

## Consolidated accounts of the Nestlé Group

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## Consolidated income statement for the year ended 31st December 2002

In millions of CHF	Notes	2002	2001
<b>Sales to customers</b>	1	<b>89 160</b>	84 698
Cost of goods sold		<b>(38 521)</b>	(37 756)
Distribution expenses		<b>(7 112)</b>	(6 421)
Marketing and administration expenses		<b>(31 379)</b>	(29 372)
Research and development costs		<b>(1 208)</b>	(1 162)
<b>EBITA <sup>(a)</sup></b>	1	<b>10 940</b>	9 987
Net other income (expenses)	2	<b>1 686</b>	(135)
Amortisation and impairment of goodwill		<b>(2 277)</b>	(678)
<b>Profit before interest and taxes</b>		<b>10 349</b>	9 174
Net financing cost	3	<b>(665)</b>	(407)
<b>Profit before taxes</b>	4	<b>9 684</b>	8 767
Taxes	5	<b>(2 295)</b>	(2 429)
<b>Net profit of consolidated companies</b>		<b>7 389</b>	6 338
Share of profit attributable to minority interests		<b>(329)</b>	(192)
Share of results of associates	6	<b>504</b>	535
<b>Net profit</b>		<b>7 564</b>	6 681
<b>As percentages of sales</b>			
EBITA <sup>(a)</sup>		<b>12.3%</b>	11.8%
Net profit		<b>8.5%</b>	7.9%
<b>Earnings per share</b>			
(in CHF)			
Basic earnings per share	7	<b>19.51</b>	17.25
Fully diluted earnings per share	7	<b>19.30</b>	17.14

<sup>(a)</sup> Earnings Before Interest, Taxes and Amortisation of goodwill.

## Consolidated balance sheet as at 31st December 2002

before appropriations

In millions of CHF	Notes	2002	2001
<b>Assets</b>			
<b>Current assets</b>			
Liquid assets	8		
Cash and cash equivalents		6 338	7 617
Other liquid assets		7 953	8 425
		14 291	16 042
Trade and other receivables	9	12 666	14 074
Inventories	10	6 794	7 691
Derivative assets	11	959	609
Prepayments and accrued income		632	629
<b>Total current assets</b>		<b>35 342</b>	39 045
<b>Non-current assets</b>			
Property, plant and equipment	12		
Gross value		40 797	45 093
Accumulated depreciation		(23 772)	(25 195)
		17 025	19 898
Investments in associates	13	2 561	2 497
Deferred tax assets	23	1 519	1 918
Financial assets	14	2 862	2 885
Employee benefit assets	21	1 083	1 392
Goodwill	15	25 718	25 253
Intangible assets	16	1 242	898
<b>Total non-current assets</b>		<b>52 010</b>	54 741
<b>Total assets</b>		<b>87 352</b>	93 786

In millions of CHF	Notes	2002	2001
<b>Liabilities, minority interests and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	17	9 932	10 504
Financial liabilities	18	18 702	25 486
Tax payable		825	854
Derivative liabilities	19	384	383
Accruals and deferred income		3 894	4 265
<b>Total current liabilities</b>		<b>33 737</b>	41 492
<b>Non-current liabilities</b>			
Financial liabilities	20	10 548	9 946
Employee benefit liabilities	21	3 147	3 786
Deferred tax liabilities	23	492	1 301
Tax payable		15	40
Other payables		400	497
Provisions	24	3 381	2 495
<b>Total non-current liabilities</b>		<b>17 983</b>	18 065
<b>Total liabilities</b>		<b>51 720</b>	59 557
<b>Minority interests</b>		<b>813</b>	576
<b>Equity</b>			
Share capital	25	404	404
Share premium and reserves			
Share premium		5 926	5 926
Reserve for treasury shares		2 830	2 588
Translation reserve		(4 070)	12
Retained earnings		32 307	27 517
		<b>36 993</b>	36 043
		<b>37 397</b>	36 447
<i>Less:</i>			
Treasury shares	26	(2 578)	(2 794)
<b>Total equity</b>		<b>34 819</b>	33 653
<b>Total liabilities, minority interests and equity</b>		<b>87 352</b>	93 786

## Consolidated cash flow statement for the year ended 31st December 2002

In millions of CHF	Notes	2002	2001
<b>Operating activities</b>			
Net profit of consolidated companies <sup>(a)</sup>		7 389	6 338
Depreciation of property, plant and equipment	12	2 542	2 581
Impairment of property, plant and equipment	12	1 316	222
Amortisation of goodwill	15	1 438	494
Impairment of goodwill	15	839	184
Depreciation of intangible assets	16	189	150
Impairment of intangible assets	16	41	—
Increase/(decrease) in provisions and deferred taxes		343	(92)
Decrease/(increase) in working capital	27	787	(870)
Other movements <sup>(b)</sup>		(4 636)	(393)
<b>Operating cash flow <sup>(c)</sup></b>		<b>10 248</b>	<b>8 614</b>
<b>Investing activities</b>			
Capital expenditure	12	(3 577)	(3 611)
Expenditure on intangible assets	16	(690)	(288)
Sale of property, plant and equipment		338	263
Acquisitions	28	(5 395)	(18 766)
Disposals <sup>(b)</sup>	29	4 684	484
Income from associates		154	133
Other movements <sup>(d)</sup>		(268)	143
<b>Cash flow from investing activities</b>		<b>(4 754)</b>	<b>(21 642)</b>

<sup>(a)</sup> Includes the gain of CHF 3.9 billion on the partial IPO of Alcon, Inc. See note 2.

<sup>(b)</sup> Mainly reversal of profits on the partial IPO of Alcon, Inc. and on the disposal of FIS. The cash proceeds are included in cash inflow on "Disposals".

<sup>(c)</sup> Taxes paid amount to CHF 2824 million (2001: CHF 2782 million). Net interest paid amounts to CHF 661 million (2001: CHF 384 million).

<sup>(d)</sup> Tax payments related to investing activities amount to CHF 660 million.

In millions of CHF	Notes	2002	2001
<b>Financing activities</b>			
Dividend for the previous year		(2 484)	(2 127)
Purchase of treasury shares		(605)	(1 133)
Sale of treasury shares and options		395	880
Premium on warrants issued		—	209
Movements with minority interests		(195)	(172)
Bonds issued		3 926	3 338
Bonds repaid		(1 639)	(380)
Increase/(decrease) in other medium/ long term financial liabilities		(47)	(71)
Increase/(decrease) in short term financial liabilities		(3 805)	16 754
Decrease/(increase) in marketable securities and other liquid assets		1 309	(2 330)
Decrease/(increase) in short term investments		(1 251)	216
Other movements <sup>(a)</sup>		(364)	—
<b>Cash flow from financing activities</b>		<b>(4 760)</b>	15 184
Translation differences on flows		(1 648)	60
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>(914)</b>	2 216
Cash and cash equivalents at beginning of year		7 617	5 451
Effects of exchange rate changes on opening balance		(365)	(29)
Cash and cash equivalents retranslated at beginning of year		7 252	5 422
Fair-value adjustment on cash and cash equivalents		—	(21)
<b>Cash and cash equivalents at end of year</b>	8	<b>6 338</b>	7 617

<sup>(a)</sup> Tax payments related to financing activities amount to CHF 406 million.

