

PRESS RELEASE

NESTLÉ INDIA SUSTAINS GROWTH AND PROFITS

- **Net Sales for the full year 2003 Rs.22798.3 million. Up 11.4 %**
- **Net Profit for the full year 2003 Rs.2630.8 million.**
- **Reported Net Profit Up 30.5%. Adjusted Net Profit Up 16.5 %**
- **Thrust on delivering value for money based on Consumer Insight, improving affordability and availability of Nestlé products**
- **Focus on leveraging advanced technology from the Nestlé Group to develop products that provide nutrition, wellness and convenience to consumers.**
- **The Company was again the prime coffee exporter from India and also took the lead in the export of value added instant coffee.**

Commenting on the performance during 2003, Mr. Carlo M. Donati, Chairman & Managing Director of Nestlé India stated " Nestlé India has consistently sustained growth in topline and bottomline during the past few years despite uncertain and difficult market conditions. In this changing environment our ability to anticipate emerging needs and provide high quality , safe food products that add value to the consumer demonstrates the inherent strengths and capabilities of Nestlé India and the commitment of our people to continuous improvement and business excellence. The continuing support from the Nestlé Group in terms of brands, trademarks and know how that is embedded in the various business processes of our Company creates a strong foundation and has facilitated our efforts in sustaining the performance over the years."

Gurgaon, 15th March, 2004: The Board of Nestlé India met today at Nestlé House and approved the results for the full year 2003. The Board expressed satisfaction at the continued excellent performance by the Company and appreciated the commitment, integrity and professionalism demonstrated by the employees.

SALES

The year 2003 was largely dominated by uncertainty but Nestlé India remained focussed on adding value to consumers and was able to increase Net sales for the year 2003 by 11.4 % compared to 2002. Domestic sales have increased by 11.7% and Exports sales by 8.9 % .

The increase in Export sales has been positively influenced by the increase in per unit realizations due to higher green coffee prices during 2003 though it has been partly offset by the shift towards bulk packs. While Nestlé India was again the highest coffee exporter from India and the highest exporter of value added instant coffee the Company continued its efforts to target the needs of Indian ethnic populations living abroad and develop new markets and product opportunities .Consequently export of culinary products achieved better volumes. Export of Instant Tea also showed healthy growth.

PROFIT

The **reported Net Profit** for the full year is higher by 30.5 % over the previous year. After adjusting the amounts for the respective years for non-comparable/exceptional items under other income, staff cost, other expenditure, impairment of fixed assets, provision for contingencies, current taxes, and exceptional item in relation to earlier years, the **adjusted Net Profit has increased** by 16.5 % over 2002. **This is largely due to the increase in Earnings before Interest, Tax and Depreciation excluding Other Income [EBITDA]**

The reported EBITDA for the full year has increased by 11.6 % . After adjusting the amounts for the respective years for the non-comparable/exceptional items under staff cost, and other expenditure the adjusted EBITDA has increased by 14.5 % over 2002.

OVERVIEW

The year 2003 has been one of the most challenging in recent times. The economic environment during the first six months remained depressed for the most part. Global uncertainties, the Iraq war and the SAR syndrome impacted consumer confidence and business. In the domestic economy, it was further complicated by the prolonged uncertainty over VAT implementation, the transport strike and the controversies relating to 'Pesticides' in the first half of the year and 'Infestation in chocolates' during the later part of the year. Though good monsoons in most part of the country and revival in manufacturing activity improved the sentiment in the second half of the year, the impact on consumer spending in the FMCG segment was limited.

OPERATIONAL EFFICIENCY

During the year the Company has been able to operate efficiently because of the culture of integrity, transparency, professionalism and team work in all functions and areas and the focus on adding value to the consumer by transforming agricultural produce using the Nestlé Group technology.

More efficient demand forecasting and supply chain management and improved penetration of the product markets helped to sustain growth. Initiatives to improve white collar productivity, continuing thrust on innovation and renovation helped the Company to utilise its resources efficiently.

PRODUCTS

Nestlé India remained focussed on understanding the changing lifestyles of consumers in order to provide them high quality, safe and affordable products that provide nutrition, wellness, refreshment or convenience. Efforts to increase distribution, improve availability and management of price points ensured that Nestlé brands continued to sustain their momentum.

NESCAFE Instant Coffee demonstrated aggressive growth and MAGGI sustained its growth in instant noodles and soups. As part of the initiatives to further consolidate MAGGI's leadership, 'MAGGI 2-Step Mix' was launched as a ready to cook recipe mix in certain test markets. NESTLÉ MUNCH which is the largest selling unit in the wafer segment continued to gain volumes and the launch of NESTLÉ CHOTU MUNCH at Rs.2/- price point has been received well by the consumers. The launch of FRUIT 'N MILK (apple) and NESCAFE FRAPPE as a refreshing and cool, coffee variant in ready to drink cartons, the innovative MILKMAID SQUEEZY as a topping, in convenient packaging and the launch of NESTLÉ MISHTI DOI further strengthened Nestlé's presence in the market.

The Company continued to support its strategy to facilitate out of home consumption through placement of vending machines for NESCAFE, NESTEA, and MAGGI Hot Cup Soup and set up "Coffee Corners" and "Nestlé Consumption Zones" at carefully selected sites across the country.

Nestlé India's access to the continuous and intensive research at the worldwide Research and Development facilities of the Nestlé Group has helped it to renovate and innovate products. During the year the Company launched the NESTLÉ DEVELOPMENTAL NUTRITION PLAN and CERELAC 123. This is a major breakthrough in infant feeding. CERELAC 123 is graded to meet the right physical and nutritional needs of infants during the three stages in their weaning, as identified in the plan. The Company also leveraged this technology and knowledge to renovate NESTOGEN to make it easier to digest the fat content and improve absorption.

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