



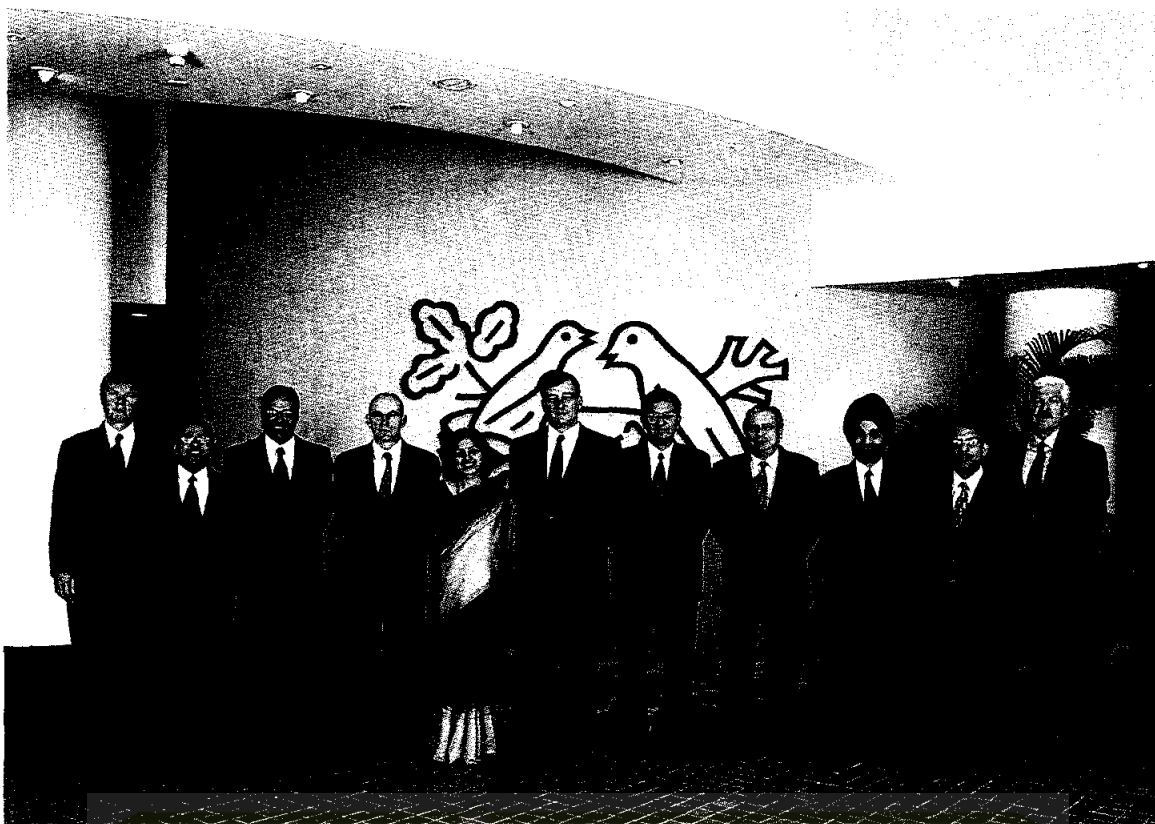
Nestlé

REPORT JUNCTION



Nestlé India Limited
Annual Report 2001

NESTLÉ INDIA MANAGEMENT COMMITTEE



Left to Right: **P. Popelier**, Vice President - Water Business, **V. Khanna**, Vice President - Supply Chain, **S. Sehgal**, Vice President - Marketing, **J. M. Waelti**, Director - Finance & Control, **S. Hegde**, Vice President - Additional Channels, **C. M. Donati**, Chairman and Managing Director, **S. Narayanan**, Executive Vice President - Sales, **R. Raj**, Executive Vice President - Corporate Affairs and Strategic Planning, **H. K. Singh**, Head of Human Resources, **B. Murli**, Vice President - Legal and Company Secretary, **J. M. Stocker**, Executive Vice President - Technical

