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## PRESS RELEASE

### NESTLÉ INDIA CONSOLIDATING FOR FUTURE GROWTH

- **Net Sales for the Quarter ended 30<sup>th</sup> September 2004:Rs.5,600.2 Million . Increase by 5.1%**
- **Net Profit for the Quarter ended 30<sup>th</sup> September 2004:Rs.688.5 Million**
- **EBITDA / SALES ratio satisfactory**
- **Sustained investment in Brands**
- **Nestlé India to implement GLOBE project - a worldwide initiative of Nestlé Group and one of its kind**
- **Continued emphasis on gaining and implementing Consumer Insights**

Chairman and Managing Director of Nestlé India, Mr. Carlo Donati maintains “During recent years Nestlé India has focused on Continuous Improvement and Business Excellence. This has helped us to achieve sales growth and improved profitability almost every year. Even in this quarter, despite the depressed sentiment in the FMCG industry, Nestlé India has achieved a satisfactory EBITDA / SALES ratio of 20.2 %. However, in order to meet future business demands in the face of increasing competition and challenging environment for the FMCG sector, we will need to synchronise our internal capabilities even more effectively. In this regard, Nestle India had earlier initiated a restructuring of the sales organisation and has been preparing the Company to implement the GLOBE project in the coming year. Nestle India should also benefit from the Nestle Group’s recent initiatives to deeply focus on Nutrition”.

**NESTLÉ HOUSE, Gurgaon, 28<sup>th</sup> October,2004:** The Board of Nestlé India met at Nestlé House today and approved the results of the Quarter ended 30<sup>th</sup> September.

#### THIRD QUARTER SALES

**Net Sales for the Quarter were Rs. 5,600.2 million** and on a quarter-to-quarter basis have increased by 5.1 %.

Domestic Sales during the Quarter were Rs. 5,306.1 million and grew by 4.8 % over the same period last year. Export Sales during the quarter were Rs. 656.0 million and grew by 7.5 %

#### PROFITS FOR THE QUARTER

**The Reported Net Profit for the quarter is Rs.688.5 Million.** This has decreased by 9.4 % as compared to the same period of 2003. After stripping out the non-comparable/exceptional items under “Impairments” and “Provision for Contingencies”, the adjusted net profit has decreased by 4.7%. This decrease is mainly due to continuing higher commodity prices, higher tax cost (resulting from the gradual phasing out of tax holiday benefits on exports and the imposition of Education Cess) and lower Other Income. Tight control over other fixed costs has partly offset the adverse trend.

#### OVERVIEW

In recent years Nestlé India has focused steadily on improving operational efficiencies, gaining and implementing consumer insights, and increased efforts to ensure that Nestlé products are visible and conveniently available.

Recognising the need for a more flexible sales force capable of tapping emerging opportunities, the Company had earlier in the year restructured the sales organisation. While the sales structure that was put in place is now stabilizing the Company has significantly, during the past one year, increased the outlets that retail its products.

With increasing market penetration and larger coverage of geographies, the Company has initiated efforts to ensure that the supply chain and distribution structure remains efficient. During the quarter, the Company implemented a web-enabled process to increase efficiencies in supply chain and order

planning. This is expected to improve distribution of SKUs across retail outlets, maintain/improve distribution of stocks available to the consumer and improve the quality of sales and consumer satisfaction in the long run.

Strong brands are essential for continued growth and increased Market Share of Nestlé India. The Company has remained focused on innovation and renovation. In accordance with consumer insight, the Company developed MILO with 'Badam Shakti' and during the quarter, launched the new improved MILO with Badam Shakti in select cities of the South. Based on an appreciation of consumer purchase behaviour, the Company also rationalized the prices of Nestlé KITKAT. These efforts were supported by more impactful consumer communication, using creative techniques and popular personalities like Rani Mukerji and Preity Zinta.

Last year, in 2003, the Company had launched the NESTLÉ DEVELOPMENT NUTRITION PLAN and CERELAC 123 wheat based weaning food, which was backed by continuous and ongoing research at the worldwide Research and Development facilities of the Nestlé Group. This was a major breakthrough in infant feeding. During the third quarter of 2004, the Company has also launched NESTUM 123, which is a rice based weaning food, to ensure the right eating experience at the right stage of development for the infant. NESTUM 123 also incorporates Nestlé's unique Z-line technology that makes the product easy for the infant to digest.

In order to stay equipped to handle future business requirements, Nestlé India has been steadily progressing the implementation of GLOBE [Global Business Excellence] project. This project, one of its kind, is a worldwide initiative in the Nestlé Group to implement best in class processes, systems and practices. This will create a common Business Process Architecture consistent within the Nestlé Group. This is being done after a full review of the existing business processes and procedures and takes into account specific and complex market requirements.

The GLOBE project will allow the Company to constantly benchmark its operations against the best in class in the Nestlé Group, and enable the Company to retain / achieve competitive advantage. GLOBE is a substantial investment, necessary to retain the Company's ability to react and respond efficiently to the demands of its consumers and shareholders in a complex environment. GLOBE implementation, scheduled during 2005, is likely to adversely impact the cost of Nestlé India in the short run, to reap benefits going forward.

The Company is satisfied with the direction in which it is moving.

**Himanshu Manglik**  
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