

## PRESS RELEASE

### **Nestlé India Continues To Demonstrate Strength First Quarter Domestic Sales grows 15% ; Profits grow 21.6%**

- **Net Sales for the Quarter ended 31<sup>st</sup> March, 2003 were Rs.5981 Million and Net Profit was Rs.747 Million**
- **Net Profit increases by 21.6%**
- **Domestic sales grow 15%**
- **Focus on Continuous Improvement and Innovation & Renovation**
- **Technology received from the Nestlé Group under the General Licence Agreement sustains Innovation & Renovation**
- **Planned initiatives across all categories enable healthy performance in challenging environment**

**NESTLÉ HOUSE, Gurgaon, 30<sup>TH</sup> APRIL, 2003:** The Board of Nestlé India met today and approved the results for the first three months of the financial year 2003. Earlier in the morning, the Board also met with the shareholders at the Company's 44<sup>th</sup> Annual General Meeting to adopt the audited results for the year 2002. This was the third consecutive year that the Company has achieved healthy growth in both sales volumes as well as Net Profits.

Expressing satisfaction at this ability of the Company to deliver good results in recent years, the **Chairman & Managing Director of Nestlé India, Mr. Carlo Donati stated " The steady growth in sales and profits in recent years, even in a rather depressed economic environment, is an outstanding achievement. It reflects the strengths of our brands and of our products, which we continuously improve, to ensure the quality expected by the consumer. This continuing growth indicates that our Consumer Insights understand the very discerning Indian consumer. As the General Licence Agreement with the Nestlé Group gives us access to the most advanced technology and know-how in the food industry we have the ability to translate the said Consumer Insight in concrete marketing activities. However, the continued uncertainties and slowing down in the global as well as the domestic market will demand exceptional efforts. Uncertainties in implementing VAT, the recent truckers strike, the SARS effect are just a few examples of the road blocks that we will have to overcome to achieve growth. We will continue to look for ways and means to offer value-for-money and focus on products that provide nutrition, wellness and convenience in today's changing lifestyle and hope the road block will not impact our future growth potential.**

**First Quarter Sales :** Nestlé India Net Sales for the period Jan-March 2003 were Rs.5981 million and have increased by 12.8% as compared to the same period of 2002. Domestic sales increased by 15%. Though Export Sales volumes are lower by 5.1% mainly due to lower coffee exports to Russia, the increased price of green coffee improved value realisation.

**Profit for the Quarter:** Net Profit for the quarter was Rs.747million and has increased by 21.6% as compared to the same period last year. During the quarter the benefits to the Company resulting from the increase in 'other income', lower interest, depreciation and relatively lower provision for contingencies were partially offset by higher commodity prices and increased provision for retirement benefit liabilities relating to staff.

**Overview of the Quarter:** The Global environment of uncertainty, poor economic growth and depressed consumer confidence has continued to affect industry. Strong reactions from the trade on VAT implementation affected movement of stocks. The ability to achieve healthy growth in such an environment reflects the attitude and determination of the Nestlé India team and the culture of professionalism and integrity. It also demonstrates the focus on continuous improvement in almost all

functions and areas of the Company to achieve growth objectives. Nevertheless, we still see few more road blocks in the future like the VAT introduction and risk on monsoon which could put pressure on our growth targets.

Efforts to integrate various initiatives for greater operational efficiency had a positive impact during the quarter. Various promotional activities of different brands were unified under the 'Have a Happy Day with Nestlé' promotion campaign. This and other improvements in the advertising efforts for individual brands further improved the efficiency of our marketing expenditure.

**New Products** : The Company continued its efforts to better understand consumer needs and to convert these insights into products offering nutrition and wellness. The technology received from the Nestlé Group under the General Licence Agreement helped the Company to Innovate and Renovate its products and processes and launch new products across categories that included the **Nestlé Development Nutrition Plan** and **Cerelac 123 (offering a more appropriate nutritional plan for infants)**, a range of Chocolates and confectionery products that included **New Nestlé Milk Chocolate, Nestlé Fruit & Nut, Nestlé Krunchy, NESTLÉ MILKYBAR Starz, Nestlé Choo** and various innovative **flavours for Chocostick**. Another innovation was the launch of a ready to drink **Nescafe Frappe** in convenient tetrapack cartons aimed at providing convenience and refreshment to our consumers. The Company also continued to develop other products that would be test marketed and launched in coming months.

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