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BOARD OF DIRECTORS

Narendra Singh
Chairman Emeritus

DIRECTORS

Carlo M.V. Donati
Chairman & Managing Director

Jean Marc Waelti
Director – Finance & Control

Michael W.O. Garrett
Brij Mohan Khaitan (Upto 30th September, 2001)
Ravinder Narain
Tejendra Khanna
Rajendra S. Pawar (From 1st October, 2001)
Richard Sykes (From 8th March, 2001)
[Alternate to Michael W.O. Garrett]

SECRETARY

B. Murli

BANKERS

ABN Amro Bank N.V.
BNP Paribas
Citibank N.A.
Corporation Bank
Deutsche Bank
HDFC Bank Limited
ICICI Bank Limited
Punjab National Bank
Standard Chartered Grindlays Bank
State Bank of Hyderabad
State Bank of India

AUDITORS

A.F. Ferguson & Co.

REGISTERED OFFICE AND SHARE DEPARTMENT

M-5A, Connaught Circus
New Delhi 110 001
Ph : 332 9891
Fax : 372 5130

HEAD OFFICE

Nestlé House
Jacaranda Marg, 'M' Block,
DLF City, Phase II,
Gurgaon – 122 002 (Haryana)

BRANCH OFFICES

26/2 Spencer Road
Fraser Town
Bangalore 560 005
915 N.A.C. Manimajra
Chandigarh (U.T.) – 160 001
Spencer Plaza, 6th Floor
769, Anna Salai
Chennai 600 002
7, Hare Street
Kolkata 700 001
Hiranandani Gardens,
Main Street, 4th Floor
Colgate Research Centre Building
Powai
Mumbai 400 076
M-5A, Connaught Circus
New Delhi 110 001

FACTORIES

Village Maulinguem (North)
Bicholim Taluka 403 504
(Goa)
Ludhiana-Ferozepur Road
Near Kingwah Canal
Moga 142 001
Dist. Moga (Punjab)
Industrial Area
Nanjangud 571 301
Mysore District (Karnataka)
P.O. Cherambadi 643 205
Dist. Nilgiris (Tamil Nadu)
Patti Kalyana, Kiwana Road
Samalkha 132 101
Dist. Panipat (Haryana)
Plot No. 294-297
Usgao Industrial Area
Ponda 403 406 (Goa)

LISTING OF EQUITY SHARES

(Listing Fees paid)
The Delhi Stock Exchange Association Limited,
DSE House
3/1 Asaf Ali Road
New Delhi - 110 002
The Stock Exchange, Mumbai,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001

ANNUAL GENERAL MEETING

Tuesday, 30th April, 2002 at 10.00 AM
at Air Force Auditorium, Subroto Park,
New Delhi 110 010.

Shareholders attending the AGM are
requested to bring with them the enclosed
ATTENDANCE SLIP.

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in submitting their report and the statement of accounts for the year ended 31st December, 2001.

Financial Results and Operations

	(Rs. in Millions)	
	2001	2000
Gross Revenue	19,372	16,882
Gross Profit (before interest, depreciation and tax)	3,307	2,847
Interest	99	149
Depreciation	435	379
Impairment Loss on Fixed Assets	14	33
Provision for Contingencies (Net)	181	295
Provision for Tax	846	805
Profit After Taxation (Net Profit)	1,732	1,186
Profit Brought Forward	101	528
Balance Available for		
Appropriation	1,833	1,714
Interim Dividends Paid	1,350	771
Final Dividend Proposed	—	579
Corporate Dividend Tax	138	144
Transfer to General Reserve	173	119
Surplus carried in Profit and Loss Account	172	101

Domestic Sales grew by 14.1% during the year. This growth is positively influenced by the lower sales base of the year 2000, during which period the pipeline inventory of products enhanced in December, 1999 as a part of contingency plan to deal with possible Y2K issues, was adjusted. Export Sales grew by 16.7%. Profit After Tax grew by 46 % from Rs.1,186 million to Rs.1,732 million.

