NESTLE INDIA LIMITED
Registered Office: M-5A, Connaught Circus, New Delhi – 110 001

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2005

(Rupees in Millions)

Nine Months ended (Un-audited)	Fourth Quarter ended (Un-audited)				Accounting Year ended (Audited)	
30.09.2005	**31.12.2005**	**31.12.2004**			**31.12.2005**	**31.12.2004**
17,722.2	6,124.9	5,517.0	1	DOMESTIC SALES	23,847.1	21,292.8
1,217.5	452.4	401.7	2	LESS: EXCISE DUTY	1,669.9	1452.4
16,504.7	**5,672.5**	**5,115.3**	**3**	**NET DOMESTIC SALES (1-2)**	**22,177.2**	**19,840.4**
2,036.4	555.4	604.5	4	ADD: EXPORT SALES	2,591.8	2,435.4
18,541.1	**6,227.9**	**5,719.8**	**5**	**NET SALES (3+4)**	**24,769.0**	**22,275.8**
179.9	57.5	48.8	6	OTHER INCOME	237.4	144.5
18,721.0	**6,285.4**	**5,768.6**	**7**	**GROSS REVENUE (5+6)**	**25,006.4**	**22,420.3**
			8	EXPENDITURE		
141.9	(264.0)	(203.6)		a) (INCREASE)/DECREASE IN STOCK OF FINISHED GOODS & WORK – IN –PROGRESS	(122.1)	(80.4)
8,077.5	2,920.1	2,625.3		b) CONSUMPTION OF RAW & PACKING MATERIALS	10,997.6	10,083.6
1,392.2	440.7	427.1		c) STAFF COST	1,832.9	1,642.5
4,890.0	1,950.1	1,537.8		d) OTHER EXPENDITURE	6,840.1	6,120.2
14,501.6	**5,046.9**	**4,386.6**		**TOTAL EXPENDITURE (a+b+c+d)**	**19,548.5**	**17,765.9**
4,039.5	**1,181.0**	**1,333.2**	9	**EARNINGS BEFORE INTEREST, TAX & DEPRECIATION (EBITDA) EXCLUDING OTHER INCOME (5-8)**	**5,220.5**	**4,509.9**
1.7	0.4	(1.4)	10	INTEREST	2.1	7.8
414.6	153.7	126.3	11	DEPRECIATION	568.4	491.4
3,803.0	1,084.4	1,257.1	12	PROFIT BEFORE TAXATION, IMPAIRMENT & CONTINGENCIES (7-8-10-11)	4,887.4	4,155.2
(39.0)	12.6	16.9	13	IMPAIRMENT OF FIXED ASSETS (NET)	(26.4)	23.3
198.2	25.0	124.6	14	PROVISION FOR CONTINGENCIES (NET)	223.2	266.9
			15	PROVISION FOR TAXATION		
1,279.2	204.1	394.0		a) CURRENT TAX (INCL. FRINGE BENEFIT TAX)	1,483.3	1,463.1
10.5	101.1	(43.3)		b) DEFERRED TAX	111.6	(117.3)
1,289.7	305.2	350.7		NET TAXES (a + b)	1,594.9	1,345.8
2,354.1	**741.6**	**764.9**	**16**	**NET PROFIT (12-13-14-15)**	**3,095.7**	**2,519.2**
964.2	964.2	964.2	17	PAID UP EQUITY SHARE CAPITAL (FACE VALUE – RS 10 PER SHARE)	964.2	964.2
-	-	-	18	RESERVES EXCLUDING REVALUATION RESERVES	2,577.2	2,229.9
24.42	**7.69**	**7.93**	**19**	**BASIC AND DILUTED EARNINGS PER SHARE (RS)**	**32.11**	**26.13**
			20	AGGREGATE OF NON-PROMOTER SHAREHOLDING		
36,785,762	36,785,762	36,785,762		– NUMBER OF SHARES	36,785,762	36,785,762
38.15%	38.15 %	38.15 %		– PERCENTAGE OF SHAREHOLDING	38.15 %	38.15 %

Notes:

1. Net Sales for the year 2005 have increased by 11.2 % as compared to 2004. Net Domestic Sales grew by 11.8%, on account of higher volume and favourable product mix, coupled with selective price increases. Export Sales increased by 6.4% largely due to higher realisation on instant coffee exports to Russia (due to higher Green Coffee prices) and higher export of infant nutrition products which has been partly offset by lower volumes of instant coffee exports and lower sales to Nepal which continued to witness political turbulence.