## Consolidated statement of changes in equity

In millions of CHF	Share premium	Reserve for treasury shares	Translation reserve	Retained earnings	<b>Total reserves</b>	Share capital	Less: Treasury shares	<b>Total equity</b>
<b>Equity as at</b>								
<b>31st December 2000</b>	5 926	2 232	571	23 388	<b>32 117</b>	404	(2 617)	<b>29 904</b>
Adjustment for the introduction of IAS 39								
– Financial instruments				(55)	<b>(55)</b>			<b>(55)</b>
– Related deferred taxes				6	<b>6</b>			<b>6</b>
Adjustment of accounting policies of associates								
				(161)	<b>(161)</b>			<b>(161)</b>
<b>Equity restated as at</b>								
<b>31st December 2000</b>	5 926	2 232	571	23 178	<b>31 907</b>	404	(2 617)	<b>29 694</b>
<b>Gains and losses</b>								
Net profit				6 681	<b>6 681</b>			<b>6 681</b>
Currency retranslation			(559)		<b>(559)</b>			<b>(559)</b>
Taxes on equity items				(3)	<b>(3)</b>			<b>(3)</b>
Fair value adjustments of available-for-sale financial instruments								
– Unrealised results				(44)	<b>(44)</b>			<b>(44)</b>
– Recognition of realised results in the income statement				(3)	<b>(3)</b>			<b>(3)</b>
Fair value adjustments of cash flow hedges and of hedges of net investments in foreign entities								
– Unrealised results				99	<b>99</b>			<b>99</b>
– Recognition of realised results in the income statement				(41)	<b>(41)</b>			<b>(41)</b>
<b>Total gains and losses</b>			(559)	6 689	<b>6 130</b>			<b>6 130</b>



In millions of CHF	Share premium	Reserve for treasury shares	Translation reserve	Retained earnings	<b>Total reserves</b>	Share capital	Less: Treasury shares	<b>Total equity</b>
<b>Distributions to and transactions with shareholders</b>								
Dividend for the previous year				(2 127)	<b>(2 127)</b>			<b>(2 127)</b>
Movement of treasury shares (net)		356		(356)	—		(356)	<b>(356)</b>
Result on options and treasury shares held for trading purposes				(76)	<b>(76)</b>		179	<b>103</b>
Premium on warrants issued				209	<b>209</b>			<b>209</b>
<b>Total distributions to and transactions with shareholders</b>								
		356		(2 350)	<b>(1 994)</b>		(177)	<b>(2 171)</b>
<b>Equity as at</b>								
<b>31st December 2001</b>	5 926	2 588	12	27 517	<b>36 043</b>	404	(2 794)	<b>33 653<sup>(a)</sup></b>

<sup>(a)</sup> In the event of a redemption of the Turbo Zero Equity-Link issue, part of the USD 123 million premium received in June 2001 would be repaid, i.e. up to USD 103 million in 2003 and up to USD 47 million in 2006 (see note 20).

In millions of CHF	Share premium	Reserve for treasury shares	Translation reserve	Retained earnings	<b>Total reserves</b>	Share capital	Less: Treasury shares	<b>Total equity</b>
<b>Equity as at</b>								
<b>31st December 2001</b>	5 926	2 588	12	27 517	<b>36 043</b>	404	(2 794)	<b>33 653</b>
<b>Gains and losses</b>								
Net profit				7 564	<b>7 564</b>			<b>7 564</b>
Currency retranslation			(4 082)		<b>(4 082)</b>			<b>(4 082)</b>
Taxes on equity items				(9)	<b>(9)</b>			<b>(9)</b>
Fair value adjustments of available- for-sale financial instruments								
– Unrealised results				(43)	<b>(43)</b>			<b>(43)</b>
– Recognition of realised results in the income statement				185	<b>185</b>			<b>185</b>
Fair value adjustments of cash flow hedges and of hedges of net investments in foreign entities								
– Unrealised results				260	<b>260</b>			<b>260</b>
– Recognition of realised results in the income statement				(14)	<b>(14)</b>			<b>(14)</b>
<b>Total gains and losses</b>			(4 082)	7 943	<b>3 861</b>			<b>3 861</b>
<b>Distributions to and transactions with shareholders</b>								
Dividend for the previous year				(2 484)	<b>(2 484)</b>			<b>(2 484)</b>
Movement of treasury shares (net)		242		(242)	–		(242)	<b>(242)</b>
Result on options and treasury shares held for trading purposes				(427)	<b>(427)</b>		458	<b>31</b>
<b>Total distributions to and transactions with shareholders</b>		242		(3 153)	<b>(2 911)</b>		216	<b>(2 695)</b>
<b>Equity as at</b>								
<b>31st December 2002</b>	5 926	2 830	(4 070)	32 307	<b>36 993</b>	404	(2 578)	<b>34 819</b>

## Annex

### Accounting policies

#### Accounting convention and accounting standards

The Consolidated accounts comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with the Standing Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB.

The accounts have been prepared on an accrual basis and under the historical cost convention, except that the following assets and liabilities are stated at their fair value: derivative financial instruments, investments held for trading, available-for-sale investments and recognised assets and liabilities subject to fair value hedges. All significant consolidated companies have a 31st December accounting year-end. All disclosures required by the 4th and 7th European Union company law directives are provided.

#### Scope of consolidation

The Consolidated accounts comprise those of Nestlé S.A. and of its affiliated companies, including joint ventures, and associates (the Group). The list of the principal companies is provided in the section “Companies of the Nestlé Group”.

#### Consolidated companies

Companies, in which the Group has a participation, usually a majority, and where it exercises control, are fully consolidated. This applies irrespective of the percentage of the participation in the share capital. Control refers to the power to govern the financial and operating policies of an affiliated company so as to obtain the benefits from its activities. Minority interests are shown as a separate category apart from equity and liabilities in the balance sheet and the share of the profit attributable to minority interests is shown as a separate line in the income statement.

Proportional consolidation is applied for companies over which the Group exercises joint control with partners. The individual assets, liabilities, income and expenditure are consolidated in proportion to the Nestlé participation in the equity (usually 50%).

Newly acquired companies are consolidated from the effective date of acquisition, using the purchase method.

### Associates

Companies where the Group has a significant influence but does not exercise management control are accounted for by the equity method. The net assets and results are recognised on the basis of the associates’ own accounting policies, where it is impractical to make adjustments with the Group’s accounting policies.

### Foreign currencies

In individual companies, transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at year-end rates. Any resulting exchange differences are taken to the income statement.

On consolidation, assets and liabilities of Group companies denominated in foreign currencies are translated into Swiss francs at year-end rates. Income and expense items are translated into Swiss francs at the annual average rates of exchange or at the rate on the date of the transaction for significant items.

Differences arising from the retranslation of opening net assets of Group companies, together with differences arising from the restatement of the net results for the year of Group companies, from average or actual rates to year-end rates, are taken to equity.

The balance sheet and net results of Group companies operating in hyperinflationary economies are restated for the changes in the general purchasing power of the local currency, using official indices at the balance sheet date, before translation into Swiss francs at year-end rates.

### Segmental information

Segmental information is based on two segment formats: the primary format reflects the Group’s management structure, whereas the secondary format is product oriented.

The primary segment format – by management responsibility and geographic area – represents the Group’s management structure. The principal activity of the Group is the food business, which is managed through three geographic zones. The other activities, mainly pharmaceutical products and water, are managed on a worldwide basis. The secondary segment format representing products is divided into six categories (segments).

