



Good Food, Good Life

Nestlé India Limited • Annual Report 2013





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Our Mission of 'Good Food, Good Life'
is to provide Consumers with the best tasting,
most nutritious choices in a wide range of
food and beverage categories and eating occasions
from morning to night.

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Dear Shareholders

Recent years have been very eventful both in India and across the world. The rapid and unexpected economic and social changes are shaping the future differently from what many in the world had taken for granted. This is particularly true for India which was expected to be one of the key growth engines for the global economy. The fact that growth in India slowed down is disappointing but we believe that this is temporary. India has the potential to spring back.

India is a unique country that has continuously evolved over the years, blending its traditional knowledge and values with the new modernity. If there have been same pitfalls, we have also seen many solutions that worked. India has people with aspirations who continue to push boundaries and the economy continues to grow even if slower than expected. In this New Reality that is

characterized by political and economic uncertainty, volatility, and ambiguity we need to carefully evaluate the changing context and have the capability to chart our course. The transformation that is taking place promises to be a complex process and may continue to disrupt short term plans, making it even more necessary to keep the long term vision in sight.

Good Food, Good Life

'Good Food, Good Life' is our mission and we have constantly observed and researched the role food has played in the life of the consumer. The history of food has been dynamic. Globally, food has moved up from being just a necessity for survival to something that provides convenience, health and wellness and pleasure, and brings families together. Look at India. Food and happiness are interlinked and it has a wealth of traditional foods



and cuisine that are at the heart of all Indian festivals. In India you will see that food plays different roles across income segments and across geographies. Nutritional awareness is improving but still very low. The problem of affordability and indulgence co-exist, and with changing lifestyles the double burden of nutrition is kicking-in and there is a tendency to categorize foods as good foods and bad foods. However, there is a lot of mis-information and lack of awareness. The reasons for the double burden are multifactorial, rather than a food issue. When our lifestyles change, we need foods that enable us to live that lifestyle and provide Nutrition, Health and Wellness as well. Each food has a role to play and responsible pleasure is part of a balanced lifestyle.

Travel across the income pyramid, through cities, to towns and into remote villages and it becomes



clear that not everyone has the same access to nutritious or quality food. Therefore, our efforts and processes are focused on developing insights and then leveraging our access to extensive R&D to innovate and renovate and develop high quality products that can consistently complement the consumers.

Nutrition Security

The core of Nestlé is its vision to provide families with taste and nutrition and over the years we have focused on providing quality options that help them cope with their emerging lifestyles. While

there is increasing understanding today that a nation's economic health is linked to the health of its population and the need to find solutions, Nestlé has already been spending around CHF 1.5 billions globally every year on nutrition research to tackle the challenge.

Let us look at India again. The diet of women in Indian families is still not a priority except in a few progressive families. Almost 55% of urban women in India suffer from micronutrient deficiencies. More than 75% of pre-school children suffer from micronutrient deficiencies and over 50% mortality amongst children is attributed to malnutrition. The implications are clear. Unless there is a greater awakening to these issues the productivity of our people will continue to be lower, quality of life will be poorer, medical costs will be higher and India will continue to under-perform to its potential. We believe it is critical to raise the nutritional security of the women in India.

Nutrition in First 1000 days and Micronutrient Deficiency

One of the root causes of diseases appear to be linked to malnutrition during early childhood and pregnancy. More and more evidence indicates that first 1000 days of life from pregnancy through 2 years of age set the blueprint for health throughout life. The scientific community today agrees that if you take care of the nutrition of the women you are actually providing nutritional security to a generation. Unfortunately, this does not happen over-night and there are millions of



people who are still living with incomplete and unhealthy diets. They may need products fortified

with micronutrients that are not only affordable but also tasty because people drive their eating habits through taste.

Our efforts, therefore, have been to combine convenience with nutrition in products of daily consumption and has two approaches. The first one is to leverage insights and R&D expertise to develop high quality food products that straddle the income pyramid and provide solutions even to consumer needs at the lower income levels such as MAGGI Masala-ae-Magic, affordable taste enhancer fortified with Iron, Iodine and Vitamin A. The other is to promote balanced nutritional diets through our products as well as non-commercial initiatives that increase awareness about the benefits of breast feeding, helping students in village schools understand the basics of nutrition, good health and balanced diets from locally available foods through the Nestlé Healthy Kids Programme, and ensuring continuing discussions with the healthcare professionals and the scientific community on the latest developments.

