
**ROIC is 5 times ACC**

![Bar chart showing ROIC and ACC percentages for different periods.

<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>3.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>4.1</td>
<td>11.3</td>
<td>11.6</td>
</tr>
<tr>
<td>2009</td>
<td>4.9</td>
<td>12.8</td>
<td>12.9</td>
</tr>
<tr>
<td>Jan-Sep 09</td>
<td>4.1</td>
<td>13.0</td>
<td>13.0</td>
</tr>
<tr>
<td>Jan-Sep 10</td>
<td>4.6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **ACC %**: 11.3, 11.6, 12.8, 12.9, 13.0
- **Risk Free rate %**: 7.7, 7.9, 8.5, 8.5, 8.0
- **Group risk**: 2.5, 2.5, 3.0, 3.0, 3.5

*Basis Nestlé Internal Reporting Standards*
Accretion to shareholders wealth continues, ROE amongst the top albeit ROE % declines...

Average Share Price (INR)

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Share Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>99</td>
</tr>
<tr>
<td>2008</td>
<td>113</td>
</tr>
<tr>
<td>2009</td>
<td>113</td>
</tr>
<tr>
<td>2010</td>
<td>104</td>
</tr>
</tbody>
</table>

Average Share Price (INR) over the years:
- 2007: 99
- 2008: 113
- 2009: 113
- 2010: 104

DPS (INR) and EPS (INR) over the years:
- 2007: DPS 33.0, EPS 42.9
- 2008: DPS 42.5, EPS 55.4
- 2009: DPS 48.5, EPS 67.9
- Jan-Sep 09: DPS 36.0, EPS 56.2
- Jan-Sep 10: DPS 36.0, EPS 63.8

Dividend (INR Bio)
- 2007: 3.2
- 2008: 4.1
- 2009: 4.7
- Jan-Sep 09: 3.5
- Jan-Sep 10: 3.5

2008 figures include special dividend of Rs. 7.5/Share
Jan-Sep includes dividend declared till Oct of each year
Effective CAPEX is up

Commitments 0.8
(INR Bio)

Capex (INR Bio)  Capex as % of Net sales  FA Rotation

Dep.  0.64  0.82  1.01  0.73  0.88
(INR Bio)

Fixed Assets exclude Intangibles
Stepping up CAPEX

- In the last 5 years we have spent INR 9.2 Bio on CAPEX. Averaging at 5.2% of sales.

- Capacity utilization across most plants and products categories are at all time high.

- Expansions at existing manufacturing locations are underway.
Expansion at Samalkha Factory
Expansion at Nanjangud Factory
Expansion at Ponda Factory
Expansion at Bicholim Factory
Stepping up CAPEX

- Greenfield sites are also under consideration.
- CAPEX is planned across product categories. In particular:
  - Prepared Dishes & Cooking Aids
  - Milk Products & Nutrition
  - Chocolate & Confectionery
- CAPEX foreseen on existing & new products spread across Premium, Mainstream & PPP segments.
Stepping up CAPEX

CAPEX foreseen to ‘significantly’ increase in near future...

and is naturally based on the potential growth foreseen in the domestic consumption in India...
Financing CAPEX

Last 5 years the Operating Cash Flows were sufficient to meet CAPEX and maximize Dividends.

All fig.’s % net sales

Operating Cash Flows
Free Cash Flows
Dividend #
CAPEX cash flows
Dividend Tax (DDT) #

2005 2006 2007 2008 2009

# on appropriation basis
**Financing CAPEX**

Last 5 years the average dividend payout has been ~ 98%

One Equity Share = INR 10

<table>
<thead>
<tr>
<th>Year</th>
<th>EPS (INR)</th>
<th>DPS (INR)</th>
<th>Payout Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>32.1</td>
<td>25.0</td>
<td>78</td>
</tr>
<tr>
<td>2006</td>
<td>32.7</td>
<td>25.5</td>
<td>78</td>
</tr>
<tr>
<td>2007</td>
<td>42.9</td>
<td>33.0</td>
<td>77</td>
</tr>
<tr>
<td>2008</td>
<td>55.4</td>
<td>42.5</td>
<td>76</td>
</tr>
<tr>
<td>2009</td>
<td>67.9</td>
<td>48.5</td>
<td>73</td>
</tr>
</tbody>
</table>