Segment results represent the contribution of the different segments to central overheads, research and development costs and the profit of the Group. Unallocated items

comprise mainly corporate expenses, research and development costs, amortisation of goodwill and, for the product segments, restructuring and other costs. Specific corporate and research and development expenses are allocated to the corresponding segments.

Segment assets comprise property, plant and equipment, trade and other receivables, inventories and prepayments and accrued income. Unallocated items represent mainly corporate and research and development assets, including goodwill. Liabilities comprise trade and other payables, accruals and deferred income. Eliminations represent inter-company balances between the different segments.

Segment assets and liabilities by management responsibilities and geographic area represent the situation at the end of the year. Assets by product group represent the annual average as this provides a better indication of the level of invested capital for management purposes.

### **Financial and commodity price risk management**

Financial risk management is an integral part of the way the Group is managed. The Board establishes the Group's financial policies and the Executive Board establishes objectives in line with these policies. An Asset and Liability Management Committee, under the supervision of the Chief Financial Officer (CFO), is then responsible for setting financial strategies, which are executed by the Centre Treasury and the affiliated companies. Approved Treasury Management Guidelines define and classify risks as well as determine, by category of transaction, specific approval, limit and monitoring procedures. In the course of its business, the Group is exposed to financial market risks, credit risk, settlement risk and liquidity risk.

Financial market risks are essentially caused by exposures to foreign currencies, interest rates and commodity prices. Foreign currency transaction risk arises because affiliated companies sometimes undertake transactions in foreign currencies such as the import of raw materials, the export of finished goods and the related borrowings. Translation exposure arises from the consolidation of the Group accounts into Swiss francs. Interest rate risk comprises the interest price risk that results from borrowing at fixed rates and the interest cash flow risk that results from borrowing at variable rates. Commodity price risk arises from transactions on the world commodity markets mainly for securing the supplies of

green coffee and cocoa beans necessary for the manufacture of some of the Group's products. These risks are mitigated by the use of derivative financial instruments (see valuation methods and definitions below).

Credit risk arises because a counterparty may fail to perform its obligations. The Group is exposed to credit risks on financial instruments such as liquid assets, derivative assets and its trade receivable portfolios. Credit risk is managed by investing liquid assets and acquiring derivatives with high credit quality financial institutions in accordance with the Group's Treasury Management guidelines. The Group is not exposed to concentrations of credit risk on its liquid assets as these are spread over several financial institutions. Trade receivables are subject to credit limits, control and approval procedures in all the affiliated companies. Due to its large geographic base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables.

Settlement risk results from the fact that the Group may not receive financial instruments from its counterparties at the expected time. This risk is managed by monitoring counterparty activity and settlement limits and managing presettlement counterparty exposures.

Liquidity risk arises from the fact that a counterparty may not be able to unwind or offset a position because of inadequate market depth or disruption or refinancing problems. This risk is managed by limiting exposures in instruments that may be affected by liquidity problems and through actively matching the funding horizon of debt with incoming cash flows. As a result of its strong credit ratings, the Group does not expect any refinancing issues.

The Group has several benchmarks and approval requirements for borrowing and investing as well as for using derivatives. In general, affiliated companies may borrow in their respective local currencies up to six months forward while Group management approval is required for longer terms and for any indebtedness in foreign currency as well as for interest and foreign exchange derivatives on such positions. The affiliated companies may also hedge their foreign currency exposures up to six months forward but they must obtain approval of Group management for longer maturities. The affiliated companies must repatriate all their excess liquidities to Group finance companies or require the approval of the Group management for the rare cases where they may have a justification to invest them locally. The Asset and Liability Management Committee reviews and decides the currency

and interest rate framework of Nestlé's intragroup loans portfolio on a monthly basis.

As regards to commodity price exposures, Group management defines the hedging policy for affiliated companies. The policy is sufficiently flexible to allow management to rapidly adjust their hedges following possible changes in their raw material needs.

### **Valuation methods and definitions**

#### **Sales to customers**

Sales to customers represent the sales of products and services rendered to third parties, net of general price reductions and sales taxes. Sales are recognised in the income statement at the moment the significant risks and rewards of ownership of the goods have been transferred to the buyer.

#### **Net financing cost**

This item includes the interest expense on borrowings from third parties as well as the interest income earned on funds invested outside the Group. Exchange differences on financial assets and liabilities and the results on interest hedging instruments that are recognised in the income statement are also presented in net financing cost.

#### **Taxes**

This heading includes current taxes on profit and other taxes such as taxes on capital. Also included are actual or potential withholding taxes on current and expected transfers of income from Group companies and tax adjustments relating to prior years. Income tax is recognised in the income statement, except to the extent that it relates to items directly taken to equity, in which case it is recognised in equity.

Deferred taxation is the tax attributable to the temporary differences that appear when taxation authorities recognise and measure assets and liabilities with rules that differ from those of the consolidated accounts.

Deferred taxes are calculated under the liability method at the rates of tax expected to prevail when the temporary differences reverse. Any changes of the tax rates are recognised in the income statement unless related to items directly recognised in equity. Deferred tax liabilities are recognised on all taxable temporary differences excluding non-deductible goodwill. Deferred tax assets are recog-

nised on all deductible temporary differences provided that it is probable that future taxable income will be available.

#### **Current financial assets**

Current financial assets include liquid assets and receivables. Receivables are classified under IAS 39 as originated by the enterprise and measured at cost less appropriate bad debt allowances.

Liquid assets encompass cash at bank and in hand, cash equivalents, marketable securities, other liquid funds and current investments. Cash equivalents consist of bank deposits and fixed term investments whose maturities are three months or less from the date of acquisition. Current investments consist of bank deposits and fixed term investments whose maturities are higher than three months from the date of acquisition. Liquid assets are generally classified as available-for-sale. Liquid assets are stated at fair value with all unrealised gains and losses recognised in equity until the disposal of the investment and, at such time, gains and losses previously carried to equity are recognised in the income statement.

Some marketable securities portfolios that are managed with the aim of generating short-term profit are classified as trading. They are carried at fair value and all their gains and losses, realised and unrealised, are recognised in the income statement.

Financial assets that are acquired in market places that require the delivery within a time frame established by a convention are accounted for in accordance with the settlement date.

Fair value is determined on the basis of market prices at the balance sheet date for listed instruments and on the basis of discounted cash flow techniques based on market data for the other financial instruments.

#### **Inventories**

Raw materials and purchased finished goods are valued at purchase cost. Work in progress and manufactured finished goods are valued at production cost. Production cost includes direct production costs and an appropriate proportion of production overheads and factory depreciation.

Movements in raw materials inventories and purchased finished goods are accounted for using the FIFO (first in, first out) method. The weighted average cost method is used for other inventories.

A provision is established when the net realisable value

of any inventory item is lower than the value calculated above.

### **Derivative financial instruments and hedging**

Derivative financial instruments are mainly used to manage operational exposures to foreign exchange, interest rate and commodity price risks. Some derivatives are also acquired with the aim of generating short-term profit.

All derivative financial instruments are carried at fair value, being the market value for listed instruments or valuation based on mathematical models, such as option pricing models and discounted cash flow calculations for unlisted instruments. These models take into consideration assumptions based on market data.

The instruments consist mainly of currency forwards and options, commodity futures and options, interest forwards, options and swaps as well as interest rate and currency swaps.