The persisting lack of buoyancy in the economy continued to be a concern during the year 2001. Your Company's focus on product Innovation and Renovation, the flagship brands, concerted efforts to maintain the value for money equation for the consumer, continuous improvement in business processes and all areas of operations and a professional work

environment, sustained the performance during 2001.

The increase in Net Profit is mainly due to increased sales, favourable impact of commodity prices and improved asset rotation, which has been partially offset by the costs associated with the Water, Liquid Milk and Chilled Dairy businesses. The statutory change in the Accounting Policy by implementation of the Accounting Standard on "Accounting for Taxes on Income", with effect from 1st January, 2001, resulted in deferred tax credit for 2001 of Rs.79 million and corresponding increase in Net Profit of 6.7%. Implementation of the aforesaid Accounting Standard has also resulted in deferred tax liability of Rs.171 million as on 1st January, 2001, which has been reduced from the General Reserve as on 1st January, 2001.

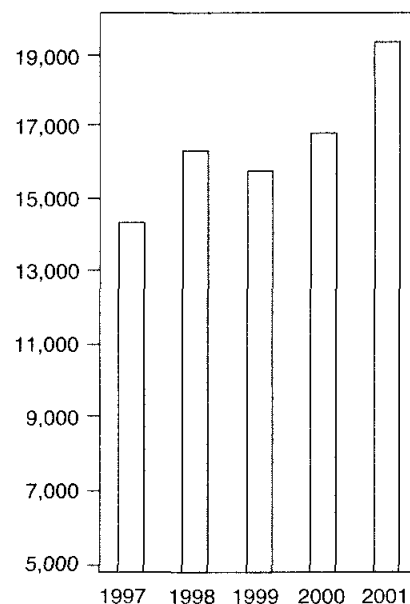
During the year, the Company retired certain fixed assets from active use at various locations and the impairment loss on such fixed assets has been charged to the Profit and Loss Account.

Out of business prudence, in 2001 the Company supplemented the Contingency Provision with further amount of Rs. 181 million (Net) to provide for various contingencies resulting from matters mainly relating to issues under litigation and management discretion.

Your Company's overall sales and profit progression during 2001 can be considered very satisfactory.

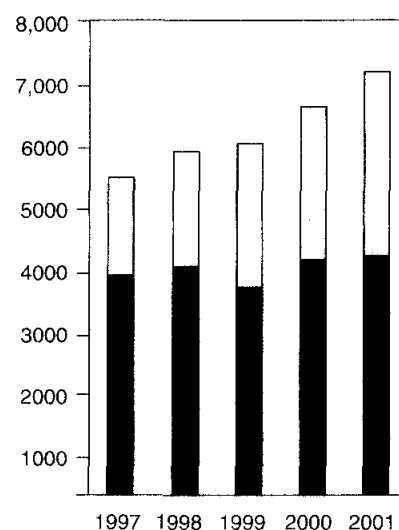
The current year has commenced as per plan in the domestic market and your Directors are hopeful of continued good results. The economic indicators, however, point towards continued sluggishness in the market and low economic growth during 2002. The Union Budget for 2002-2003 also confirms the sluggishness in the market. During the last two years, your Company

Gross Income (Rupees in Millions)



Fixed Assets (Rupees in Millions)

■ Net Block □ Gross Block





has been favourably impacted in the procurement price of key commodities and in the event of the trend reversing, there would be an adverse impact. While your Company would continue to focus on measures to maintain its performance, uncertain and difficult domestic and international market environment could impact the performance.

Exports

Export Sales for the year at Rs. 3,099 million have grown by 17.5% in volume terms, over the last year. This has been mainly due to the higher exports of NESCAFE Instant Coffee to Russia, as well as buoyant sales of Instant Tea and Culinary products. Low green coffee prices have, however, resulted in reduced export realisation.

