

NESTLÉ S.A.

PETER BRABECK-LETMATHE
CHAIRMAN AND CEO

BY FAX : 0039 0659945244

His Excellency
Mr. Francesco Storace
Minister of Health
Ministry of Health
Lungotevere Ripa, 1
00153 Rome

November 24, 2005

Dear Sir,

The health of consumers everywhere and the safety of all Nestlé products offered to them is of utmost importance and a non-negotiable element of our Company's principles.

Nestlé has been present in Italy since 1913 and currently employs more than 6,000 people there. Over many years Nestlé has shared its responsibility for safe and high quality products with the Italian Ministry of Health in a transparent and constructive manner - this has also been the case with your administration over the last couple of years.

Both Nestlé and your Ministry have always pursued the same goal: the safety of the Italian consumers. This constructive collaboration was put to test recently by the discovery of ITX in liquid infant formula by an Italian laboratory. I acknowledge without reserve that it was your Ministry which brought the presence of ITX in the product to light and took the initiative of informing Nestlé. At the time, at the beginning of September, Nestlé was not aware of the ITX issue. It is a substance used by the packaging industry as a whole and is not in any way specific to Nestlé. Our scientists, together with independent bodies, immediately made a safety assessment and came to the conclusion that the traces of ITX found in the milk did not represent a health risk.

In addition, through Nestlé's initiative, the CIAA and Tetra Pak immediately contacted the European Commission, in an open and transparent manner, and presented its conclusions on 19 September 2005: the traces of ITX found in the milk do not represent a health risk. This meeting between the food industry, Tetra Pak and DG Sanco took place at the initiative of Nestlé, and DG Sanco declared itself satisfied with the attitude of industry and asked it to switch to another type of packaging as quickly as possible.

J.

The Commission accepted that there was no need to recall any product at the time and recommended industry and Tetra Pak to follow up with the Italian authorities, which was done. On 14 September 2005, Nestlé stopped packaging liquid infant formula with the material affected by ITX and started replacing the stock of liquid infant milk in Italy with products packed with alternative material.

You will understand that under such circumstances it was a shock to be confronted with pictures of Italian police, under the prosecutor's order, seizing Nestlé's products on television, as if these were criminal in origin. This was compounded by alarmist and market-relevant information of the seizure of 30 million litters of milk, when Nestlé sells no more than 12.5 million litters per year on the Italian market. This completely false information coming from an official spokesperson of a governmental authority provoked an immediate reaction on the stock exchange. Indeed, if it had been true, Nestlé would have been legally obliged to inform financial markets beforehand and, having failed to do this, could have been exposed to major shareholder claims.

As I was facing 600 investors and the press the next morning, I had to clarify that the figures given by the Italian police were false and indeed misleading, and, from the perspective of Nestlé's general performance, the impact of their intervention on our global profitability could indeed be considered as a "storm in a teacup." However, I acknowledge - and unreservedly apologize for - the memory lapse which caused me to say that the contacts between your "Agencia Regionale per la Protezione Ambientale" and Nestlé took place in July/August rather than in September. I further want to make it clear that I did not state that there was an agreement between yourself and Nestlé.

Finally, I added that the issue in Italy was not an issue of safety. I am glad that the European Commission subsequently confirmed this at a press conference of 23 November. Consequently, if it was not a safety or health risk which triggered this spectacular and unjustified action, I must conclude that there must be other reasons.

Let me conclude by saying that I am totally convinced that both your Ministry and Nestlé have been doing the right thing to protect the Italian consumer by working together in finding a good solution to an unexpected problem, based on broad-based scientific evidence.

I hope that this incident will not fatally undermine the long-term constructive cooperation between our two institutions, which has traditionally been founded on transparency and scientific proof.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Peter Brabeck-Letmathe', written in a cursive style.

Peter Brabeck-Letmathe
Chairman and CEO