Nestlé in India: Winning in the New Reality

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Disclaimer

This presentation contains forward looking statements which reflect Management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.
Agenda

1. Introducing Nestlé India

2. Winning in The New Reality

3. Performance
South Asia is a large, diverse and complex region

- Huge diversity (literacy, urbanisation, wealth, climate, languages…)
- Growth driven market but volatility & macro-economic concerns recently
- India accounts for 85% of South Asia’s population

**SAR**
Population: 1.42 bn
20% of world population
(33% of world poor)
Area: 3.7 million km²
Literacy 74%
Rural 73%
GDP USD 1,990 bn
2% of world GDP
GDP USD 1,400 p.c.

**INDIA**
Population: 1,210 million
GDP USD 1,800 bn
GDP USD 1,522 p.c.

**NEPAL**
Population: 30 million
GDP USD 19 bn
GDP USD 622 p.c.

**BHUTAN**
Population: 1 million
GDP USD 1 bn
GDP USD 2,076 p.c.

**BANGLADESH**
Population: 161 million
GDP USD 113 bn
GDP USD 701 p.c.

**MALDIVES**
Population: 0.4 million
GDP USD 2 bn
GDP USD 4,928 p.c.

**SRI LANKA**
Population: 21 million
GDP USD 59 bn
GDP USD 2,751 p.c.
Nestlé India part of India Inc.

- Nestlé India is a public listed company
- Nestlé SA holds 62.76% share
- Market capitalisation INR 402 bn (CHF 7.1 bn)
Balanced portfolio with leading brands

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

*Exchange rate (Avg.2011): CHF 1 = 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 & digitalisation
- 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+

GDP Growth and the New Reality
- GDP per capita USD 1,500+
- Consumer Confidence Index 119 (-4)

<table>
<thead>
<tr>
<th>Year</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>9.5</td>
</tr>
<tr>
<td>2008</td>
<td>7.4</td>
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<tr>
<td>2009</td>
<td>7.7</td>
</tr>
<tr>
<td>2010</td>
<td>8.5</td>
</tr>
<tr>
<td>2011</td>
<td>7.1</td>
</tr>
<tr>
<td>YTD 2012</td>
<td>5.4</td>
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</tbody>
</table>
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 30/Jun/2012 USD 1 = INR 56.21
The multi-tier income pyramid offers scope across premium, mainstream, PPP

Population distribution

- Global India
- Seeking & striving India
- Aspiring India
- Deprived India

2005
2015

Source: NCAER, Projections

Income distribution

2005
2015

- Global India
- Seeking & striving India
- Aspiring India
- Deprived India

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

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

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
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The Nestlé Strategic Roadmap to Win in The New Reality

Our objective is to be the recognised and trusted leader in Nutrition, Health and Wellness, and the industry reference for financial performance.
Our overall strategy

OUR STRATEGY

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

> We will focus on both growth AND margins

* does not include new opportunities

SOURCES OF SALES GROWTH

PENETRATION
(sell same to new)

FREQUENCY
(sell more to same)

NEW PRODUCTS & BUSINESS
(sell new to same & sell new to new)
Value creation with a multi-tier portfolio

- Premium
- Mainstream
- PPP

Emerging markets and Popularly Positioned Products

Premiumisation
Driving Nutrition, Health and Wellness

Engagement with consumers
Out-of-home opportunities abound

Driving Vending

NESCAFÉ Corners

Building Food

Channels

Out-of-home consumption
Winning with distribution and route to market

Distribution reach - Million outlets

<table>
<thead>
<tr>
<th>Year</th>
<th>Outlets</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>2.8</td>
<td>+290K</td>
</tr>
<tr>
<td>2010</td>
<td>3.2</td>
<td>+380K</td>
</tr>
<tr>
<td>2011</td>
<td>3.7</td>
<td>+490K</td>
</tr>
</tbody>
</table>

General trade & Organised 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

Tea Creaming

Delighting consumers

Health Care Nutrition
Maternal Nutrition
Prepared Dishes & Cooking Aids
Tasty & balanced food everyday

Market position
- No. 1 in instant noodles, sauces & pasta
- No. 2 in soups

Noodles/ light meals
Fortification/ goodness of grains

Retail and brand activation

Among top 10 most trusted brands in India

Source: Economic Times, 2011
MAGGI
MASALA-E-MAGIC
Beverages
Value leadership in Instant Coffee & building the new category of Ice Tea

Market position
- No. 1 in Instant Coffee
- Strong presence in Vending
- Leading Ice 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

Winning at point of purchase

Innovation

Impactful communication
Global R&D centre in India strategically placed to leverage local insight and global technology

Popularly Positioned Products

Indian cuisine mastership

Noodle technology

Localised cereals/ chocolates

Unmatched research & development capability
Goal alignment and people engagement

- Goal alignment and people engagement
- Instill the “Desire to Win”
- Healthy industrial relations
- War for talent
- Leadership development

No. of Employees

Dec-09 Dec-10 Dec-11 Jun-12
4980 5570 6630 6960

People, culture, values & attitude
Developing Moga milk district

- Nestlé quality collection centres
- 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 SAR 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

Sales Growth - India

Index

2011 Sales = INR 74.9 bn
CAGR 2007-2011 = 20.9%

Exchange Rate (Avg 2011) CHF 1 = INR 52.59
Low & further improving operating working capital

<table>
<thead>
<tr>
<th>Year</th>
<th>TNWC as % of sales (indexed 2007 = 100)</th>
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<tbody>
<tr>
<td>2007</td>
<td>Basis Nestlé Internal Reporting Standards</td>
</tr>
<tr>
<td>2008</td>
<td></td>
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<td>2009</td>
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<td>2010</td>
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<td>2011</td>
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Nestlé India earnings per share multiplied 5.5 times in 10 years

Nestlé India EPS

<table>
<thead>
<tr>
<th>Year</th>
<th>EPS (INR)</th>
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<tbody>
<tr>
<td>2001</td>
<td>18</td>
</tr>
<tr>
<td>2002</td>
<td>20.9</td>
</tr>
<tr>
<td>2003</td>
<td>27.3</td>
</tr>
<tr>
<td>2004</td>
<td>26.1</td>
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<td>2005</td>
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<td>2006</td>
<td>32.7</td>
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<tr>
<td>2007</td>
<td>42.9</td>
</tr>
<tr>
<td>2008</td>
<td>55.4</td>
</tr>
<tr>
<td>2009</td>
<td>67.9</td>
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<tr>
<td>2010</td>
<td>84.9</td>
</tr>
<tr>
<td>2011</td>
<td>99.7</td>
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CAGR 18.7%

Nestlé India Share Price Movement

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<tr>
<th>Year</th>
<th>INR per Share</th>
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<tbody>
<tr>
<td>2001</td>
<td>18</td>
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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>
</tr>
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</table>

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

NET PROFIT FOR THE YEAR / 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