Efforts continue to tap new markets and product opportunities to improve the overall export performance besides reducing the risks associated with export of NESCAFE Instant Coffee to Russia which constitutes around 80% of Export Sales.

Your Directors are pleased to advise that your Company received award from the Coffee Board of India for highest exports of Instant Coffee as well as the highest exports of coffee to Russia and CIS for the years 1999-2000 and 2000-2001.

Dividends

Two interim dividends of Rs. 4.00 and Rs.10.00, aggregating Rs.14.00 per equity share, were paid during 2001.

Business Development

The Industrial Policy of the Government of India accords high priority to the food processing industry. Every year around 25% to 30% of the Fruits and Vegetables are destroyed due to decay and food processing can play an important role in reducing the

losses and increasing availability of food. For speedier progress of the food processing industry, the regulatory environment and multiple taxation needs to be addressed. The actions initiated by the Government recently with regard to food legislation are a welcome beginning and need to be implemented expeditiously. However, restructuring of taxation is critical for improving the competitiveness of food products manufactured in the country.

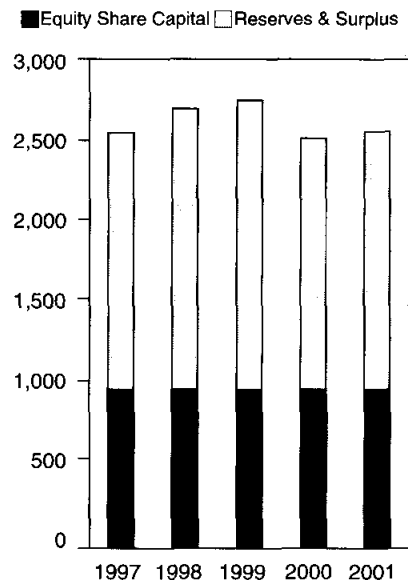
In line with your Company's objective to provide superior value in every product category and market sector, efforts continued to be focussed to provide quality products to customers at attractive price points. The Company continued to generally maintain price points across all the product categories.

The primary business segment for your Company is Food incorporating product categories viz. Milk Products and Nutrition, Beverages, Prepared Dishes and Cooking Aids and Chocolates and Confectionery. The performance of the Food segment is reflected in the overall performance of your Company. The domestic market witnessed significant volume growth in most of the brands.

MAGGI sustained its leadership in the Prepared Dishes and Cooking Aids Category. MAGGI Instant Noodles continued to rapidly improve sales. To extend the availability to more markets, smaller 50 gram packs were introduced. New "Curry" and "Tomato" flavours were launched to add variety. MAGGI Sauces also showed good volume growth. Prices of MAGGI Soups were rationalised and a new "Tomato-Vegetable" variant was added to the existing range. Performance of MAGGI Pickles was unsatisfactory and product is under review. New flavour profiles were introduced in MAGGI Seasonings.

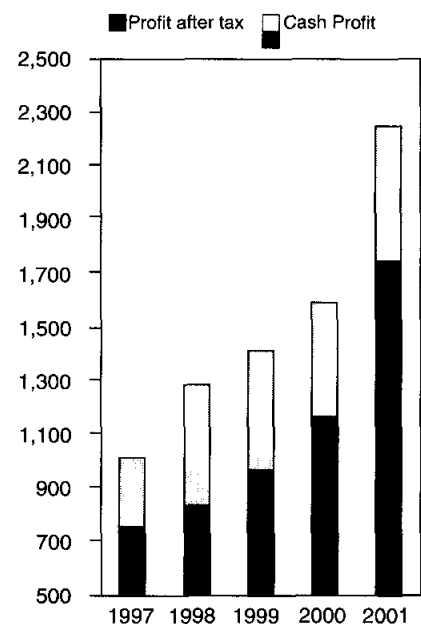
Shareholders' Funds

(Rupees in Millions)



Earnings

(Rupees in Millions)



In the Beverages Category, NESCAFÉ brand remained strong with good volume growth. During the last quarter of 2001, state of the art aromatisation technology received from Nestlé Group was implemented, and NESCAFÉ Classic was relaunched with enhanced aroma. To cater to the emerging needs of the market, NESCAFÉ Choc Café, which is a unique blend of chocolate and coffee with a smooth taste preferred by youth, was introduced. After a satisfactory launch in 2000, NESCAFÉ Frappe was rolled out nationally. NESTLÉ MILO was renovated and relaunched, so as to be better equipped to fight the stiff competition in the market.

