
PRESS RELEASE

Nestlé India First Quarter Satisfactory **Company leveraging expertise on science based nutrition**

- Net Sales for the Quarter ended 31st March '06 increased 10.2%.
- Net Domestic Sales for the Quarter increased 13.9 %
- Reported Net Profit for the Quarter increased 13.5%.
- EBITDA as percentage of Net Sales lower but continues to be strong at 20.2%
- Interim Dividend for 2006 of Rs.6/- per share [Declared on 15th April]
- Continued focus on Innovation & Renovation and Nutrition, Health and Wellness across product categories
- Key products and brands to carry Nestlé's proprietary Nutritional Compass to help consumers make more informed choice

Commenting on the Quarter Mr. Martial Rolland, Chairman and Managing Director of Nestle India said "Our performance in the first quarter of the year has been satisfactory. We are well placed to benefit from the sustained economic expansion in India by leveraging our privileged access to the Nestle group's continuous research on food for various consumer segments, expertise in science based nutrition, as also the large reservoir of best practices available for countries in different phases of economic development."

Nestle House, Gurgaon, 27th April 2006: The Board of Directors of Nestlé India met at Nestlé House today and approved the results for the Quarter ended 31st March, 2006.

Sales

Net Sales for the quarter have increased by 10.2% compared with the same period of 2005. Net Domestic Sales have increased by 13.9% largely on account of higher volume growth supplemented by better realisations.

Export Sales have decreased by 21.7% compared with the same period of 2005 mainly due to lower sales of Beverages to Russia and Japan.

Profits

EBITDA, as a percentage of Net Sales for the current quarter, has decreased from 22.6% in 2005 to 20.2% in 2006. This decline in margins is mainly due to steep increase in prices of commodities, especially milk solids and green coffee, as well as those of fuels/energies; higher operating costs associated with upgraded formulations and manufacturing processes of the Infant Nutrition products to further enhance their quality and higher salaries and other employees related costs resulting from adjustments made to align remuneration packages with market conditions, as well as certain organisational structure changes to have greater business focus. Staggered increases in selling prices and higher volumes have partially offset the cost increases.

The reported Net Profit, as a percentage of Gross Revenue, has increased to 13.0% from 12.6% in the same period last year. In absolute values the Net Profit has gone up by 13.5%. After stripping out the effect of 'Provision for Contingencies' and other exceptional items, the adjusted Net Profit, as a percentage of Gross Revenue, has decreased to 12.1% from 13.4% in the same period last year. This is due to the lower EBITDA, as explained above, and the higher depreciation on account of the management information systems assets capitalised in second quarter of last year. These have been partly offset by the impact of reduction in the corporate tax rate.

Interim Dividend

The Board of Directors declared on April 15, 2006, an interim dividend for 2006 of Rs. 6/- per equity share (nominal value Rs.10/- per equity share), amounting to Rs. 578.5 million, which will be paid on and from May 9, 2006 along with the final dividend for 2005 of Rs.2/- per equity share approved in the Annual General Meeting on April 25, 2006.

Overview of the Quarter

During the Quarter, India sustained its growth trajectory and reinforced business confidence in the economic transformation that is taking place. However, in recent times unprecedented price levels and supply situation of some commodities pose a challenge for the industry.

Nestlé India continued to consolidate, sustaining the thrust to improve efficiencies across the operations, innovation and renovation across product categories and supported activities to strengthen brands.

The Innovation and Renovation process resulted in some new product activities during the Quarter. LACTOGEN 1 infant milk food was renovated in line with ongoing scientific research and pediatric recommendations, to provide nutrition and greater comfort for infants. The Company launched POLO Powermint, the stronger and bigger POLO providing instant freshness and re-launched NESTLE MILKYBAR with a calcium rich recipe.

The Company will continue its efforts to further strengthen the product portfolio and sustain performance of the Company.

Himanshu Manglik
Communications Manager
Nestlé India Limited

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