

Nestlé India's '7 Value Driver' Model Drives Sustainable and Profitable Growth

Nestlé House, Gurgaon, December 8, 2005: Nestlé India hosted the second Financial Analyst meet for the year 2005, to assist them in understanding the Company's operations.

Mr. Martial Rolland, Chairman and Managing Director of Nestlé India and Mr. Shobinder Duggal, Director – Finance and Control reviewed the Company's performance during the 9 months of 2005. Mr. Rolland reaffirmed the trust of the Company in the areas of Nutrition, Health and Wellness as well as its focus on Innovation and Renovation, using the Nestlé Group's extensive strengths in Research & Development and stated **“ Having been part of the fabric of India for so many years we have developed a strong consumer intimacy based on quality and trust. Together with the Nestlé Group's superior Research and Development capabilities this provides us with unique opportunities to offer consumers greater convenience, Taste, Nutrition, Health and Wellness. We have recently realigned some of the internal structures to become a multifocal company and our '7 Value Driver' model will keep us on track for long term, sustainable and profitable growth.”**

Mr. Shobinder Duggal, Director-Finance and Control evaluated the evolution of the seven value drivers and reviewed how they have helped to sustain and improve shareholder's value. Highlights of the presentation and clarifications are given below:

- Gross Sales, as reported have grown 12.2% for the nine months of 2005
- This topline growth consisted of 8.7% on account of Real Internal Growth (RIG) and 3.5% on account of increase in selling prices, testifying the strength of Nestlé brands.
- Volume growth for most categories was satisfactory - [Milk Products & Nutrition + 4.2%; Prepared Dishes & Cooking Aids + 7.5%; Chocolates & Confectionary + 14.8%]. The exception was Beverages [-0.2%] that was negatively impacted mainly by lower coffee exports to Russia and discontinuation of Dust Tea business in India.
- Value growth for all the categories was healthy – [Milk Products & Nutrition +10.4%; Prepared Dishes & Cooking Aids + 17.5%; Chocolates & Confectionary + 14.8%; Beverages +10.0 %]. This also indicated the relevance and strength of our brands and products.
- Products such as Nestlé Chocostick, Nestlé Butter and Dust Tea that did not add value to the Nestlé India portfolio have been discontinued.
- Initiatives to balance exports portfolio are delivering results. The percentage of exports to markets other than Russia continue to improve and are currently at 54% of exports as compared to 49% in the comparable period of 2004
- EBITDA margin further improved by 250 basis points, to 20.5% of Gross Sales in the 9 months of 2005 over 18.0% of Gross Sales in the comparable period last year.
- Advertising and Sales Promotion expenses during the 9 months of 2005 were lower than the comparable period last year, limited by Globe implementation that required a learning curve on stringent planning steps and also had a frozen period. They are expected to go up from the levels seen in the nine month period ending with September 2005.
- Fixed and Operating Working Capital Intensity improved further for the 5th consecutive year
- Operating Cash Flows achieved record level and the Operating Cash Flows as a percentage of Sales improved over the same period last year.



- The Company has announced two interim dividends aggregating to 230% of the nominal share value for the year 2005. This is the highest paid dividend in any one year out of the profits for that year.
- Successful implementation of GLOBE during the year is expected to help the Company sustain a healthy performance in the future.
- The foundation stone for Nestlé India's factory in Pantnagar was laid in October and the plant is expected to go into commercial production in second half of 2006.

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