

Letter from the Chairman

Dear Shareholder,

Let me first acknowledge the strong performance of our management under the leadership of our CEO, Mr Paul Bulcke. The Company yet again delivered solid growth across all businesses, improved margins and an increase in the underlying earnings per share in a very challenging environment.

At our upcoming shareholders meeting, we will have the opportunity to thank Mr Jean-Pierre Meyers, who will retire from our Board after many years of highly appreciated services to our Company. For several years he also served on the Board's Audit and Compensation Committees.

At the same time we will propose to you the re-election of all Board members standing for re-election as required by the revised Swiss corporate law that went into effect on January 1, 2014. Once you have elected all members of the Board, we will propose to you the election of the Chairman and the members of the Compensation Committee in separate votes. This embodies both the literal text and, importantly, the spirit of the new law.

This leads me to another important agenda item, which is the revision of our Articles of Association triggered by the new law. We propose this revision a year ahead of legal requirements in order to create the legal certainty that we need for our company and to live up to our own commitment to be at the forefront of corporate governance practices in Switzerland. The revision is explained in more detail in the enclosed Report by the Board of Directors.

Our proposed new Articles aim to implement the new law in a principle based approach and try at best to avoid unintended consequences. Let me highlight a few provisions.

By choosing a prospective approach to the approval of the compensation of the Board and the Executive Board, we want to provide maximum transparency and fairness to our shareholders, while we preserve the stability that we need to run our company efficiently and competitively. At the same time, to ensure complete transparency, we will commit in our Articles to maintain our established practice of submitting our Compensation Report annually to a separate, consultative vote of shareholders on a retrospective basis. This will give shareholders a complete picture of our compensation system and will allow them

to compare the compensation payout with the maximum compensation approved in the prior year.

Other provisions relate to the powers of the general meeting, the exercise of voting rights, the powers of the Compensation Committee, principles of compensation, and the number of mandates outside Nestlé that our Board and Executive Board members can hold. It is worthwhile mentioning that in our case each outside mandate in a listed or non-listed company by a member of the Executive Board will be subject to a specific approval by the Board of Directors.

We have implemented the new requirements aiming to reflect international best governance and help establish best practices on the new Swiss requirements, which are unique. Accordingly, we pursue a balanced approach that reconciles the views from our Swiss and international shareholders.

In line with Swiss law and practice, we propose to vote on the new Articles in a single vote. This eliminates the risk of conflicting votes on different parts of the Articles and reflects the comprehensiveness of the new law, which was adopted by the Swiss people in a single vote as well.

The new law will have a profound influence on the governance of Swiss corporations. Some consequences were intended – like the greater “say on pay” by shareholders or the empowerment of the Chairman and the Compensation Committee. Other consequences were probably unintended – like the transfer of power from boards of directors with a strong Swiss presence to more international shareholders and proxy advisors, the more legalistic nature of the shareholder meeting and the potential advancement of short-termism.

In line with the above, we are reinforcing our communication with our shareholders and other stakeholders on the basis of our commitment, set forth in our Articles of Association, to aim for long-term, sustainable value creation. The new legal framework gives our shareholders new powers and responsibilities. It is therefore of increased importance that you exercise your voting rights. To facilitate this we are now offering shareholders the opportunity to give voting instructions to the Independent Representative not only in writing but also over the internet (see enclosed account opening form).

Thank you again for the trust that you have placed in our Company. We do all we can to honour it. I count on your active participation and look forward to seeing you in Lausanne on 10 April 2014.

Yours sincerely,



Peter Brabeck-Letmathe
Chairman of the Board

For information only