
PRESS RELEASE

**NESTLÉ INDIA CONTINUES TO RESHAPE
SUSTAINS GROWTH IN TOPLINE AND PROFITABILITY**

- **Net Sales - Full year 2005- Rs.24769.0 Million. Up 11.2 %**
- **Net Profit - Full year 2005- Rs.3095.7 Million. Up 22.9%**
- **Accelerated Innovation and Renovation of product portfolio**
- **Focus on further improving the Wellness quotient in Nestlé products**
- **Board recommends a final dividend of Rs.2/- per share (20%), subject to shareholder approval, taking the total dividend for the year 2005 to Rs.25/- per share (250%)**

Mr. Martial Rolland, Chairman and Managing Director of Nestlé India stated, “Nestlé India has performed well during the year and I am satisfied with the direction in which we are moving. Our strong brands and our strive towards continuous innovation and renovation helped us achieve sustainable and profitable growth. All this is done with a strong involvement of the community, an involvement that has expanded and has never wavered since our early 1960s pioneering work in the milk district of Moga, Punjab. ”

NESTLÉ HOUSE, GURGAON, 6TH MARCH, 2006: The Board of Directors of Nestlé India met at Nestlé House today and approved the results for the Full Year 2005 ended 31st December, 2005. The Board was satisfied with the health and momentum of the Company as well as the initiatives that were being implemented to further strengthen its brands and product portfolio to provide consumers with Nutrition, Health and Wellness through its products.

SALES: In order to seize the opportunities being created by changing lifestyles of consumers and the transformation that is taking place in the economy, the Company continued to reshape and realign internal organizational structures. The initiative to set up ‘Channel & Category Sales Development’ and ‘National Key Account Management’ Groups strengthened the quality of our presence in the trade, and processes were put in place to further improve supply chain responsiveness. The Company continued its efforts to improve the availability, visibility and freshness of its products and was able **to increase Net Sales for the year 2005 by 11.2 % compared to 2004.**

Net Domestic Sales for full year 2005 are Rs.22177.2 Million and have increased 11.8 % over 2004.

Export sales for full year 2005 are Rs.2591.8 Million and have increased by 6.4%.

EXPORTS: Export Sales increased largely due to higher realization on instant coffee exports to Russia (due to higher Green Coffee prices) and export of infant nutrition products during the year.

PRODUCTS: During the year Innovation and Renovation was accelerated to improve the Wellness Quotient in our product portfolio.

In our culinary business, we launched a series of new initiatives under the proposition ‘Taste Bhi, Health Bhi’. Leveraging the extensive Research and Development expertise of the Nestlé Group, the Company launched the new concept of Vegetable Atta noodles that contain whole wheat and real vegetables. In a market that is increasingly looking for Nutrition, Health and Wellness, MAGGI Vegetable Atta Noodles has been appreciated by consumers for its uniqueness and relevance. Simultaneously, MAGGI 2-Minute noodles has been renovated to provide 20 % RDA of Calcium and Protein for the core target group. During the year the Company also launched New MAGGI Healthy Soups that are even more delicious, quick to prepare, convenient and healthy.

MAGGI is also the leader in Sauces and Ketchups category and during the year the Company further widened its portfolio with two innovative products - MAGGI Tomato Pudina Sauce and MAGGI Tomato Chatpat Sauce, each with its unique Indianised taste of chutney or sauce.

Most of the key Nestlé brands in the 'Chocolates and Confectionery' category demonstrated healthy growth. NESTLE MUNCH, NESTLE KIT KAT, NESTLE MILKYBAR CHOO and NESTLE ECLAIRS continued to grow faster than the industry and NESTLE MUNCH continued to be the largest selling stock keeping unit [SKU] in the segment. In recent months the Nestlé portfolio in this category has been further reinforced with the launch of NESTLE MILKYBAR CHOO Strawberry, NESTLE MAHA MUNCH, NESTLE Coconut MUNCH and NESTLE Coconut ÉCLAIR.

NESCAFE continues to be the largest brand of instant coffee in the Indian market. During the year the Company re-launched NESCAFE SUNRISE coffee-chicory blend after it was renovated with superior grade of plantation beans to provide better coffee taste and aroma and competitive advantage. During the year the Company continued to innovate and renovate and in early 2006, launched New NESCAFE 3 in 1 with the right balance of coffee, dairy creamer and sugar and especially formulated to suit the taste profile of the youth who wish to move to the more trendier coffee habit, especially in the tea drinking areas.

Having a very strong heritage and roots in the "Nutrition" category, the Company remained focused on introducing products that leverage the Nestlé Group's know how and Research and Development competencies. The breakthrough in infant feeding that was achieved with the 3-stage Nestlé Nutritional Development Plan, had earlier enabled the Company to launch CERELAC 123 wheat based weaning food and NESTUM 123 rice based weaning food to ensure the right eating experience at the right stage of development of the Infant. These products along with LACTOGEN 3 and PRE-LACTOGEN continued to perform satisfactorily during the year and further reinforce Nestlé's standing as a Company that is using its extensive knowledge to provide solutions for infant needs.

During the year, the Company launched Nestlé CEREMEAL Daliya, a scientifically balanced meal solution for toddlers over 2 years of age, packed with essential nutrients to help them grow strong.

In the 'Milks and Chilled Dairy' category EVERYDAY Dairy Whitener performed satisfactorily and NESTLE Dahi showed good growth. To further strengthen its chilled dairy portfolio the Company launched NESTLE Raita during the year in select geographies.

With rapidly increasing opportunities in the Out Of Home segment, especially in coffees and beverages the Company has continued to increase its 'NESCAFE Coffee Corners', 'NESTLE Consumption Zones' and vending machines in offices, colleges, and other locations that experience high footfalls. The Company has by far the largest number of vending machines installed in the market and sell close to 700 million cups of hot and cold beverages per annum.

PROFIT: EBITDA for the year, as a percentage of Net Sales, has increased to 21.1% in 2005 compared to 20.2% in 2004. 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. This is 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.

Nestlé Group savings initiatives mainly Operation Excellence that focused on raw and packing materials, energies, manufacturing processes and optimization 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 to 12.4% of Gross Revenue in 2005, over 11.2% in 2004 on account of overall improvement in EBITDA, increase in other income and reduction in corporate tax rates.

DIVIDEND: The Board of Directors has recommended a final dividend of Rs.2/- per equity share. This in addition to the two interim dividends of Rs.5/- and Rs.18/- declared and paid out earlier, will take the dividend payout for the year 2005 to Rs.25/- per equity share. This is a record dividend of 250%.

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