Your Company entered the bottled water category, with the launch of NESTLÉ PURE LIFE in the first quarter of 2001 in Delhi and adjoining areas. NESTLÉ PURE LIFE is manufactured under stringent quality control and contains a balance of essential minerals and a light pleasant taste. The bottled water market is extremely competitive lead by both domestic and international players, and is currently witnessing depressed margins and prices. This category requires sustained support.

The Chocolate and Confectionery brands sustained their momentum and continued to strengthen their presence in the markets. NESTLÉ MUNCH, which is the largest selling unit in the wafer segment, NESTLÉ KITKAT and NESTLÉ CLASSIC, have gained in volumes. Your Company has launched in the South and West, an innovative product NESTLÉ CHOCO STICK, a delicious chocolatey liquid treat in a stick format. NESTLÉ CHOCO STICK has received very encouraging response with strong volumes. Steps are being taken to launch the product in other cities. Another innovative product NESTLÉ MILKYBAR CHOC, which is a soft chewy fudge enveloped in delicious white chocolatey covering, was also launched in the southern states. The response to the launch of these

two products has been encouraging. NESTLÉ BAR-ONE was relaunched after renovating it to make it smoother, creamier and better meet consumer needs.

In the Milk Products and Nutrition Category, the performance of infant nutrition remained satisfactory and your Company continued to focus on introducing products that leverage the Nestlé Know-how and Research and Development competence. EVERYDAY Dairy Whitener/ Milk Powder and MILKMAID condensed milk grew satisfactorily. The performance of MILKMAID Dessert Mixes was disappointing and the range is being reviewed for appropriate corrective action.

The foray of your Company into the Ultra Heat Treated (UHT) liquid milk business in 2000, was consolidated during 2001, by extending to other cities and introduction of a new variant, NESTLÉ Slim Milk. For the first time, initiatives were taken for home delivery of UHT Milk in the cities of Mumbai and Delhi, and the response has been encouraging.

The Company entered the Chilled Dairy business with the launch of NESTLÉ Dahi in select cities of the North. On the basis of the very encouraging response received, NESTLÉ Dahi was also launched in select cities in the West and South of India. NESTLÉ Butter was launched in the second half of 2001, in the cities of Mumbai, Pune and Delhi. The initial response has been satisfactory.

The new business like Bottled Water, UHT Milk and Chilled Products (Dahi, Butter), which your Company has recently entered into, are low margin businesses but represent items of daily purchase, hence are high volume opportunities. Backed by the expertise of the Nestlé Group in these areas, your Company sees them as strategic and has taken the challenge to establish them in the market place and within the

house holds. These products require, nevertheless, sustained support and may have an impact on percentage earnings.

The vision to increase the penetration for the brands was further consolidated through focussed action to expand distribution. Initiatives taken included more penetrative pricing and smaller packs for NESCAFÉ, NESCAFÉ SUNRISE, MAGGI Noodles, POLO Holes in sachet and introduction of NESTLÉ Chocostick to make the pleasurable chocolatey taste available at an affordable price. The initiatives for distribution of MAGGI cubes through vegetable vendors and hawkers in the Mumbai market has been well received. The year also saw major improvements in the processes and systems for demand forecasting and sales management at the micro level which considerably improved the sales pattern and reduced skewness in the sales for your Company. This had a beneficial impact on the freshness of stocks in the market and further reinforces the objective of your Company to offer the best consumption experience for the consumers. The foray into Chilled Dairy distribution was supported by a strategy of geographic focus and redefining the rules for demand forecasting for short shelf life products. Exclusive resources were deployed to conduct a series of ground level activities to enhance trials and visibility for NESTLÉ Dahi, NESTLÉ Butter and NESTLÉ Milk.

