

PRESS RELEASE

Nestlé India Results - 2nd Quarter '06 Increased Focus accelerates Net Sales with Healthy Margins

- Net Sales for 2nd Quarter ended 30th June '06 : Rs.681.2 Cr . UP 10.6 %
- Net Domestic Sales for the Quarter : Rs.610.3Cr . UP 13.5 %
- Net Profit for the Quarter : Rs.81.0 Cr
- EBITDA / Net Sales ratio : 20.3 %
- Higher volume growth & better realization accelerates Net Sales
- Margins continue to be healthy.
- Greater focus, improved efficiencies, higher volumes and staggered price increases partially neutralise the impact of high prices of commodities / energies, higher operating costs associated with upgraded formulations and manufacturing processes to further enhance quality
- Innovation & Renovation to increase Nutrition, Health and Wellness quotient in products continues on plan
- New benchmark for efficiency - Initial phase of 7th Factory completed within 7 months

Mr.Martial Rolland, Chairman and Managing Director stated “I am very pleased with the strong growth of 13.5% in Net Domestic Sales supported by a healthy bottomline in an environment of continuing high input costs. Also of particular satisfaction is the commissioning of the first phase of the Uttaranchal plant in record time, setting a new benchmark.

"Nestlé House, Gurgaon, 29th July 2006: The Board of Directors of Nestlé India met at Nestlé House today and approved the results for the Second Quarter ended 30th June 2006.

SALES FOR THE QUARTER

Net Sales for the Quarter were **Rs.681.2 crore** and have increased by 10.6%, compared with the same period of 2005.

Net Domestic Sales were Rs.610.3 crore and 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.

PROFITS FOR THE QUARTER

The Net Profit for the Quarter is Rs.81.0 crore.

The reported EBITDA as a percentage of Net Sales, for the current quarter is 20.3%, compared to 22.4% in the same period of 2005 which was a quarter of exceptional performance as explained in the results of that quarter. The current quarter has been positively impacted 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. 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.

OVERVIEW FOR THE QUARTER

During the past few months, the Economy has remained on a satisfactory growth trajectory, and business and consumer confidence has been positive. However, prices of most commodities continued to be high and managing them has been a challenge. Nestlé India continued its focus on improving efficiencies in its operations and product categories accelerated their innovation and renovation activities to strengthen the brands. Sales improved across most channels and categories .

As the leader in the Instant Noodles category, MAGGI launched yet another innovative product - **MAGGI DAL ATTA NOODLES** to further build on the nutrition proposition of TASTE BHI HEALTH BHI. The new product offers the goodness of protein coming from the unique combination of 'Atta' and 'Dal' as well as the wholesome nutrition of Dietary Fibre contained in whole wheat. During the quarter , the Company also launched the new improved **MILO, fortified with ACTIGEN - E** [a proprietary branded active benefit - BAB] that helps to optimise the release of energy from food. The new MILO gives children the energy they need to enjoy their active lifestyle and has been developed with an outstanding taste.

Himanshu Manglik
Communications Manager
Nestlé India Limited

Nestlé House, Jacaranda Marg, 'M' Block, DLF City, Phase II, Gurgaon, Haryana
Registered Office : M-5A, Connaught Circus, New Delhi 110 001