Hedge accounting is applied to derivative financial instruments that are effective in offsetting the changes in fair value or in cash flows of the hedged items. The effectiveness of such hedges is verified at regular intervals and at least on a quarterly basis.

Fair value hedges are derivative financial instruments that hedge the currency risk and/or the interest price risk. The changes in fair value of fair value hedges are recognised in the income statement. The hedged item also is stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

Cash flow hedges are derivative financial instruments that hedge the currency risks of anticipated future export sales, cash flow risks of anticipated future purchases of industrial equipment, the currency and/or commodity risk of future purchases of raw materials as well as the cash flow risk from changes in interest rates. The effective part of the changes in fair value of cash flow hedges are recognised in equity, while any ineffective part is recognised immediately in the income statement. When the hedged item results in an asset or in a liability, the gains and losses previously recognised in equity are included in the measurement cost of the asset or of the liability. As a result of the short business cycle of the Group, the majority of the transactions outstanding at the balance sheet date are expected to occur in the next period. Otherwise the gains and losses previously recognised in equity are removed from equity and recognised in the income statement at the same time as the hedged transaction.

Hedges of the net investment in a foreign entity are currency derivative financial instruments that hedge the translation exposure on the net investment in affiliated companies. The changes in fair value of such derivatives are recognised in equity until the net investment is sold or otherwise disposed of.

Trading derivatives comprise two categories. The first one includes derivatives that are acquired in connection with the risk management policies of the Group but for which hedge accounting is not applied because they are either not designated or not effective as hedging instruments. For example hedge accounting is not applied to foreign exchange derivatives that manage the currency exposure of some recognised financial assets or liabilities. The second category relates to derivatives that are acquired with the aim of achieving benchmark objectives of trading portfolios.

### **Prepayments and accrued income**

Prepayments and accrued income comprise payments made in advance relating to the following year, and income relating to the current year, which will not be received until after the balance sheet date.

### **Property, plant and equipment**

Property, plant and equipment are shown in the balance sheet at their historical cost. Depreciation is provided on the straight-line method so as to depreciate the initial cost over the estimated useful lives, which are as follows:

Buildings	25–50 years
Machinery and equipment	10–15 years
Tools, furniture, information technology and sundry equipment	3–8 years
Vehicles	5 years

Financing costs incurred during the course of construction are expensed. Land is not depreciated. Premiums capitalised for leasehold land or buildings are amortised over the length of the lease.

Depreciation of property, plant and equipment is allocated to the appropriate headings of expenses by function in the income statement.

### **Leased assets**

Assets acquired under long-term finance leases are capitalised and depreciated in accordance with the Group's

policy on property, plant and equipment. The associated obligations are included in financial liabilities.

Rentals payable under operating leases are charged to the income statement as incurred.

### **Non-current financial assets**

Non-current financial assets, which have maturities over one year (except equity instruments), include notes receivable and other financial instruments such as investments in companies where the Group exercises neither management control nor a significant influence. Non interest-bearing notes receivable are discounted to their present value using the rate at the date of inception. Most non-current financial assets are classified as available-for-sale and measured at fair value with unrealised gains and losses recognised in equity until the disposal of the financial asset and, at such time, gains and losses previously carried to equity are recognised to the income statement.

Fair value is determined on the basis of market prices at the balance sheet date for listed instruments and on the basis of discounted cash flow techniques based on market data for the other financial instruments.

Notes receivable and other debt instruments the resale of which is prohibited in accordance with the clauses of their agreements are classified as held-to-maturity and recognised at amortised cost less impairment losses.

Impairment losses are recognised where there is objective evidence of impairment.

### **Goodwill**

As from 1st January 1995, the excess of the cost of an acquisition over the fair value of the net identifiable assets is capitalised. Previously these amounts had been written off through equity. This value also includes those intangible assets acquired that are not separately identifiable, in particular trademarks and industrial property rights.

Gains on the disposal of businesses acquired prior to 1st January 1995 are taken to equity to the extent of the goodwill previously written off. Any excess is taken to the income statement.

Goodwill is amortised on a straight-line basis over its anticipated useful life. The majority of goodwill is amortised over 20 years. Where a period in excess of 20 years is used, this is separately disclosed for each element of goodwill together with the principal factors determining that useful life. The recoverable amount, as well as amortisation period and amortisation method are reviewed annually.

Goodwill is usually recorded in the currency of the acquiring entity.

### **Intangible assets**

This heading includes separately acquired intangible assets such as management information systems, intellectual property rights and rights to carry on an activity (i.e. exclusive rights to sell products or to perform a supply activity). Intangible assets are depreciated on a straight-line basis, management information systems over a period ranging between three to five years, other intangible assets over five to twenty years. Where a period in excess of twenty years is used, this is separately disclosed for each element of intangible asset together with the principal factors determining that useful life. The recoverable amount, as well as depreciation period and depreciation method are reviewed annually. The depreciation is allocated to the relevant headings in the income statement.

Internally generated intangible assets are recognised only under rare circumstances, provided that a given project and its cost are well identified. They consist mainly of management information systems.

### **Research and development**

Research and development costs are charged to the income statement in the year in which they are incurred.

Development costs related to new products are not capitalised because the assured availability of future economic benefits is evident only once the products are in the market place.

### **Impairment of assets**

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amounts of the Group's assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on the average borrowing rate of the country where the assets are located, adjusted for risks specific to the asset.

### **Current and non-current liabilities**

Interest-bearing current and non-current liabilities are stated

at amortised cost with any difference between the cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

Current liabilities include current or renewable liabilities due within a maximum period of one year.

### **Provisions**

These comprise liabilities of uncertain timing or amounts that arise from restructuring, environmental, litigation and other risks. Provisions are recognised when there exists a legal or constructive obligation stemming from a past event and when the future cash outflows can be reliably estimated. Obligations arising from restructuring plans are recognised when detailed formal plans have been established and when there is a valid expectation that such plans will be carried out.

### **Employee benefits**

#### *Post-employment benefits*

The liabilities of the Group arising from defined benefit obligations, and the related current service cost, are determined using the projected unit credit method. Valuations are carried out annually for the largest plans and on a regular basis for other plans. Actuarial advice is provided both by external consultants and by actuaries employed by the Group. The actuarial assumptions used to calculate the benefit obligations vary according to the economic conditions of the country in which the plan is located.

Such plans are either externally funded, with the assets of the schemes held separately from those of the Group in independently administered funds, or unfunded with the related liabilities carried in the balance sheet.

For the funded defined benefit plans, the deficit or excess of the fair value of plan assets over the present value of the defined benefit obligation is recognised as a liability or an asset in the balance sheet, taking into account any unrecognised actuarial gains or losses and past service cost. However, an excess of assets is recognised only to the extent that it represents a future economic benefit which is actually available to the Group, for example in the form of refunds from the plan or reductions in future contributions to the plan. When such excess is not available or does not represent a future economic benefit, it is not recognised but is disclosed in the notes.

Actuarial gains and losses arise mainly from changes in actuarial assumptions and differences between actuarial as-

sumptions and what has actually occurred. They are recognised in the income statement, over the remaining working lives of the employees, only to the extent that their net cumulative amount exceeds 10% of the greater of the present value of the obligation or of the fair value of plan assets at the end of the previous year. Unrecognised actuarial gains and losses are reflected in the balance sheet.