The Alternative Trade Channel unit continued its initiatives to tap opportunities for out of home consumption, particularly in the instant coffee and chocolate and confectionery categories and extend availability of products to non-traditional outlets. In order to drive consumption of instant coffee, NESCAFÉ Vending machines were placed extensively across the country. Additionally, during 2001, Café NESCAFÉ outlets were opened in select cities to provide consumers the complete NESCAFÉ experience. Your Company also



made a foray into non-carbonated Cold Beverages segment through the placement of "NESTEA Iced Tea" and "NESCAFE FRAPPE" Vending machines. Your Company reinforced its initiatives to provide greater convenience and quality to the hotel industry by launching a range of products under the internationally recognised CHEF brand, which include "Toasted Onion Flakes", "Base for Cream Soup", "Demiglace Brown Sauce Base" and "Bechamel White Sauce Base".

On the manpower development front, programmes during 2001 continued to be focussed on the operational front – more particularly sales and production. As a part of manpower development and training, officials of your Company have over the past years been sent on postings/ assignments to other Nestlé Group companies. In the recent past, the number of such postings/assignments have increased. The caliber and strength of your Company's personnel is confirmed by the positions held by some of them in Nestlé Group companies and the increased movement in the recent past. Focus continued on measures to improve white collar productivity.

Thrust on strengthening the supply chain continued to receive attention during the year. In addition to consolidating the improvements made in the recent past, significant progress was recorded in the following areas :

- Improvement in customer service infrastructure to improve service level and availability of products.
- Further cuts in stock pipeline to improve freshness of stocks and reduce working capital.
- Reduction in distribution costs through innovative measures, despite increase in cost of fuel in preceding years.
- Reduction in raw and packing material pipeline to reduce working capital and obsolescence.

Innovation and Renovation

Product innovation and renovation is one of the key elements in remaining a leader and for long term profitable growth. Innovation and renovation in all facets of Company operations was the key focus area during 2001. It is a matter of satisfaction that during the recent past the focussed and well coordinated efforts, has facilitated the introduction of several new products. Thrust on such initiatives will continue in the future as they are essential for your Company to remain competitive.

Technology from Nestlé

Your Company under the General Licence Agreement, has the licence for the know how, patents, brands and other intellectual property, in relating to the products manufactured and/ or sold by your Company. Access is available to the proprietary technology of Nestlé and the fruits of extensive centralised Research and Development. The diversified knowledge and expertise made available have contributed significantly to the operations and performance of your Company over the years. Your Directors note with satisfaction that being a part of Nestlé Group, the ongoing technology transfer and access to the fruits of extensive Research and Development and authorisation to use brands, would help your Company significantly in its efforts to remain competitive.

Information Technology

Your Company continued to make significant investments in the Information Services/ Technology area to cope with the growing information needs necessary to manage operations more effectively in a complex supply chain environment.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, the Directors' confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently and judgements and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st December, 2001 and the profit and loss account for the year ended 31st December, 2001;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- the annual accounts have been prepared on a going concern basis.

Corporate Governance

A separate report on Corporate Governance along with Auditor's certificate on its compliance is attached as Annexure – 1 to this Report.

Directors

Mr. B.M. Khaitan relinquished office as a Director of the Company with effect from 1st October, 2001. Mr. Rajendra S. Pawar, appointed in the casual vacancy, is a leading and well-known personality in the field of Information Technology. His experience would be of immense benefit to your Company and adds a valuable perspective in the Board of Directors. Mr. Pawar holds office till the Annual General Meeting and is eligible for re-appointment. Notice has been received from a member signifying his intention to propose Mr. Pawar as a Director.

