Nestlé in India: Winning in the New Reality

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Agenda

1. Introducing Nestlé India
2. Winning in The New Reality
3. Performance
Nestlé India part of India Inc.

- Nestlé India is a public listed company
- Nestlé SA holds 62.76% share
- Market Capitalization INR 402 bn (7.1 bn CHF)

Balanced Portfolio with Leading Brands

2011 Nestlé India:
Sales of INR 74.9 bn*
8% of Zone AOA Sales

*Exchange rate (Avg.2011): 1 CHF = INR 52.59
The Multi-faceted Opportunity & Demographic Dividend

Young Population an Asset
• 54% population below 24 years
• Net growth +1.3% p.a.

Increasing Awareness & Digitalization
• 900 million mobiles
• 84% reach of TV in Urban
• 125 million internet users

Urban-Rural Tiers
• 69% population is Rural
• 53 cities with 1 million+,
  8 cities with 5 million+
  population

GDP Growth and the New Reality
GDP per capita $1500+
Consumer Confidence Index 119 (-4)

The New Reality
Inflation, rising commodity costs & weakened Rupee

Inflation Trends

Nestlé India Commodity Basket

(Price Index)

USD : INR
Average Exchange Rate

Closing Exchange Rate at 30Jun2012 1USD = 56.21 INR
The Multi-tier Income Pyramid offers scope across Premium, Mainstream, PPP

Population distribution

<table>
<thead>
<tr>
<th>CONSUMER BASE</th>
<th>2005</th>
<th>2015</th>
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</thead>
<tbody>
<tr>
<td>Global India</td>
<td></td>
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<tr>
<td>Seeking &amp; Striving</td>
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<tr>
<td>Aspiring India</td>
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<tr>
<td>Deprived India</td>
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</table>

Source: NCAER, Projections

Income pyramid will move from a triangle to a diamond...
...generating additional genuine inclusive growth...
...equally distributed across income tiers

The Double Burden
Micronutrient deficiencies and health issues

Micronutrient deficiencies

- Iron
  - 60 million children under 3 years
  - 90 million urban Women

- Vitamin A
  - 95 million children under 6 years

- Iodine
  - 7 million children born p.a. unprotected from mental impairment

Health issues

- Overweight
  - 60 million overweight/ obese (BMI>25)

- Diabetes
  - From 50 million to 80 million diabetics in India by 2030

- Heart health
  - 30 million Coronary Heart Disease
  - 120 million hypertension, 60% of cardiac patients in the world are Indians
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The Nestlé Strategic Roadmap to Win in The New Reality
Our Overall Strategy

OUR STRATEGY

> We will accelerate penetration AND increase frequency AND develop winning concepts

> We will focus on both growth AND margins

PENETRATION (sell same to new)

FREQUENCY (sell more to same)

NEW PRODUCTS & BUSINESS (sell new to same & sell new to new)

* does not include new opportunities

Value Creation with a Multi-tier portfolio

Emerging markets and Popularly Positioned Products

Premiumisation

Premium

Mainstream

PPP
Driving Nutrition, Health and Wellness

Engagement with Consumers

Out of Home Opportunities abound

Driving Vending

NESCAFE Corners

Building Food

Channels

Out of-hand consumption
Winning with Distribution and Route to Market

Distribution Reach - Million Outlets

General Trade & Organized Trade

Whenever, wherever, however

Milk Products & Nutrition
Enhancing the Quality of life and Delighting consumers, building on the goodness of milk

Market Position

- No. 1 in Dairy Whitener
- No. 1 in Baby Food
- No. 1 in Infant Formula

Enhancing the Quality of life

Delighting consumers

Health Care Nutrition
Maternal Nutrition

Tea Creaming
### Prepared Dishes & Cooking Aids

**Tasty & Balanced food everyday**

**Market Position**
- No. 1 in Instant Noodles, Sauces & Pasta
- No. 2 in Soups

**Retail and Brand Activation**

**Noodles/ Light Meals**
- Fortification/ Goodness of grains

**Among Top 10 Most Trusted Brands in India**

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### Beverages

**Value Leadership in Instant Coffee & Building the new category of Iced Tea**

**Market Position**
- No. 1 in Instant Coffee
- Strong presence in Vending
- Leading Iced Tea Innovation

**1.5 Million NESCAFÉ Facebook Fans**

**Driving NESCAFÉ**

**Building a new category**
Confectionery
Delight in every bite – meeting consumer needs for pleasure

Market Position
• No. 1 in Wafers & Whites

Innovation

Winning at point of purchase

Impactful Communication

Global R&D center in India strategically placed to leverage local insight and global technology

Popularly Positioned Products

Indian Cuisine Mastership

Noodle Technology

Localized Cereals/ Chocolates

Unmatched research & development capability
Developing Moga milk district

- Nestlé quality collection centers
- Milk Chillers installed at the villages
- Transparency in rates
- Regular payments to ~50,000 farmers
- Better quality & better price for both the farmer & Nestlé

1+ million liters/day !
Win Win Model !

Creating Shared Value

**Nutrition**

- Nestlé Healthy Kids Programme
  - In collaboration with Universities

- Nestlé Healthy Kids for Delhi
  - Health Camp: Micronutrient awareness
    - In collaboration with Drishtee Foundation

**Water**

- Clean Drinking Water Projects
  - Access to clean drinking water in village schools across factories
- Water Awareness Programme
  - Creating awareness among village school students
- International Water management Institute
  - Study on the water footprint of Milk, rice and wheat in the Moga region
  - Water Awareness Programme for milk farmers

**Rural Development**

- Milk Farmers
  - Technical assistance and training to farmers
  - Village Women Dairy Development Programme
- Chicory farmers
  - Training, improve chicory quality and productivity
- The NESCAFÉ Plan
  - Launched on 5th Jan 2012
- Sanitation facilities
  - Sanitation projects benefitting girl students
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Nestlé India doubled sales in the last 4 years

- Doubled sales in the last 4 years
- Operating Profit 18.5% in 2011
- ROIC 50% in 2011
- 500 million CHF Capex in 2010-12
- Healthy working capital 4.7% in 2011
Low & further improving operating working capital

Basis Nestlé Internal Reporting Standards

Nestlé India earnings per share multiplied 5.5 times in 10 years

Nestlé India Share Price Movement

Nestlé India Share Price CAGR 38% (BSE SENSEX CAGR 4%)
Nestlé India ranks among the top companies in India
Dun & Bradstreet Business Insight 2011

<table>
<thead>
<tr>
<th>Rank among Top 500 companies across industries</th>
<th>Total Income</th>
<th>Net Profit</th>
<th>Market Cap</th>
<th>RONW</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>97</td>
<td>90</td>
<td>43</td>
<td>1</td>
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</table>

RONW: Return on Net Worth or Return on average equity is computed as follows

\[
\text{NET PROFIT FOR THE YEAR} / \text{AVERAGE OF OPENING AND CLOSING SHAREHOLDER FUNDS FOR THE YEAR}
\]

Nestlé India continues to unlock opportunities and invest for the future

• Strong profitable growth
• Taking into account the new reality
• Investing for the future
• Well poised to capture the opportunities

Good Food
Good Life