

**NESTLE INDIA LIMITED**

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

**UN-AUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30<sup>th</sup> JUNE 2006**
**(Rupees in Millions)**

3 Months Ended				6 Months Ended		Accounting Year ended 31.12.2005 (Audited)
30.06.2006	30.06.2005			30.06.2006	30.06.2005	
6,327.8	5,744.9	1	GROSS DOMESTIC SALES	13,030.5	11,650.8	23,847.1
225.3	368.0	2	LESS: EXCISE DUTY	676.4	786.9	1,669.9
<b>6,102.5</b>	<b>5,376.9</b>	3	<b>NET DOMESTIC SALES (1-2)</b>	<b>12,354.1</b>	<b>10,863.9</b>	<b>22,177.2</b>
709.3	780.8	4	ADD: EXPORT SALES	1,216.9	1,429.1	2,591.8
<b>6,811.8</b>	<b>6,157.7</b>	5	<b>NET SALES (3+4)</b>	<b>13,571.0</b>	<b>12,293.0</b>	<b>24,769.0</b>
44.1	80.1	6	OTHER INCOME	94.5	148.6	237.4
<b>6,855.9</b>	<b>6,237.8</b>	7	<b>GROSS REVENUE (5+6)</b>	<b>13,665.5</b>	<b>12,441.6</b>	<b>25,006.4</b>
		8	EXPENDITURE			
41.0	235.6		a) (INCREASE)/DECREASE IN STOCK OF FINISHED GOODS & WORK – IN – PROGRESS	(188.4)	(17.9)	(122.1)
3,100.2	2,502.1		b) CONSUMPTION OF RAW & PACKING MATERIAL	6,380.5	5,393.7	10,997.6
537.8	475.0		c) STAFF COST	1,053.4	918.9	1,832.9
1,748.7	1,565.0		d) OTHER EXPENDITURE	3,576.0	3,231.2	6,840.1
5,427.7	4,777.7		TOTAL EXPENDITURE (a+b+c+d)	10,821.5	9,525.9	19,548.5
<b>1,384.1</b>	<b>1,380.0</b>	9	<b>EARNINGS BEFORE INTEREST, TAX, DEPRECIATION (EBITDA) AND OTHER INCOME (5-8)</b>	<b>2,749.5</b>	<b>2,767.1</b>	<b>5,220.5</b>
2.3	0.4	10	INTEREST	2.6	1.4	2.1
160.7	148.9	11	DEPRECIATION	317.8	274.4	568.4
1,265.2	1,310.8	12	PROFIT BEFORE TAXATION, IMPAIRMENT & CONTINGENCIES (7-8-10-11)	2,523.6	2,639.9	4,887.4
-	(3.9)	13	IMPAIRMENT OF FIXED ASSETS (NET)	(2.0)	(39.0)	(26.4)
33.9	59.1	14	PROVISION FOR CONTINGENCIES (NET)	(90.8)	166.7	223.2
438.0	420.0	15	PROVISION FOR TAXATION			
(17.0)	7.9		a) CURRENT TAXES	850.0	890.2	1,483.3
421.0	427.9		b) DEFERRED TAXES	69.9	13.8	111.6
			NET TAXES (a+b)	919.9	904.0	1,594.9
<b>810.3</b>	<b>827.7</b>	16	<b>NET PROFIT (12-13-14-15)</b>	<b>1,696.5</b>	<b>1,608.2</b>	<b>3,095.7</b>
964.2	964.2	17	PAID UP EQUITY SHARE CAPITAL (FACE VALUE – RS 10 PER SHARE)	964.2	964.2	964.2
-	-	18	RESERVES EXCLUDING REVALUATION RESERVES	-	-	2,577.2
8.40	8.58	19	BASIC AND DILUTED EARNINGS PER SHARE (RS)	17.59	16.68	32.11
36,785,762	36,785,762	20	AGGREGATE OF PUBLIC SHAREHOLDING			
38.15%	38.15%		- NUMBER OF SHARES	36,785,762	36,785,762	36,785,762
			- PERCENTAGE OF SHAREHOLDING	38.15%	38.15%	38.15%

**Notes:**

- Net Sales for the quarter have increased by 10.6% compared with the same period of 2005. Net Domestic Sales have increased by 13.5% supported by growth in most categories and across channels. Export Sales have decreased by 9.2% compared with the same period of 2005 mainly due to lower sales of beverages to Russia and Japan, partially offset by growth in sales of other categories across geographies.

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2. The sharp (44.9%) decline in Other Income is largely due to a non-recurring positive impact in the same period last year.
3. The reported EBITDA, as a percentage of Net Sales, for the current quarter has decreased to 20.3% from 22.4% in the second quarter of 2005, which was a quarter of exceptional performance as explained in the results of that quarter. The current quarter has been positively influenced by a one-off write back no longer required and the adjusted EBITDA, after excluding the effect of this write back, stands at 18.8%. This decline in margin is mainly due to steep increase in prices of commodities, fuels/energies; and higher operating costs associated with upgraded formulations and manufacturing processes of the Infant Nutrition products to further enhance their quality. Staggered increases in selling prices and higher volumes have partially offset the cost increases.
4. The reported Net Profit as a percentage of Gross Revenue for the current quarter, has decreased to 11.8% from 13.3% in the same period last year. 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 11.2%. This is largely due to the reasons explained above.
5. The Provision for Contingencies (net) results mainly from matters relating to litigation/dispute and other items requiring management judgement and discretion.
6. 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.
7. The initial phase of production of the new Factory at Pantnagar in the State of Uttaranchal was commissioned during July 2006.
8. 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 was 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.
9. No investor complaint was pending at the beginning of the quarter. 8 investor complaints were received and 7 disposed off during the quarter, leaving 1 investor complaint pending at the end of the quarter, which has been disposed off subsequently.
10. Previous period'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 29.07.2006.**

**By Order of the Board**

**Date: 29.07.2006  
Place: Gurgaon**

**Martial G. Rolland  
Chairman and Managing Director**