For defined benefit plans the actuarial cost charged to the income statement consists of current service cost, interest cost, expected return on plan assets and past service cost as well as actuarial gains or losses to the extent that they are recognised. The past service cost for the enhancement of pension benefits is accounted for when such benefits vest or become a constructive obligation.

Some benefits are also provided by defined contribution plans; contributions to such plans are charged to the income statement as incurred.

#### *Pensions and retirement benefits*

The majority of Group employees are eligible for retirement benefits under defined benefit schemes based on pensionable remuneration and length of service, consisting mainly of final salary plans.

#### *Post retirement health care and other employee benefits*

Group companies, principally in USA and Canada, maintain health care benefit plans, which cover eligible retired employees.

The obligations for other employee benefits consist mainly of end of service indemnities, which do not have the character of pensions.

### **Equity compensation plans**

#### *Members of the Group's Management*

Members of the Group's Management are entitled to participate each year in a share option plan without payment. The benefits consist of the right to buy Nestlé shares at a pre-determined fixed price.

As from 1st January 1999, this plan has a rolling seven-year duration and the rights are vested after three years (previously five years and two years respectively).

In order to hedge the related exposure, the Group buys – or transfers from existing treasury shares portfolios – the number of shares necessary to satisfy all potential outstanding obligations under the plan when the benefit is awarded and holds them until the maturity of the plan or the



exercise of the rights. No additional shares are issued as a result of the equity compensation plan. When the options are exercised, equity is increased by the amount of the proceeds received.

The Group is not exposed to any additional cost and there is no dilution of the rights of the shareholders.

#### *Board of Directors*

The annual remuneration of the Members of the Board of Directors is partly paid in kind through the delivery to them of Nestlé shares. See details in note 22.

The Group is not exposed to any additional cost and there is no dilution of the rights of the shareholders.

#### **Accruals and deferred income**

Accruals and deferred income comprise expenses relating to the current year, which will not be paid until after the balance sheet date and income received in advance, relating to the following year.

#### **Dividends**

In accordance with Swiss law and the Company's Articles of Association, dividends are treated as an appropriation of profit in the year in which they are ratified at the Annual General Meeting and subsequently paid, rather than as an appropriation of the profit in the year to which they relate.

#### **Contingent assets and liabilities**

Contingent assets and liabilities arise from conditions or situations, the outcome of which depends on future events. They are disclosed in the notes to the accounts.

#### **Events occurring after the balance sheet date**

The values of assets and liabilities at the balance sheet date are adjusted if there is evidence that subsequent adjusting events warrant a modification of these values.

These adjustments are made up to the date of approval of the accounts by the Board of Directors.

Other non-adjusting events are disclosed in the notes.

#### **Changes in accounting policies and modification of the scope of consolidation**

##### **Changes in accounting policies**

There have been no changes in accounting policy during the year.

The Group has however enhanced the presentation of its income statement to separately present EBITA (Earnings Before Interest, Taxes and Amortisation of goodwill), a measure used by both management and external users of accounts to track performance. The Group is also separately disclosing its "Nestlé Waters" business in its primary segment reporting and its "Petcare" in its secondary segment reporting, given the increasing importance of both businesses to the Group. Comparative information has been restated wherever practicable.

The Group changed its application of IAS 39 related to Foreign exchange derivatives that are acquired in connection with the management of the currency risk of some balance sheet assets and liabilities. These derivatives are now designated as trading derivatives as their effectiveness is not tested in accordance with hedge accounting requirements of IAS 39.

##### **Modification of the scope of consolidation**

The scope of consolidation has been affected by the acquisitions and disposals made in 2002. The principal businesses are detailed below.

##### *Fully consolidated*

Newly included:

Schöller, Germany, Ice Cream/Frozen Food, 100 % (March)  
Chef America Inc., USA, Frozen Food business, 100 % (September)  
Eden Vale, UK, Chilled dairy, 100 % (April)  
Garoto, Brazil, Chocolate, 100 % (March)

Disposals:

Food Ingredients Specialities (FIS), (May)

Initial public offering:

Alcon, Inc., Switzerland, Pharmaceutical products, partial IPO, 25 % of Alcon's, Inc., common shares, (March)

# Notes

## 1. Segmental information

### By management responsibility and geographic area

In millions of CHF	2002	2001	2002	2001
	Sales		EBITA	
Zone Europe	<b>28 678</b>	26 742	<b>3 438</b>	2 942
Zone Americas	<b>29 293</b>	26 598	<b>4 189</b>	3 593
Zone Asia, Oceania and Africa	<b>14 880</b>	15 458	<b>2 564</b>	2 653
Nestlé Waters	<b>7 720</b>	7 418	<b>696</b>	622
Other activities <sup>(a)</sup>	<b>8 589</b>	8 482	<b>1 521</b>	1 536
	<b>89 160</b>	84 698	<b>12 408</b>	11 346
Unallocated items <sup>(b)</sup>			<b>(1 468)</b>	(1 359)
EBITA			<b>10 940</b>	9 987

<sup>(a)</sup> Mainly Pharmaceutical products, Joint Ventures and "Trinks" (Germany).

<sup>(b)</sup> Mainly corporate expenses as well as research and development costs.

The analysis of sales by geographic area is stated by customer location. Inter-segment sales are not significant.

In millions of CHF	2002	2001	2002	2001
	Assets		Liabilities	
Zone Europe	<b>11 672</b>	12 508	<b>5 326</b>	5 384
Zone Americas	<b>9 567</b>	10 991	<b>3 500</b>	3 675
Zone Asia, Oceania and Africa	<b>6 139</b>	6 895	<b>2 271</b>	2 453
Nestlé Waters	<b>4 751</b>	4 928	<b>1 863</b>	1 856
Other activities <sup>(a)</sup>	<b>3 454</b>	3 821	<b>1 342</b>	1 360
	<b>35 583</b>	39 143	<b>14 302</b>	14 728
Unallocated items <sup>(c)</sup>	<b>29 335</b>	30 419	<b>365</b>	1 160
Eliminations	<b>(841)</b>	(1 119)	<b>(841)</b>	(1 119)
	<b>64 077</b>	68 443	<b>13 826</b>	14 769

<sup>(c)</sup> Corporate and research and development assets/liabilities, including goodwill plus, in 2001, assets/liabilities of Ralston Purina.

In millions of CHF	2002	2001	2002	2001
	Capital expenditure		Depreciation of property, plant and equipment	
Zone Europe	<b>880</b>	954	<b>747</b>	806
Zone Americas	<b>904</b>	747	<b>732</b>	695
Zone Asia, Oceania and Africa	<b>584</b>	626	<b>398</b>	438
Nestlé Waters	<b>769</b>	839	<b>374</b>	371
Other activities <sup>(a)</sup>	<b>310</b>	330	<b>187</b>	187
	<b>3 447</b>	3 496	<b>2 438</b>	2 497
Unallocated items <sup>(d)</sup>	<b>130</b>	115	<b>104</b>	84
	<b>3 577</b>	3 611	<b>2 542</b>	2 581

<sup>(d)</sup> Corporate and research and development property, plant and equipment.

In millions of CHF	2002	2001
	Impairment of assets	
Zone Europe	1 460	164
Zone Americas	228	11
Zone Asia, Oceania and Africa	355	214
Nestlé Waters	151	17
Other activities <sup>(a)</sup>	2	—
	<b>2 196</b>	406

<sup>(a)</sup> Mainly Pharmaceutical products, Joint Ventures and "Trinks" (Germany).

