Nestlé India Limited

Financial Analysts’ Meet

May 17, 2007
Agenda

Opening Remarks                         Martial Rolland

Key Financials                         Shobinder Duggal

Questions & Answers                    All
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 factors such as general economic conditions, availability and prices of commodities, competitive products and pricing pressures and regulatory developments etc.

Responses can only be given to questions, which are not price sensitive.
Opening Remarks
Over to SHD
Snap shot of the quarter

**Q1 07**

**Gross Sales**
- INR 9.0 Bio
- +24.7%

**EBIT**
- INR 1.6 Bio
- +36.2%

**EBIT margin**
- 17.9%
- +150bp

**Q1 06**

**Gross Sales**
- INR 7.2 Bio
- 9.3%

**RIG**
- 12.4%

**OG**
- 16.4%

**EBIT**
- INR 1.2 Bio
- 16.4%

**All calculations are based on non-rounded figures**
Our Business

We manage a diversified food & beverages business addressing different need states having a complex value chain with focus on value drivers to enhance total shareholders return.

We maintain a high standard of Corporate Governance and are a responsible corporate citizen.
Our Structure

A Multi-focal Organization with an agile fleet of businesses

... each one independently strong and flexible, following its own rules to be successful, led by business specific, management and staff.
The Good Food Good Life Portfolio

Convenience, Pleasure, Nutrition, Health, Wellness
Complex Value Chain

Some Examples

Number of Stock Keeping Units 390
Number of Product Recipes 400
Number of Ingredients 330
Number of Packing Materials 800
Number of Quality Tests Performed 190
Driving Total Shareholders Return

The Value Drivers

1. Sales Growth
2. Profit Margin
3. Working Capital Intensity
4. Fixed Capital Intensity
5. Income Tax Rate
6. Cost Of Capital
7. Value Growth Duration
SALES GROWTH (1)
Sales Evolution

Basis Nestle Internal Reporting Standards
Consistently grown over the quarters

Sales in INR Bio

Gross sales including excise duty

Q1-04 Q2-04 Q3-04 Q4-04 Q1-05 Q2-05 Q3-05 Q4-05 Q1-06 Q2-06 Q3-06 Q4-06 Q1-07

6.2 5.4 6.0 6.1 6.6 6.5 6.7 6.7 7.2 7.0 7.5 7.7 9.0
## Channel-wise Sales

<table>
<thead>
<tr>
<th></th>
<th>Volume (000’ Tons)</th>
<th>Value® (INR Bio)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 07</td>
<td>Q1 06</td>
</tr>
<tr>
<td>Domestic</td>
<td>61.9</td>
<td>53.4</td>
</tr>
<tr>
<td>Exports</td>
<td>4.7</td>
<td>3.4</td>
</tr>
<tr>
<td>Total</td>
<td>66.6</td>
<td>56.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Domestic Contr. %</th>
<th>Exports Contr. %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>93.0</td>
<td>7.0</td>
</tr>
<tr>
<td></td>
<td>93.9</td>
<td>6.1</td>
</tr>
<tr>
<td></td>
<td>(0.9)</td>
<td>0.9</td>
</tr>
<tr>
<td></td>
<td>90.4%</td>
<td>9.6%</td>
</tr>
<tr>
<td></td>
<td>93.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td></td>
<td>(2.6)</td>
<td>2.6</td>
</tr>
</tbody>
</table>

# Net Domestic Sales up 24.3%

© Gross Sales including excise duty

All calculations are based on non-rounded figures
Balancing Export Portfolio

<table>
<thead>
<tr>
<th>Year</th>
<th>INR Bio</th>
<th>Contr. (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>2.4</td>
<td>72%</td>
</tr>
<tr>
<td>2003</td>
<td>2.6</td>
<td>67%</td>
</tr>
<tr>
<td>2004</td>
<td>2.4</td>
<td>48%</td>
</tr>
<tr>
<td>2005</td>
<td>2.6</td>
<td>44%</td>
</tr>
<tr>
<td>2006</td>
<td>2.8</td>
<td>32%</td>
</tr>
<tr>
<td>2007</td>
<td>0.5</td>
<td>65%</td>
</tr>
<tr>
<td>2008</td>
<td>0.9</td>
<td>29%</td>
</tr>
</tbody>
</table>

