

## PRESS RELEASE

### NESTLE INDIA GEARS UP FOR GROWTH GATHERS MOMENTUM IN 2006

- Net Sales for the full year 2006 Rs.2816.1Crore. Up 13.7%
- Net Profit for the full year 2006 Rs. 315.1Crore.
- Net Domestic Sales for the full year Rs. 2536.5Crore. Up 14.4%
- Net Sales for Quarter ended December up 18.2%
- Strong thrust on Innovation & Renovation to increase competitive advantage on Taste and Nutrition dimension in product portfolio
- Continues to be the leader in key businesses
- Dividend for 2006 at record 255%
- Last week the Board also recommended an interim dividend for 2007

Chairman and Managing Director of Nestlé India, Mr. Martial Rolland is confident that the Company is moving to an accelerated growth path. He stated **"The structural changes we had initiated in earlier years are now allowing us to benefit from the rapidly changing consumer and economic environment. The multi-focal business structure, the strengthening of our consumer insights to focus on Nutrition, Health and Wellness, our sales force reorganization to adapt to the new Channels, Customers and Category needs and the implementation of the GLOBE project amongst others have created the foundation required to seize the opportunities for accelerated growth. The development in recent months of KIT KAT Lite, EVERYDAY Slim, MAGGI Rice Mania, FRESH 'N' NATURAL Slim Dahi and other breakthrough products also reflect this re-energisation and our strong competitive advantage. We will maintain strong focus on input costs where inflationary pressures are likely to continue. "**

**Nestlé House, Gurgaon, 20<sup>th</sup> March, 2007:** The Board of Directors of Nestlé India met today and approved the results for the full year 2006. The Board expressed satisfaction with the various initiatives that have been put in place to maintain the health of the Company and to strengthen the long term, sustainable and profitable growth while providing consumers with products that have an even better Nutrition, Health and Wellness quotient than before.

**SALES:** The realignment of internal company structures and processes to further strengthen the brands showed results. Net Sales for the year 2006 were Rs.2816.1Crores and increased by 13.7% as compared to 2005. Net Domestic Sales grew by 14.4%, both on account of higher volumes and price increases.

Exports were adversely impacted by lower sales of beverages to Russia and Japan, though these were offset by improved sales in other product categories and geographies. Export sales for 2006 were Rs.279.6Crores and showed a growth of 7.9 %

With the new initiatives in place and the continuing efforts to improve availability and visibility, sales for the fourth quarter showed a smarter pickup. The Net Sales for the quarter ending 31.12.2006, increased by 18.2 % compared to the same period of 2005. Net Domestic Sales grew by 16.4% and Exports grew by 36.9% on account of better realizations and higher volumes.

**PROFIT: Net Profit for the full year 2006 was Rs.315.1 Crores.**

The reported EBITD excluding other income has increased by 3.2% and 1.8% for the year and quarter ended 31.12.2006 respectively.

The Net Profit for 2006 as well as for the quarter ended 31.12.2006 has been adversely impacted by a provision of Rs.10.1crores under 'Provisions For Contingencies'. Excluding the impact of 'this provision', the Net Profit for 2006 has increased by 5% over 2005 and the Net Profit for quarter ended 31.12.2006 has decreased by 2.2% over the same period of last year.

The provision of Rs.10.1crores relates to a matter which in the past has been provided in the first quarter of a year after completion of relevant procedure. As the completion timing of the procedure have been advanced and the procedure was completed in the fourth quarter of 2006 instead of the first quarter of 2007, as has been the practise in the past and in keeping with the provisions of Accounting Standard 29, the amount has been provided in the fourth quarter of 2006. This has resulted in provisions being made for two years in the year 2006, the first one in quarter ended 31.3.2006 and the second one (Rs.10.1Crores ) in quarter ended 31.12.2006.

The growth in Net Profit could have been higher but was adversely impacted by steep increase in prices of commodities; higher operating costs associated with upgraded formulations and manufacturing processes of the Infant Nutrition products to further enhance their quality; as well as increase in structural costs to better prepare the organisation to seize opportunities for accelerated growth.

Increases in selling prices, higher volumes and the one-off write back have partially offset the cost increases. Nestle Group's Operation Excellence savings initiatives, focused on raw and packing materials, energies, manufacturing processes and optimisation of line efficiencies etc. have helped mitigate the adverse impact of input costs.

The decline in the last quarter is largely due to the reasons explained above.

**Dividend 2006** : The Board of Directors on 15<sup>th</sup> March, 2007 declared a third Interim Dividend of Rs.1.50 per equity share (nominal value Rs.10/- per equity share). This will be paid on and from March 29, 2007 and is in addition to the two interim dividends aggregating to Rs.24/- per equity share, already paid during the year. This will take the dividend payout for the year 2006 to Rs.25.50 per equity share, which is a record dividend of 255%.

**Interim Dividend 2007**: The Board of Directors on 15<sup>th</sup> March, 2007 also declared an Interim Dividend for the year 2007 of Rs.6.50 per equity share. In order to optimize the cost of dividend distribution to shareholders, the Interim Dividend for 2007 will be clubbed with the third Interim Dividend for 2006 and paid together on and from March 29, 2007.

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