HINDUSTAN LEVER LIMITED –March Quarter 2005 RESULTS

- Continuing sales grow by 6.9%, after a flat 2004
- HPC grows 9.6%
- Laundry grows by 13%
- Hair grows by over 20%
- Brooke Bond grows by 5%
- Exports grew by 13%
- Underlying EBIT declines 19% (Reported EBIT declines 27%); PAT declines 15%.

MUMBAI, April 29th 2005: Hindustan Lever Limited (HLL) announced its results for March Quarter 2005. Continuing sales grew by a robust 6.9 %, which is the highest quarterly growth in over two years. Home and Personal Care (HPC) sales grew by 9.6% with volumes growing by 6.6%. Investment in brand building continued with an increase in advertising spends of 12% in HPC. In the highly competitive Laundry category, the business grew by 13% in value and 10% in volume with growth all main brands i.e. Rin, Surf and Wheel. Shampoo volumes grew in high double digits for the fourth consecutive quarter with a strong value growth well in excess of 20%. During the quarter shampoo volume and value market share grew strongly. Toothpaste grew 12% driven by high growth in Close Up. Personal Wash grew by 6% driven by a sustained market share growth in Lifebuoy.

Brooke Bond grew 5% and continued to gain value market share for the fifth consecutive quarter. However beverages sales were flat due to drop in coffee. Squash sales declined in the quarter reflecting phasing of promotional activities. Ketchup, Soups and Jams grew strongly on the back of a streamlined supply chain.

The long awaited introduction of VAT is a very welcome development and would benefit the industry and consumers in the long run. It is however disappointing that as many as eight states are yet to join. Disruptions due to introduction of VAT had only a marginal impact on overall sales in the quarter though it was more pronounced in certain categories like Coffee.

Underlying EBIT (Earnings before Interest and Taxes) adjusting for the one-off credit of Rs. 34 crs in MQ 04 declined by 19%. The underlying EBIT decline is due to continuing brand investments and unprecedented crude oil related input cost increases not fully neutralised by price increase and cost savings in the quarter. Reported EBIT at RS. 263 crores declined 27%. After considering write-back of excess tax provision relating to prior period PAT (Profit after Tax) at Rs.259 crores, declined by 15%.

Mr.M.S.Banga, Chairman commented: "HPC growth has accelerated strongly reflecting the success of our competitive strategy and brand investments. We have grown very strongly in the most competitive categories of Hair and Laundry. On the cost front the hardening of commodity prices presents an important challenge. We expect to improve our margins through judicious price increases and aggressive cost savings.

During the last few years we have strengthened our brands, sharpened our brand and business portfolio and improved supply chain and customer service capabilities. Overall these strategic steps have positioned the company to deliver strong growth as evidenced in this quarter". He concluded by saying " We have a vibrant and energised team that is confident of growing with India."