In millions of CHF	2002	2001
	Restructuring Costs	
Zone Europe	740	159
Zone Americas	302	51
Zone Asia, Oceania and Africa	27	56
Nestlé Waters	33	7
Other activities <sup>(a)</sup>	3	2
	<b>1 105</b>	275
Unallocated items <sup>(b)</sup>	25	—
	<b>1 130</b>	275

<sup>(b)</sup> Corporate and research and development.

Impairment losses comprise CHF 839 million on goodwill, CHF 1316 million on property, plant and equipment and CHF 41 million on intangible assets.

Impairment losses on goodwill result mainly from the changes in consumer trends for pet-care in Europe and from a review of the ice cream and frozen food businesses, primarily in Europe and in the Far East. The cash generating units are primarily composed of the regionally managed business segments. The recoverable amount has been determined on the basis of the value in use, resulting from the net present value of the net cash flow projections.

Impairment losses of property, plant and equipment result from the Group's initiatives to optimise manufacturing performance on a regional and global basis. Such initiatives result in a commitment by the Group to close a number of factories and production lines across several product groups. Asset write downs are being recorded as appropriate plans have been finalised and decisions taken. The cash generating units are composed of the individual factories or production lines. The recoverable amount has been determined on the basis of the net selling price expected from the sale of the assets.

The most significant individual impairment relates to the European petcare business for which a discount factor of 8 % has been used to determine an impairment of goodwill of CHF 535 million.

The businesses affected by the restructuring costs are principally ice cream, petcare, milk and chocolate in Western Europe, petcare in North America, ice cream and chilled dairy in the Far East.

## By product group

In millions of CHF	2002	2001	2002	2001
	Sales		EBITA	
Beverages	23 325	24 023	4 075	4 259
Milk products, nutrition and ice cream	23 376	23 041	2 756	2 578
Prepared dishes and cooking aids	15 834	15 092	1 712	1 573
Petcare	10 719	6 232	1 418	453
Chocolate, confectionery and biscuits	10 774	11 244	1 180	1 234
Pharmaceutical products	5 132	5 066	1 267	1 249
	<b>89 160</b>	84 698	<b>12 408</b>	11 346
Unallocated items <sup>(a)</sup>			<b>(1 468)</b>	(1 359)
EBITA			<b>10 940</b>	9 987

<sup>(a)</sup> Mainly corporate expenses as well as research and development costs.

<sup>(b)</sup> Without assets of Ralston Purina.

In millions of CHF	2002	2001 <sup>(b)</sup>
	Assets	
Beverages	11 283	11 086
Milk products, nutrition and ice cream	10 972	11 148
Prepared dishes and cooking aids	6 291	6 080
Petcare	3 790	2 540
Chocolate, confectionery and biscuits	5 403	6 347
Pharmaceutical products	2 847	2 838
	<b>40 586</b>	40 039

In millions of CHF	2002	2001
	Capital expenditure	
Beverages	1 004	1 062
Milk products, nutrition and ice cream	495	573
Prepared dishes and cooking aids	304	267
Petcare	284	193
Chocolate, confectionery and biscuits	285	249
Pharmaceutical products	101	99
	<b>2 473</b>	2 443
Administration, distribution, research and development	1 104	1 168
	<b>3 577</b>	3 611

In millions of CHF	2002	2002
	Impair- ment of assets	Restruc- turing costs
Beverages	350	117
Milk products, nutrition and ice cream	612	388
Prepared dishes and cooking aids	275	104
Petcare	740	313
Chocolate, confectionery and biscuits	209	134
Pharmaceutical products	—	1
	<b>2 186</b>	<b>1 057</b>
Administration, distribution, research and development	10	73
	<b>2 196</b>	<b>1 130</b>

**2. Net Other income (expenses)**

In millions of CHF	<b>2002</b>	2001
<b>Other expenses</b>		
Loss on disposal of property, plant and equipment	<b>(9)</b>	(31)
Loss on disposal of activities	<b>(145)</b>	(25)
Restructuring costs	<b>(1 130)</b>	(275)
Provisions for litigation and other risks	<b>(97)</b>	(59)
Impairment of property, plant and equipment	<b>(1 316)</b>	(222)
Other	<b>(597)</b>	(235)
	<b>(3 294)</b>	(847)
<b>Other income</b>		
Profit on disposal of property, plant and equipment	<b>44</b>	26
Profit on disposal of activities	<b>4 690</b>	343
Release of provisions for litigation and other risks	<b>21</b>	34
Other	<b>225</b>	309
	<b>4 980</b>	712
Net other income (expenses)	<b>1 686</b>	(135)

*Other expenses*

Restructuring costs include CHF 313 million resulting from the integration of the Ralston Purina business, which was acquired in 2001. These restructuring costs relate mainly to the reduction of the manufacturing, selling and administrative workforce. The remaining balance of restructuring costs and the majority of impairments on property, plant and equipment result largely from the Group's industrial reorganisation described in note 1.

*Other income*

On 23rd March 2002, Nestlé S.A. offered 69 750 000 common shares of Alcon, Inc., its eye care subsidiary, as well as an over-allotment of 6 975 000 shares at the New York Stock Exchange. This initial public offering was made at a price of USD 33.– per share and resulted in a gain of CHF 3.9 billion (USD 2.3 billion). After this sale, Nestlé S.A. owns 75% of Alcon's, Inc., outstanding common shares.

The profit on disposal of FIS, amounting to CHF 0.6 billion, is also included in other income.

**3. Net financing cost**

In millions of CHF	2002	2001
Interest income	745	890
Interest expense	(1 410)	(1 297)
	<b>(665)</b>	(407)

Interest income includes CHF 133 million (2001: CHF 102 million) of gains arising on securities held for trading purposes.

**4. Expenses by nature**

The following items are allocated to the appropriate headings of expenses by function in the income statement:

In millions of CHF	2002	2001
Depreciation of property, plant and equipment	2 542	2 581
Salaries and welfare expenses	13 976	13 081
Operating lease charges	528	450
Exchange differences	(141)	61

**5. Taxes**

In millions of CHF	<b>2002</b>	2001
<b>Components of tax expense</b>		
Current tax	<b>3 122</b>	2 167
Deferred tax	<b>(1 248)</b>	(100)
Transfers (from)/to unrecognised tax assets	<b>56</b>	15
Changes in deferred tax rates	<b>1</b>	12
Prior years' tax	<b>57</b>	(79)
Taxes on equity items	<b>(9)</b>	(3)
Other tax <sup>(a)</sup>	<b>316</b>	417
	<b>2 295</b>	2 429
<b>Deferred tax by types</b>		
Property, plant and equipment	<b>(213)</b>	9
Goodwill and intangible assets	<b>(386)</b>	38
Employee benefits liabilities	<b>(17)</b>	(51)
Inventories, receivables, payables and provisions	<b>(109)</b>	(126)
Unused tax losses and tax credits	<b>(55)</b>	(56)
Other	<b>(468)</b>	86
	<b>(1 248)</b>	(100)
<b>Reconciliation of tax expense</b>		
Tax at the theoretical domestic rates applicable to profits of taxable entities in the countries concerned	<b>1 624</b>	2 235
Tax effect of non-deductible amortisation and impairment of goodwill	<b>696</b>	183
Tax effect of non-deductible or non-taxable items	<b>(429)</b>	(299)
Transfers (from)/to unrecognised tax assets	<b>56</b>	15
Difference in tax rates	<b>(25)</b>	(43)
Other tax <sup>(a)</sup>	<b>373</b>	338
	<b>2 295</b>	2 429

<sup>(a)</sup> Includes withholding tax levied on transfer of income.