- Exports to Russia
- Others
A Balanced Product Portfolio

Q1 07
- Milk Products and Nutrition: 3,801 (42.3%)
- Beverages: 1,495 (16.6%)
- Prepared Dishes and Cooking Aids: 1,798 (20.0%)
- Chocolate and Confectionery: 1,900 (21.1%)

Q1 06
- Milk Products and Nutrition: 3,193 (44.3%)
- Beverages: 1,226 (17.0%)
- Prepared Dishes and Cooking Aids: 1,320 (18.3%)
- Chocolate and Confectionery: 1,472 (20.4%)

Gross Sales including excise duty

UNLEASHING 100% POTENTIAL
Product Categories: Jan - Mar 2007

- **Milk Products & Nutrition**: 3.8%
- **Chocolate & Confectionery**: 1.5%
- **Beverages**: 1.9%
- **Total**: 9.0%
- **Prepared Dishes & Cooking Aids**: 1.8%

Bubble size represents Gross Sales (INR Bio)
Milk Products & Nutrition

- Market Leader in Baby Foods and Sweetened Condensed Milk
- Very close to market leader in Infant Formula
- No. 2 in Dairy Whitener
- Growing presence in Fresh Dairy

**Sales Volume (000’ tons)**

- Q1 06: 26.0
- Q1 07: 28.1

- Increase: 8.0%

**Sales (INR Bio)**

- Q1 06: 3.2
- Q1 07: 3.8

- Increase: 19.0%

**Contribution to Total Sales**

- Q1 07:
  - 16.6
  - 20.0
  - 21.1
  - 42.3

- 100% Potential
Beverages

- Market Leader in Instant Coffee

Sales Volume (000’ tons)

- Q1 06: 5.5
- Q1 07: 6.5

△ 16.8%

Sales (INR Bio)

- Q1 06: 1.5
- Q1 07: 1.9

△ 29.1%

Contribution to Total Sales

- Q1 06: 16.6
- Q1 07: 20.0
- Q1 07: 21.1
- Q1 07: 42.3

Market Leader in Instant Coffee
Prepared Dishes & Cooking Aids

- Market Leader in instant Noodles and Ketchups
- No. 2 in Healthy Soups

Sales Volume (000’ tons)

- Q1 06: 16.9
- Q1 07: 22.5 (△ 33.1%)

Sales (INR Bio)

- Q1 06: 1.3
- Q1 07: 1.8 (△ 36.3%)

Contribution to Total Sales

- Q1 07:
  - 16.6
  - 21.1
  - 20.0
  - 42.3

Prepared Dishes & Cooking Aids

• Market Leader in instant Noodles and Ketchups
• No. 2 in Healthy Soups
Chocolate & Confectionery

- Market Leader in Wafers and white chocolates
- No. 2 in Chocolates
- Market Leader in Eclairs with 32.4% volume share.

Sales Volumes (000' tons)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Sales Volumes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 06</td>
<td>8.3</td>
</tr>
<tr>
<td>Q1 07</td>
<td>9.5</td>
</tr>
</tbody>
</table>

Sales (INR Bio)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Sales (INR Bio)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 06</td>
<td>1.2</td>
</tr>
<tr>
<td>Q1 07</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Contribution to Total Sales

- Q1 07: 16.6%
- Q1 06: 20.0%
- Total: 42.3%

• Market Leader in Wafers and white chocolates
• No. 2 in Chocolates
• Market Leader in Eclairs with 32.4% volume share.
PROFIT MARGINS (2)
Evolution of Operating Margins

