

PRESS RELEASE

NESTLÉ INDIA FOCUSED ON CREATING VALUE THAT IS SUSTAINABLE

- Net sales for Quarter ended 30th June, 2004: Rs. 5443.9 Million
- Net Profit for Quarter ended 30th June, 2004: Rs. 427.8 Million
- The board had declared on 16.7.2004 an interim dividend of Rs 10 per share for the year 2004
- Continues with initiatives to further improve productivity
- Realigns internal structures to better service market needs

Chairman & Managing Director of Nestlé India, Mr. Carlo Donati stated “Market conditions have continued to be unfavourable but the current dip in the reported sales and profits also reflects the rationalisation of stocks that we have initiated within the Company. Though these initiatives negatively impact us in the short term, they are necessary to maintain the high quality that Nestlé Guarantees the consumer. Nestlé India is a healthy Company and prudent management decisions are being implemented to sustain its health and make it even more robust in the future.”

NESTLE HOUSE, Gurgaon, 28th July, 2004: The Board of Nestlé India met at Nestlé House today and approved the results for the Quarter ended 30th June.

SECOND QUARTER SALES

Net Sales for the Quarter were Rs.5443.9 million.

Domestic Sales during the quarter were Rs.4853.1 million, and grew by 3.1 % over the same period last year. They were negatively impacted by a selective rationalisation of pipeline stocks in certain geographies and products. This was in keeping with the Company policy of providing fresh stocks to the consumer. Domestic Sales for the quarter have also been impacted by the lower availability of milk fat.

While Export Sales during the quarter have increased by 6.5% in volume terms, they have declined in value terms by 21.4 % over the same period last year. The export value of Rs.590.8 million was lower mainly due to the shift towards low-realization bulk coffee packs exported to Russia.

PROFITS FOR THE QUARTER

The reported Net Profit for the quarter is Rs.427.8 million. This has decreased by 36.1% as compared to the same period of 2003. After stripping out the non-comparable/exceptional items under “Other Income”, “Total Expenditure”, “Impairments” and “Provision for Contingencies”, the adjusted net profit for the quarter has decreased by 32.6%. This is mainly due to decrease in EBITDA, higher tax cost resulting from a gradual phasing out of tax holiday benefits on exports, and lower Other Income.

EBITDA in the second quarter of 2003 was favourably impacted by 0.8% of net sales, due to refund of levies in relation to earlier years. The adjusted EBITDA, as a percentage of net sales was 20.6% in Q2, 2003, which has decreased to 15.4% in Q2, 2004. This is mainly due to the steep increase in commodity prices and in particular the milk solids costs, which have not been entirely passed on to the consumers; and the rationalization of pipeline stocks, which negatively affected EBITDA for the quarter.

OVERVIEW FOR THE QUARTER

The quarter witnessed several upheavals e.g. the parliamentary elections, the change in the government and its direction through the common minimum programme, crash in the stock market, speculation on the union budget, change in the direction of the movement of the Indian Rupee, a slow down in the growth of foreign exchange reserves, the inflationary upsurge in the economy etc. These factors caused uncertainty and depressed confidence in the general economic environment.

Even under these circumstances, Nestlé India remained committed to create value that can be sustained over the long term and remained focused on the seven value drivers of its economic model, which are operational, financial and strategic in nature.

Nestlé India continued to strengthen the marketing support to its brands and stressed on advertising with greater impact. In recent months the Company has released advertising campaigns on Television for Nestlé MUNCH featuring Rani Mukerji, MAGGI 2-MINUTE Noodles featuring Preity Zinta, and NESCAFE SUNRISE in markets of South India featuring Ajit and Simran. The campaigns have been liked by the target consumers and are expected to further strengthen the brands.

As a result of the ongoing efforts to provide consumers with products that add value, the Company launched NESTLÉ SWEET LASSI during the quarter. NESTLÉ SWEET LASSI has been developed as a ready to drink convenience product that provides refreshment, nutrition and wellness.

The Company is satisfied with the direction in which it is moving. Nestlé India will continue to leverage operational efficiencies, opportunities for growth and innovate and renovate products that add value to consumers.

The Company has commenced work on the global Nestlé Initiative - GLOBE. This will facilitate in the adoption of best practices and help gain operational efficiencies by implementing sophisticated and integrated information technology systems, much needed for a complex value chain.

DECLARATION OF INTERIM DIVIDEND

The Board of Nestlé India has, earlier, declared an interim dividend of Rs.10/- per share for the year 2004. The dividend will be paid out from 30th July, 2004.

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