**6. Share of results of associates**

In millions of CHF	2002	2001
Share of profit before taxes	737	763
Less share of taxes	(233)	(228)
Share of profit after taxes	504	535

**7. Earnings per share**

	2002	2001
Basic earnings per share in CHF	19.51	17.25
Net profit per income statement (in millions of CHF)	7 564	6 681
Weighted average number of shares outstanding	387 641 752	387 369 846
Fully diluted earnings per share in CHF	19.30	17.14
Theoretical net profit assuming the exercise of all outstanding options and sale of all treasury shares (in millions of CHF)	7 786	6 918
Number of shares	403 520 000	403 520 000

**8. Liquid assets**

In millions of CHF	2002	2001
<b>Cash and cash equivalents</b>		
Cash at bank and in hand	2 171	2 094
Cash equivalents	4 167	5 523
	<b>6 338</b>	7 617
<b>Other liquid assets</b>		
Current investments	1 341	106
Marketable securities and other	6 612	8 319
	<b>7 953</b>	8 425
<b>Liquid assets</b>	<b>14 291</b>	16 042

Liquid assets are mainly denominated in the following currencies:

In millions of CHF	2002	2001
USD	4 157	7 028
EUR	2 740	2 898
CHF	5 260	4 471
Other	2 134	1 645
	<b>14 291</b>	16 042

Interest rates are as follows:

	2002	2001
on USD	2.5%	3.2%
on EUR	3.8%	3.9%
on CHF	1.8%	2.8%

Liquid assets have maturities of less than one year or can be converted into cash at short notice.

Liquid assets are classified as follows:

In millions of CHF	2002	2001
Available-for-sale	13 501	15 382
Trading	790	660
	<b>14 291</b>	16 042

**9. Trade and other receivables**

In millions of CHF	2002	2001
Trade receivables	9 827	11 011
Other receivables	2 839	3 063
	<b>12 666</b>	14 074
After deduction of allowances for doubtful receivables of	<b>476</b>	514

**10. Inventories**

In millions of CHF	2002	2001
Raw materials, work in progress and sundry supplies	2 564	2 965
Finished goods	4 414	4 909
Provisions	(184)	(183)
	<b>6 794</b>	7 691

Inventories amounting to CHF 148 million (2001: CHF 74 million) are pledged as security for financial liabilities.

**11. Derivative assets**

In millions of CHF	<b>2002</b>		2001	
	Fair values	Contractual or notional amounts	Fair values	Contractual or notional amounts
<b>Fair value hedges</b>				
Currency forwards, futures and swaps	<b>15</b>	<b>731</b>	41	2 256
Interest rate swaps	<b>79</b>	<b>1 742</b>	34	677
Interest rate and currency swaps	<b>234</b>	<b>1 508</b>	293	2 548
<b>Cash flows hedges</b>				
Currency forwards, futures and swaps	<b>52</b>	<b>827</b>	70	926
Currency options	<b>1</b>	<b>6</b>	1	40
Interest rate swaps	<b>21</b>	<b>1 142</b>	11	644
Interest rate and currency swaps	<b>24</b>	<b>560</b>	3	294
Interest forwards and futures	<b>1</b>	<b>14</b>	—	—
Interest options	<b>1</b>	<b>37</b>	1	37
Commodity futures	<b>95</b>	<b>565</b>	47	286
Commodity options	<b>7</b>	<b>45</b>	3	66
<b>Hedges of the net investment in a foreign entity</b>				
	<b>354</b>	<b>3 000</b>	33	172
<b>Trading</b>				
Currency derivatives	<b>34</b>	<b>1 064</b>	28	642
Interest derivatives	<b>32</b>	<b>837</b>	42	2 246
Commodity derivatives	<b>9</b>	<b>139</b>	2	64
	<b>959</b>	<b>12 217</b>	609	10 898

Derivative assets are denominated in the following currencies:

In millions of CHF	2002	2001
USD	450	162
EUR	84	56
GBP	116	99
JPY	147	88
AUD	3	92
Other	159	112
	<b>959</b>	609

Derivative assets related to cash flow hedges have the following maturities:

In millions of CHF	2002	2001
Within one year	147	66
In the second year	55	9
In the third to the fifth year inclusive	—	56
After the fifth year	—	5
	<b>202</b>	136

Other derivative assets have the following maturities:

In millions of CHF	2002	2001
Within one year	251	104
In the second year	173	91
In the third to the fifth year inclusive	328	275
After the fifth year	5	3
	<b>757</b>	473

**12. Property, plant and equipment**

In millions of CHF

	<b>2002</b>				2001	
	Land and buildings	Machinery and equipment	Tools, furniture and other equipment	Vehicles	Total	Total
<b>Gross value</b>						
At 1st January	12 490	25 122	6 666	815	<b>45 093</b>	43 519
Currency retranslation and						
inflation adjustment	(1 424)	(3 184)	(847)	(105)	<b>(5 560)</b>	(1 579)
Expenditure	707	1 909	837	124	<b>3 577</b>	3 611
Disposals	(359)	(1 431)	(502)	(119)	<b>(2 411)</b>	(1 789)
Modification of the scope						
of consolidation	120	(96)	23	51	<b>98</b>	1 331
At 31st December	11 534	22 320	6 177	766	<b>40 797</b>	45 093
<b>Accumulated depreciation</b>						
At 1st January	(4 500)	(15 607)	(4 562)	(526)	<b>(25 195)</b>	(24 894)
Currency retranslation and						
inflation adjustment	477	1 936	564	76	<b>3 053</b>	1 025
Depreciation	(359)	(1 376)	(698)	(109)	<b>(2 542)</b>	(2 581)
Impairment	(361)	(801)	(151)	(3)	<b>(1 316)</b>	(222)
Disposals	196	1 236	500	108	<b>2 040</b>	1 465
Modification of the scope						
of consolidation	27	150	14	(3)	<b>188</b>	12
At 31st December	(4 520)	(14 462)	(4 333)	(457)	<b>(23 772)</b>	(25 195)
Net at 31st December	7 014	7 858	1 844	309	<b>17 025</b>	19 898

At 31st December 2002, property, plant and equipment include CHF 452 million (2001: CHF 297 million) of assets under construction. Net property, plant and equipment held under finance leases at 31st December 2002 amount to CHF 305 million (2001: CHF 313 million). Net property, plant and equipment of CHF 85 million (2001: CHF 120 million) are pledged as security for financial liabilities.

The fire risks, reasonably estimated, are insured in accordance with domestic requirements.

**13. Investments in associates**

This item primarily includes the Group's indirect (26.3%) participation in the equity of L'Oréal, Paris for CHF 2237 million (2001: CHF 2136 million). Its market value at 31st December 2002 amounts to CHF 18 845 million (2001: CHF 21 275 million).