EBITD-INR.Bio  EBIT-INR.Bio  EBITD % of Gross Sales  EBIT % of Gross Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITD-INR.Bio</th>
<th>EBIT-INR.Bio</th>
<th>EBITD % of Gross Sales</th>
<th>EBIT % of Gross Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>4.0</td>
<td>3.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>4.4</td>
<td>3.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>4.5</td>
<td>4.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>5.2</td>
<td>4.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>5.4</td>
<td>4.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1 06</td>
<td>1.4</td>
<td>1.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1 07</td>
<td>1.8</td>
<td>1.6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Total Expenditure

INR Mio.

<table>
<thead>
<tr>
<th>Description</th>
<th>Q1 07</th>
<th>% Net Sales</th>
<th>Q1 06</th>
<th>% Net Sales</th>
<th>Var. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tot. Expenses - of which</td>
<td>6,843</td>
<td>79.3</td>
<td>5,421</td>
<td>80.2</td>
<td>26.2</td>
</tr>
<tr>
<td>Materials</td>
<td>4,149</td>
<td>48.1</td>
<td>3,098</td>
<td>45.8</td>
<td>33.9</td>
</tr>
<tr>
<td>Staff Cost</td>
<td>646</td>
<td>7.5</td>
<td>543</td>
<td>8.0</td>
<td>19.0</td>
</tr>
<tr>
<td>Advt. + sales Promotion</td>
<td>399</td>
<td>4.6</td>
<td>391</td>
<td>5.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Distribution</td>
<td>385</td>
<td>4.5</td>
<td>306</td>
<td>4.5</td>
<td>25.6</td>
</tr>
<tr>
<td>Power &amp; Fuel</td>
<td>313</td>
<td>3.6</td>
<td>279</td>
<td>4.1</td>
<td>12.1</td>
</tr>
</tbody>
</table>

Previous period figures have been regrouped / reclassified to make them comparable.
Evolution - Milk Fat Prices

Indexed price Per Kg

Indexed with base Q1-04

Unleashing 100% Potential
Evolution - Milk Fat Prices

Indexed Price per kg

Indexed with base Q1-04
Evolution - Green Coffee Prices

Indexed price per KG

Current

Period

Indexed with base Q1-04
Evolution - HVF Prices

Indexed price per KG

Indexed with base Q1-04

Current

Period

Q1
Q2
Q3
Q4

2004
2005
2006
2007

108
106
102
103
98
90
87
94
88
90
100
110

(329 mio, 12% of RM costs, 5% of Net Sales)
Evolution - Sugar Prices

Indexed price per KG

Period

Q1  Q2  Q3  Q4

Indexed with base Q1-04

Current

2004  2005  2006  2007

(329 mio, 12% of RM costs, 5% of Net Sales)
Evolution - Wheat Flour Prices

Indexed price per KG

Period

Q1  Q2  Q3  Q4

Indexed with base Q1-04

Current

127

2004 2005 2006 2007
WORKING CAPITAL INTENSITY (3)
## Operating Working Capital

<table>
<thead>
<tr>
<th></th>
<th>31st Mar 2007</th>
<th>31st Mar 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables from Customers</td>
<td>686</td>
<td>462</td>
</tr>
<tr>
<td>Inventories</td>
<td>4,094</td>
<td>3,163</td>
</tr>
<tr>
<td>Less: Payables</td>
<td>2,424</td>
<td>1,934</td>
</tr>
<tr>
<td>Operating Capital tied up</td>
<td>2,356</td>
<td>1,691</td>
</tr>
<tr>
<td>As % of Gross Sales</td>
<td>6.5%</td>
<td>5.8%</td>
</tr>
</tbody>
</table>

Payables exclude amounts payable on account of taxes, Staff Costs, Capital Expenditure, related provisions etc.

