

PRESS RELEASE

Nestlé India to restructure its Balance Sheet and Return cash to Shareholders

Nestlé House, Gurgaon, January 15, 2007: The Board of Directors of Nestlé India met today and approved a Scheme which entails utilization of the balance amount in the Share Premium Account and a part of the balance amount in the General Reserve Account formed by the excess transfer of surplus profit in earlier years. After approval of the Scheme by the shareholders/ creditors and finally by the Hon'ble Delhi High Court, the amount will be returned to the Shareholders in cash after paying applicable taxes.

The Board has approved the Scheme in the interest of the shareholders as returning cash will give them an opportunity to earn better returns as compared to those, which the Company can earn by investing in short term liquid instruments. All the shareholders will receive proportionate amount for every equity share held in the Company.

The Scheme will further enhance the return on equity, provide an opportunity to leverage the balance sheet which in turn could further optimise the cost of capital and thus improve the economic value.

Under the Scheme, an amount of Rs.432.3 Million lying in the Share Premium Account and an amount of up-to Rs.430.9 Million voluntarily transferred by the Company to its General Reserve Account during the years 1981 to 1997, in excess of the prescribed 10% of the profits of the Company under the provisions of the Companies (Transfer of Profits to Reserves) Rules, 1975 will be utilised for returning cash to the Shareholders after paying taxes as applicable at the time of distribution.

The Company will make necessary applications to the Hon'ble Delhi High Court for its directions for convening a meeting of Shareholders/ Creditors to seek their consent, after obtaining approval of the Bombay Stock Exchange to the Scheme.

HSBC Securities and Capital Markets (India) Private Limited is the financial Advisor and Amarchand & Mangaldas & Suresh A. Shroff & Co. are the Legal Advisors to the Company on the Scheme.

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