   Net Sales in the current quarter have increased by 8.9 % over the same period of 2004. The growth of 10.9% in Net Domestic Sales was partly offset by the decline in Export Sales by 8.1% primarily due to lower exports of instant coffee to Russia.

2. Other Income for 2005 increased by Rs. 92.9 million mainly due to returns on the higher surplus liquidities and the reversal of provisions for certain doubtful receivables made in earlier years, no longer required.

3. During the second quarter of 2005, the Company implemented Nestle Group's worldwide initiative GLOBE (Global Business Excellence), which includes the Groups' Template of SAP. This necessitated a change in the method of raw and packing materials valuation from quarterly weighted average to first-in-first out (FIFO) and resulted in lower consumption value and higher profit for the year [approximately Rs 15 million, net of tax – Rs.10 million].

4. EBITDA for the year, as a percentage of Net Sales, has increased from 20.2% in 2004 to 21.1% in 2005. The positive impact of selective price increases, higher volumes and favourable product mix, has been partly offset by an overall increase in commodity prices and fixed costs.

EBITDA for the current quarter has however decreased from 23.3% in 2004 to 19.0% in 2005 largely on account of planned higher expenditure on advertisement and sales promotion coupled with the impact of higher commodity prices, particularly milk solids, green coffee, sugar and fuels/energies.

Nestle Group savings initiatives mainly Operation Excellence that focussed on raw and packing materials, energies, manufacturing processes and optimisation of line efficiencies/occupation etc., helped mitigate the adverse impact of input costs and in controlling other costs throughout the year.

Net Profit for the year has increased from 11.2% of Gross Revenue in 2004 to 12.4% in 2005 on account of overall improvement in EBITDA, increase in other income and reduction in corporate tax rate, which has been partially offset by the Fringe benefit Tax.

Net Profit for the current quarter has however decreased from 13.3% in 2004 to 11.8% in 2005 mainly on account of lower EBITDA as explained above.

5. Impairment of Fixed Assets for the year shows a net reversal of Rs. 26.4 million, which is largely due to the disposal of most of the Plant & Machinery relating to the erstwhile Water business, discontinued in 2003.

6. The Provision for Contingencies (Net) results mainly from matters relating to litigation/dispute and other items requiring management judgement and discretion less reversal of provisions due to the satisfactory settlement of certain disputes and other matters.

7. The Board of Directors has recommended a final Dividend of Rs. 2/- per equity share (nominal value Rs.10/- per equity share) amounting to Rs. 192.8 million.

   This is in addition to the two interim dividends for 2005, of Rs. 5/- and Rs 18/- per equity share, aggregating to Rs.23/- per equity share (amounting to Rs.2,217.6 million), declared on April 19, 2005 and December 6, 2005 and paid on May 10, 2005 and December 22, 2005 respectively.

8. Based on the guiding principles given in the Accounting Standard on Segment Reporting (AS-17), the Company's primary business segment is Food. The food business incorporates product groups viz. Milk Products and Nutrition, Beverages, Prepared dishes and cooking aids, Chocolates and Confectionery, which mainly have similar risks and returns. As the Company's business activity falls within a single primary business segment, the disclosure requirements of Clause 41 of the Listing Agreement in this regard are not applicable.

9. 5 investor complaints were received during the quarter, all of which were disposed off during the quarter. No investor complaint was pending at the beginning or at the end of the quarter.

10. Previous year's figures have been regrouped/reclassified wherever necessary, to make them comparable.

THE ABOVE RESULTS AND THIS RELEASE HAVE BEEN REVIEWED BY AUDIT COMMITTEE OF THE BOARD AND APPROVED BY THE BOARD OF DIRECTORS AT THEIR MEETING HELD ON MARCH 06, 2006.

By Order of the Board

Date : 06.03.2006
Place : Gurgaon

Martial G. Rolland
Chairman & Managing Director