Basis Nestle Internal Reporting Standards
Rotation of Average Operating Working Capital

Times

2002 2003 2004 2005 2006 Q1 06 Q1 07

21.8 25.2 27.7 34.8 36.2

Adjusted

28.0 29.5

23.5 21.4

21.8

Basis Nestle Internal Reporting Standards and average of two period ends
INR mio.

2002 | 2003 | 2004 | 2005 | 2006
---|---|---|---|---
596 | 681 | 742 | 781 | 1,522

% of Gross sales

2002 | 2003 | 2004 | 2005 | 2006 | Q1 06 | Q1 07
---|---|---|---|---|---|---
2.9 | 3.0 | 3.1 | 3.0 | 5.2 | 3.6 | 1.7

Investment in Fixed Assets

Dep. 494 463 491 498 555 131 153
Rotation of Average Tangible Fixed Assets

Times

2002 2003 2004 2005 2006 Q1 06 Q1 07

Basis Nestle Internal Reporting Standards
INCOME TAX RATE (5)
Evolution of Tax Rate

Marginal Rate %

Effective Rate %

(rates are a % of pre-tax profit excluding FBT)
COST OF CAPITAL (6)
Evolution - Cost of Capital

- **WACC**
- **Risk Free Rate**

<table>
<thead>
<tr>
<th>Year</th>
<th>WACC</th>
<th>Risk Free Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>14.2</td>
<td>9.0</td>
</tr>
<tr>
<td>2003</td>
<td>10.5</td>
<td>7.2</td>
</tr>
<tr>
<td>2004</td>
<td>9.4</td>
<td>5.3</td>
</tr>
<tr>
<td>2005</td>
<td>9.7</td>
<td>6.6</td>
</tr>
<tr>
<td>2006</td>
<td>10.8</td>
<td>7.2</td>
</tr>
<tr>
<td>Q1 06</td>
<td>10.8</td>
<td>7.2</td>
</tr>
<tr>
<td>Q1 07</td>
<td>11.2</td>
<td>7.7</td>
</tr>
</tbody>
</table>

Basis Nestle Internal Reporting Standards
VALUE GROWTH DURATION (7)
- TSR of 94% over the last 13 quarters.

- Market Capitalization increased by 75% over last 13 quarters - INR 63 Bio. to INR 110 Bio.

- Top performer on Return on Capital employed

- Amongst top performers on Return on Equity
Performance since last Analyst Meet

- Nestle
- BSE FMCG Index
- BSE SENSEX

<table>
<thead>
<tr>
<th>Month</th>
<th>Nestle</th>
<th>BSE FMCG Index</th>
<th>BSE SENSEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-06</td>
<td>100</td>
<td>90</td>
<td>85</td>
</tr>
<tr>
<td>Jan-07</td>
<td>95</td>
<td>80</td>
<td>75</td>
</tr>
<tr>
<td>Feb-07</td>
<td>105</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Mar-07</td>
<td>100</td>
<td>95</td>
<td>90</td>
</tr>
<tr>
<td>Apr-07</td>
<td>120</td>
<td>115</td>
<td>110</td>
</tr>
<tr>
<td>May-07</td>
<td>141</td>
<td>130</td>
<td>125</td>
</tr>
</tbody>
</table>

Data points:
- 14,127
- 1,124
- 1,839
- 1,424
Returning cash to Shareholders

- Dividends in INR (Billion):
  - 2002: 18.0
  - 2003: 20.0
  - 2004: 20.0
  - 2005: 25.0
  - 2006: 25.5

- Dividends as a % of Share Capital:
  - 2006 1st interim 60% May 06
  - 2007 1st interim 65% Mar 07

2004 - Excludes special dividend of INR 4.5 / Share
Creating Shareholder Wealth

- Economic Profit INR Bio
- Return on Equity (%)
- Economic Profitability (%)

EP - Basis Nestle Internal Reporting Standards
QUESTIONS

Thank You