Developing Supply Chain of High Quality Raw Materials

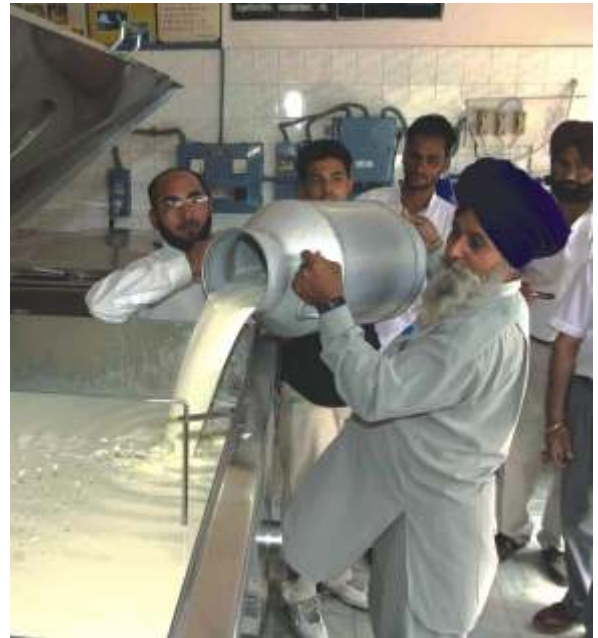
Our ability to continue growing has another dimension to it as well. To be able to provide high



quality products we need high quality raw

materials as well and in a sustainable manner. Though developing a strong supply chain for high quality raw materials requires heavy and continuing investments, it is essential for good business and the benefits are very significant for the communities.

The dairy industry has the potential to become a



very important backbone for the economy and we are proud of the work that we have done in developing Moga as the hub for high quality milk. With the dedicated work that our extension services teams are doing in Moga, the average productivity there is almost 4-5 times the average productivity in the country. Unfortunately it is still much below the global dairy industry. Therefore, while continuing to work with small farmers to make dairying a sustainable business opportunity for them, we are also helping farmers transition to larger farms with more cattle, improved genetics, modern facilities, mechanization and transfer of knowledge and technology for better feed and upkeep of animals. The effort is to improve the economics of the dairy business and improve productivity for the farmers.

This is not limited to dairy alone. We are similarly making investments in coffee farming in the south of India, as well as chicory farming in the north and west regions of India. With unwavering focus

over the years our team of agronomists and veterinarians has provided free training and technical assistance to dairy farmers, coffee farmers and chicory farmers. Today we touch around 200,000 farmers which would mean that our extension services will rank amongst the larger ones by any private company. Our focus on developing reliable supplies and good quality raw materials is a strong multiplier for rural development and is helping the communities to prosper.

However, if we are to continue growing and if communities are to prosper, then we need to find solutions to the impending water crisis. Water is important because as we all know the food industry requires agricultural raw materials which depend on sufficient and reliable water availability. The water tables across the world are depleting and India is heavily impacted. It is important that we find solutions and we are working with the International Water Management Institute and the Water Resources Group to explore and implement solutions. At the same time the conservation of resources is a priority within our factories and in areas under our control. We are also providing Clean Drinking Water facilities in village schools, sanitation facilities for girl students and conduct water education programmes for the students.

Trust

All our work and the emphasis on honesty, integrity and transparency has translated into the fundamental bond of Trust. It is the foundation of our relationships. Our consumers buy our products because they trust Nestlé quality and trust the rigorous work we put in to ensure science

based nutrition. Our suppliers trust us because we work with them to strengthen their capabilities to provide better raw materials. The communities where we operate trust us to increase their



prosperity because we treat them as partners in growth. The way we do business is built on fundamental commitment to Creating Shared Value for shareholders and society.

Nestlé has been in India for over 100 years and the only way that you can be in existence for so long and growing is if people trust you and believe that what you are doing is good for them. Clearly we are on the correct path.

A. Helio Waszyk
Chairman

Etienne Benet
Managing Director

Nestlé
The Leading Nutrition, Health And Wellness Company





Nutrition For Good Life

Good Food supports the nutritional needs at every stage of life starting from infancy. Good Food is central to health and wellness.

The first 1000 days of life from pregnancy through 2 years of age sets the blueprint for health throughout life. Subsequently as we grow up our bodies have different nutritional requirements depending on our age, as well as our activity levels and lifestyles. “Sub optimal nutrition and lifestyle” during our time in the womb or during infancy, childhood, adolescence and adulthood gradually erodes our physical and mental functioning, resulting in impaired health and independence and impacts quality of life.

Nestlé's goal is to help consumers attain and maintain optimal nutrition, health and wellness. We are working continuously to improve our understanding of nutritional and health needs during the various stages of life, starting from the most critical early life stages – the first 1000 days, growth and development stages during infancy, childhood and adolescence – and to use this understanding to develop appropriate products and services. Our focus is to promote healthy diets and active lifestyles, and provide better nutrition throughout life.

Balanced Diet

Each food has a role to play and responsible pleasure needs to be part of a balanced lifestyle. We need to make informed and healthier choices to achieve a balanced diet.

Understanding

We help consumers understand how various foods fit into a healthy diet and lifestyle. The Nestlé Nutritional Compass provides clear, transparent, and easy to understand factual information about our products to help consumers make informed choices about what is best for their nutritional needs.

Balance

A healthy lifestyle requires a responsible choice of varied, enjoyable and tasty foods combined with physical exercise. Variety adds to the pleasure of food. There are no bad foods, whether sweet or savory, fresh or processed. It is all about balanced diets.

Pleasure

Food is a source of pleasure and nutrition. Nutrition is important for consumers, but people tend to drive their eating habits through taste. Bringing taste and nutrition together in the same product can be a challenge. The core of Nestlé is its vision to provide families with both taste and nutrition and we are able to achieve this today because for years we have been investing in Research and Development to tackle this challenge.