**4 yr average Div Payout %**

<table>
<thead>
<tr>
<th>Company</th>
<th>Payout %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nestle India</td>
<td>97</td>
</tr>
<tr>
<td>FMCG 1</td>
<td>94</td>
</tr>
<tr>
<td>2</td>
<td>76</td>
</tr>
<tr>
<td>3</td>
<td>76</td>
</tr>
<tr>
<td>4</td>
<td>66</td>
</tr>
<tr>
<td>5</td>
<td>54</td>
</tr>
<tr>
<td>6</td>
<td>51</td>
</tr>
<tr>
<td>7</td>
<td>42</td>
</tr>
<tr>
<td>8</td>
<td>32</td>
</tr>
<tr>
<td>9</td>
<td>9</td>
</tr>
</tbody>
</table>

*Payout Ratio (Dividend Paid + Dividend Distribution Tax) / PAT less statutory transfer to Reserves*
Financing CAPEX

Our Sales to Net Worth turns are high

Our Reserves & Surplus to Share Capital are low.

Sales to Equity (N.W) Turns

<table>
<thead>
<tr>
<th>Company</th>
<th>Sales to Equity (N.W)</th>
<th>Reserves &amp; Surplus to Share Capital (times)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nestle</td>
<td>8.8</td>
<td>5.0</td>
</tr>
<tr>
<td>FMCG1</td>
<td>6.8</td>
<td>10.8</td>
</tr>
<tr>
<td>FMCG2</td>
<td>3.4</td>
<td>13.4</td>
</tr>
<tr>
<td>FMCG3</td>
<td>1.7</td>
<td>15.5</td>
</tr>
<tr>
<td>FMCG4</td>
<td>2.1</td>
<td>20.5</td>
</tr>
<tr>
<td>FMCG5</td>
<td>6.0</td>
<td>23</td>
</tr>
<tr>
<td>FMCG6</td>
<td>1.3</td>
<td>35.8</td>
</tr>
</tbody>
</table>
Financing CAPEX

Our ROE/ RONW is amongst the highest but we are low in ranking in terms of absolute amount of Net Worth

<table>
<thead>
<tr>
<th>Nestle India - Ranking in India's top 500 companies in 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ranking Criteria</strong></td>
</tr>
<tr>
<td>Total Income</td>
</tr>
<tr>
<td>---------------</td>
</tr>
<tr>
<td>Nestle India</td>
</tr>
</tbody>
</table>

Source - Dunn & Bradstreet's Business Insight Series 2008
Financing Strategy

Nestle India’s Balance Sheet will require ‘Capitalization’ (↑ Net Worth) and ‘Leveraging’ to support the acceleration in CAPEX.
Financing Strategy

Will need a judicious mix of ‘Internal Accruals’ & ‘Debt’.

Following elements will be key to the financing strategy:

• Dividend Payout
• Debt : Equity
• Local and foreign currency debt.
• Credit Ratings.

Nestle India (locally AAA)
Nestle SA (AA)
Conclusions

• Nestle India has doubled turnover in 4 years.
• Operating margins have been healthy.
• 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’
THANK YOU
Nestlé Commodity Basket Price Index
Evolution of Commodity Cost

Bubble size represents the consumption in Jan-Sep 10 (INR Bio)
Impact of price change & Price indices reflect YoY change
Evolution - MSK Prices

Indexed with base Q1-07
Evolution - Green Coffee Prices

Indexed with base Q1-07
Evolution - Sugar Prices

Indexed with base Q1-07
Evolution - Wheat Flour Prices

Indexed with base Q1-07
Evolution - Palm Oil Prices

Indexed with base Q1-07
Evolution - Crude Oil Prices [NYMEX]

Mean Jan-Sep 10: 77.3 USD/Barrel
Mean Jan-Sep 09: 57.0 USD/Barrel

Q3 09: 68.0 USD/Barrel
Q3 10: 76.1 USD/Barrel

+12%
+35.6%
Fuel Oils

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