Mr. J.M. Waelti, Director – Finance and Control, shall be relinquishing office on 30th April, 2002, to take up another assignment in the Nestlé Group.

The Directors wish to place on record their appreciation for the contributions made by Mr. B.M. Khaitan and Mr. Jean Marc Waelti, during their tenure as Directors of the Company.

In accordance with Article 119 of the Articles of Association, Mr. M.W.O. Garrett retires by rotation and being eligible offers himself for re-appointment.

Auditors

M/s A. F. Ferguson & Co., Auditors of the Company, retire in accordance with the provisions of the Companies Act, 1956, and being eligible offer themselves for re-appointment.

In pursuance of Section 233-B of the Companies Act, 1956, your Directors have appointed M/s Ramnath Iyer and Co. as the Cost Auditors to conduct the cost audit of infant milk foods and milk foods for 2002,

subject to the approval of the Central Government.

Information regarding Conservation of Energy etc. and Employees

Information required under Section 217(1)(e) of the Companies Act, 1956 (hereinafter referred to as "the Act") read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure – 2 forming part of this Report. Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to all the members excluding the statement containing the particulars of employees to be provided

under Section 217(2A) of the Act. Any member interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

Employees

The Directors wish hereby to place on record their appreciation of the efficient and loyal services rendered by all staff and work force of the Company, without whose wholehearted efforts, the overall very satisfactory performance would not have been possible.

On behalf of the Board of Directors

6th March, 2002
Gurgaon

CARLO M. V. DONATI
CHAIRMAN

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ANNEXURE-1 TO THE DIRECTORS' REPORT

Report on Corporate Governance for the year ended December 31, 2001

NESTLÉ'S PHILOSOPHY ON CODE OF GOVERNANCE

Nestlé India Ltd., as a part of Nestlé Group, Switzerland has over the years followed best practice of Corporate Governance by adhering to practices laid down by Nestlé Group. The two most significant documents from Nestlé Group, which define the standard of behaviour of Nestlé India, are "Nestlé Corporate Business Principles" and "The Basic Nestlé Management and Leadership Principles".

Nestlé India's business objective and that of its management and employees is to manufacture and market the Company's products in such a way as to create value that can be sustained over the long term for consumers, shareholders, employees, business partners and the national economy. Nestlé India is conscious of the fact that the success of a corporation is a reflection of the professionalism, conduct and ethical values of its management and employees. In addition to compliance with regulatory requirements, Nestlé India endeavours to ensure that highest standards of ethical conduct are met throughout the organisation.

BOARD OF DIRECTORS

Composition, Attendance at the Board Meetings and the last Annual General Meeting, Outside Directorships and other Board Committees

Above information as on 31st December, 2001 or for the year 2001, as applicable, is tabulated hereunder:

Director	No. of Board Meetings attended ^A	Attendance at previous AGM on 27.06.2001	No. of outside Directorship held ^B	No. of membership/ chairmanship in other Board Committees ^C	Executive/ Non Executive/ Independent
Mr. Carlo M.V. Donati ¹	6	Present	Nil	Nil	Executive
Mr. Jean Marc Waelti ²	7	Present	Nil	Nil	Executive
Mr. B.M. Khaitan ³	1	Not Present	Not Applicable	Not Applicable	Non Executive & Independent
Mr. Ravinder Narain	7	Present	4	Nil	- do -
Mr. Tejendra Khanna	6	Present	1	2	- do -
Mr. M.W.O. Garrett	1	Not Present	Nil	Nil	Non Executive
Mr. Rajendra S. Pawar ⁴	2	Not Applicable	8	2	Non Executive & Independent
Mr. Richard Sykes ⁵	1	Present	Nil	Nil	Non Executive

¹ Nominee of Nestlé S.A.

² Nominee of Nestlé S.A.

³ Relinquished the office of Director with effect from 1st October, 2001.

⁴ Appointed as Director with effect from 1st October, 2001.

