

PRESS RELEASE

Nestlé India - First Quarter 2004

- Net Sales for the Quarter ended 31st March, 2004 were Rs. 6200.7 Million
- Net Profit was Rs. 643.7 Million.
- Consumer demand for FMCG goods continues to be negatively impacted
- Focus on further improving availability and visibility of Nestlé products

Chairman and Managing Director of Nestlé India, Mr. Carlo Donati stated “The slow growth and dip in profits during this quarter is not surprising. Though the GDP growth in recent months has been healthy, there is a structural shift in the consumer spending towards asset building and non-food related lifestyle changes. We have been tracking the market and are optimistic that this is a transitional phase. We anticipate that the consumer spending on Nestlé products will improve in the future, and in line with our business objectives, we will be able to sustain profitable growth in the long term.”

Nestlé House, Gurgaon, 30th April, 2004: The Board of Nestlé India met today and approved the results for the Quarter ended 31st March, 2004. For the past four consecutive years the Company has managed to achieve excellent growth in both sales and net profit even when the GDP growth and consumer sentiments were less than buoyant. However, with the entire FMCG sector now experiencing a slowdown, the unfavourable market conditions have impacted the results for the first quarter.

SALES

Net Sales for the quarter have increased by 3.7% as compared to the same period of 2003. Domestic Sales have increased by 5.5%. Export sales were lower by 11.3% due to the shift towards the low realisation bulk coffee packs exported to Russia. However, export volumes have increased by 11.1 %

PROFIT

The reported Net Profit for the quarter has decreased by 13.8% as compared to the same period of 2003. After removing the non-comparable/exceptional items under “**Other Income**”, “**Provision for Contingencies**” and “**Current Taxes**”, the adjusted net profit for the quarter has decreased by 9.3%. This is mainly due to decrease in EBITDA by 7.9 %, higher tax cost on account of a gradual phasing out of the tax holiday benefits available on income from exports, and lower other income.

EBITDA in percentage of net sales has decreased from 21.9% in Q1, 2003 to 19.5% in Q1, 2004, mainly due to the steep increase in milk solids costs, which have not been entirely passed on to the consumers. Other costs have mainly remained under control.

The decrease in Other Income is mainly due to an exceptional receipt of interest on income tax refunds in the first quarter of 2003.

OVERVIEW OF THE QUARTER

The economic indicators and the 'feel good' sentiment in the economy that has been evident in recent months indicates an improved outlook for the future though it has not generated significant additional demand for FMCGs yet. We believe that the shift in consumer spending towards asset building and non-food related lifestyle changes, as witnessed in recent months is restricting demand for FMCG products. Moreover, since the high GDP growth of over 8% is primarily driven by the growth rate in agricultural production, which had registered a negative growth last year the resulting improvement in rural incomes are likely to affect only a few Nestlé products in some geographies.

In the face of uncertainty in consumer spending on FMCG like food products, the Company will continue to direct its efforts at controlling costs, improve penetration in newer geographies and focus on the management of prices. This should sustain return to shareholders.



During the quarter, Value for money and affordability continued to be thrust areas. MAGGI 2-MINUTE Noodles, NESCAFE, Instant Coffee, EVERYDAY Dairy Whitener, MILKMAID sweetened condensed milk and MUNCH in the confectionery and wafers segment performed particularly well. The launch of NESTLÉ Coffee Eclairs and NESTLÉ Chocolate Eclairs during the quarter added to the already existing range of NESTLE Milkybar Eclairs and NESTLÉ Eclairs. These products have further strengthened the Company's leadership in the segment and increased Nestlé's presence in the smaller outlets.

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