⁵ Alternate Director to Mr. M.W.O. Garrett with effect from 8th March, 2001.

^A Attendance at the Board Meetings relevant to the period when Director of the Company.

^B Directorship in companies registered under the Companies Act, 1956, excluding directorships in private companies and alternate directorship.

^C Only covers membership/chairmanship of Audit Committee, Remuneration Committee and Shareholders / Investors Grievance Committee.

Board Meetings held during the year 2001

During the year 2001, seven Board Meetings were held on 24th January, 2001, 7th March, 2001, 25th April, 2001, 27th June, 2001, 27th July, 2001, 31st October, 2001 and 5th December, 2001.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises of Mr. Tejendra Khanna, Mr. Ravinder Narain and Mr. Rajendra S. Pawar, all being Non Executive and Independent Directors. Mr. B.M. Khaitan relinquished office as Director of the Company with effect from 1st October, 2001 and consequently also ceased to be a member of the Audit Committee. Mr. Rajendra S. Pawar has been appointed as member of the Audit Committee in place of Mr. B.M. Khaitan. Mr. Tejendra Khanna, who has financial and accounting knowledge, is the Chairman of the Audit Committee. Mr. B. Murli, Company Secretary, acts as the Secretary to the Committee. The role and terms of reference of the Audit Committee covers the areas mentioned under Clause 49 of the Listing Agreement and Section 292 A of the Companies Act, 1956 besides other terms as may be referred by the Board of Directors. The Audit Committee met 5 times during the year 2001 on 24th January, 2001, 5th March, 2001, 25th April, 2001, 27th July, 2001 and 31st October, 2001. Mr. Tejendra Khanna and Mr. Ravinder Narain attended all the meetings held during the year while Mr. B. M. Khaitan attended the meeting held on 25th April, 2001 and Mr. Rajendra S. Pawar attended the meeting held on 31st October, 2001.

Shareholders Committee

Shareholder/Investor Grievance Committee is headed by Mr. Ravinder Narain, a Non-Executive and Independent Director. Mr. B. Murli, Company Secretary, is the Compliance Officer.

During the year 2001, 305 complaints were received from shareholders and investors. All the complaints have generally been solved to the satisfaction of the complainants, except for disputed cases and sub-judice matters, which would be solved on final disposal by the Courts.

All valid requests for share transfer received during 2001 have been acted upon by the Company and no such transfer is pending.

Remuneration Committee

Matters of remuneration of Executive Directors are considered by the Board of Directors of the Company, with the interested Executive Director(s), not participating or voting. The terms of remuneration of Executive Directors are approved by the shareholders at the Annual General Meeting. Therefore no separate remuneration committee has been constituted.

The remuneration policy of the Company is based on the need to attract the best available talent and be in line with the industry levels.

REMUNERATION OF DIRECTORS FOR 2001

(Rupees in '000)

Name of the Director	Sitting Fee	Salaries and Perquisites	Commission	Total
Mr. Carlo M.V. Donati ¹	Nil	8,513	10,170	18,683
Mr. B.M. Khaitan	7	Nil	150	157
Mr. Tejendra Khanna	40	Nil	200	240
Mr. Ravinder Narain	45	Nil	200	245
Mr. J.M. Waelti ²	Nil	5,186	1,680	6,866
Mr. Rajendra S. Pawar	12	Nil	50	62

¹ The Company has service contract with Mr. Carlo M.V. Donati for a period of 5 years with effect from 1st July, 1998. The notice period is of one month and the severance fee is the sum equivalent to remuneration for the notice period or part thereof in case of shorter notice.

² The Company has service contract with Mr. Jean Marc Waelti for a period of 5 years with effect from 1st July, 2000. The notice period is of three months and the severance fee is the sum equivalent to remuneration for the notice period or part thereof in case of shorter notice.

Commission is subject to adequate profits being earned. Performance criteria for the Executive Directors takes into account the business plans and market conditions. The Company does not have any stock option scheme.