**14. Non-current financial assets**

In millions of CHF	2002	2001
Available-for-sale	2 604	2 642
Held-to-maturity	258	243
	<b>2 862</b>	2 885

Non-current financial assets are denominated in the following currencies:

In millions of CHF	2002	2001
USD	1 694	2 312
EUR	140	80
CHF	884	355
Other	144	138
	<b>2 862</b>	2 885

Non-current financial assets have the following maturities:

In millions of CHF	2002	2001
In the second year	190	353
In the third to the fifth year inclusive	102	193
After the fifth year	1 838	862
Equity instruments	732	1 477
	<b>2 862</b>	2 885

**15. Goodwill**

In millions of CHF	2002	2001
<b>Gross value</b>		
At 1st January	27 633	9 674
Currency retranslation	(3 903)	(73)
Goodwill from acquisitions	6 330	18 193
Disposals	—	(116)
Other	(7)	(45)
At 31st December	30 053	27 633
<b>Accumulated amortisation</b>		
At 1st January	(2 380)	(1 772)
Currency retranslation	319	25
Amortisation	(1 438)	(494)
Impairment	(839)	(184)
Other	3	45
At 31st December	(4 335)	(2 380)
Net at 31st December	25 718	25 253



**16. Intangible assets**

In millions of CHF

				<b>2002</b>	2001
	Intellectual property rights	Operating rights and others	Management information systems	Total	Total
<b>Gross value</b>					
At 1st January	383	604	568	<b>1 555</b>	1 305
Currency retranslation	(11)	(78)	(82)	<b>(171)</b>	4
Expenditure	28	48	614	<b>690</b>	288
Disposals	(1)	(48)	(6)	<b>(55)</b>	(72)
Modification of the scope of consolidation	—	22	6	<b>28</b>	(9)
Other	1	—	—	<b>1</b>	39
At 31st December	400	548	1 100	<b>2 048</b>	1 555
<b>Accumulated depreciation</b>					
At 1st January	(76)	(313)	(268)	<b>(657)</b>	(489)
Currency retranslation	3	40	35	<b>78</b>	(3)
Depreciation	(23)	(41)	(125)	<b>(189)</b>	(150)
Disposals	—	2	6	<b>8</b>	22
Impairment	—	(2)	(39)	<b>(41)</b>	—
Modification of the scope of consolidation	—	(5)	—	<b>(5)</b>	—
Other	(20)	20	—	<b>—</b>	(37)
At 31st December	(116)	(299)	(391)	<b>(806)</b>	(657)
Net 31st December	284	249	709	<b>1 242</b>	898

**17. Trade and other payables**

In millions of CHF	2002	2001
Trade payables	6 191	6 667
Other payables	3 741	3 837
	<b>9 932</b>	10 504

**18. Current financial liabilities**

In millions of CHF	2002	2001
Commercial Paper	13 859	19 861
Line of credit facilities	1 178	1 270
Other current financial liabilities	2 744	3 888
	<b>17 781</b>	25 019
Current portion of medium and long-term financial liabilities	921	467
	<b>18 702</b>	25 486

The above financial liabilities are denominated in the following currencies:

In millions of CHF	2002	2001
USD	12 565	19 572
EUR	2 293	1 024
Other	3 844	4 890
	<b>18 702</b>	25 486

Interest rates are as follows:

	2002	2001
on USD	1.8%	4.1%
on EUR	3.3%	4.5%

The fair values of current financial liabilities are not materially different from their carrying amounts.

**19. Derivative liabilities**

In millions of CHF	2002		2001	
	Fair values	Contractual or notional amounts	Fair values	Contractual or notional amounts
<b>Fair value hedges</b>				
Currency forwards, futures and swaps	15	523	27	1 752
Currency options	—	48	—	42
Interest rate swaps	4	36	44	851
Interest rate and currency swaps	87	1 599	80	459
<b>Cash flows hedges</b>				
Currency forwards, futures and swaps	22	695	46	1 105
Currency options	—	—	—	1
Interest rate swaps	140	1 992	56	3 762
Interest rate and currency swaps	—	—	1	—
Interest forwards and futures	—	176	2	635
Interest options	2	174	4	217
Commodity futures	15	181	44	210
Commodity options	2	81	5	29
<b>Hedges of the net investment in a foreign entity</b>				
	47	322	36	1 673
<b>Trading</b>				
Currency derivatives	25	933	12	1 331
Interest derivatives	17	1 698	21	1 942
Commodity derivatives	8	157	5	30
	<b>384</b>	<b>8 615</b>	383	14 039

Derivative liabilities are denominated in the following currencies:

In millions of CHF	2002	2001
USD	184	185
EUR	104	51
GBP	18	15
Other	78	132
	<b>384</b>	383

Derivative liabilities related to cash flow hedges have the following maturities:

In millions of CHF	2002	2001
Within one year	35	84
In the second year	7	12
In the third to the fifth year inclusive	66	62
After the fifth year	73	—
	<b>181</b>	158

Other derivative liabilities have the following maturities:

In millions of CHF	2002	2001
Within one year	104	163
In the second year	7	—
In the third to the fifth year inclusive	87	55
After the fifth year	5	7
	<b>203</b>	225

## 20. Non-current financial liabilities

In millions of CHF	2002	2001
Loans from financial institutions	1 338	1 315
Bonds	9 835	8 783
Obligations under finance leases	296	315
	<b>11 469</b>	10 413
Current portion	(921)	(467)
	<b>10 548</b>	9 946

The above non-current financial liabilities are repayable as follows:

In millions of CHF	2002	2001
In the second year	1 474	900
In the third to the fifth year inclusive	7 302	5 432
After the fifth year	1 772	3 614
	<b>10 548</b>	9 946

The above financial liabilities are denominated in the following currencies:

In millions of CHF	2002	2001
USD	7 576	7 917
EUR	2 388	1 523
Other	584	506
	<b>10 548</b>	9 946

Interest rates on loans from financial institutions are as follows:

	2002	2001
on EUR	3.3%	4.8%

Loans in other currencies are individually not meaningful. The effective interest rates of bonds are disclosed below. The effective interest rates of other non-current financial liabilities are not materially different from their nominal interest rates.

The fair value of non-current financial liabilities amounts to CHF 10 741 million (2001: CHF 9970 million).

The interest rate structure is as follows:

In millions of CHF	2002	2001
Financial liabilities at fixed rates	9 725	6 412
Financial liabilities at variable rates	823	3 534
	<b>10 548</b>	9 946

These figures are those from the original financial liabilities, without impact from hedges that are disclosed in the appropriate notes.

Bond issues subject to interest rate fair value hedges are carried at fair value, while those that are not subject to such hedges are carried at cost.

In millions of CHF					2002	2001
Face value in millions	Interest rates		Year of issue/ maturity			
	Nominal	Effective				
<b>Bond Issues of Nestlé Holdings, Inc., USA</b>						
CHF 300	6.75%	6.62%	1992–2002	Was subject to interest rate and currency swaps that created a USD liability at floating rates.	—	304
USD 250	7.38%	7.38%	1995–2005		347	419
USD 250	5.63%	5.64%	1998–2003	Subject to an interest rate swap that creates a liability at floating rates.	356	433
USD 300	3.00%	7.48%	2000–2005	Stock Warrants and Applicable Note Securities (SWANS). The issue has attached warrants which give the right to acquire Nestlé S.A. shares. The debt component (issue of the notes) was recognised under bonds for USD 249 million at inception, while the equity component (premium on warrants issued) was recognised under equity for USD 51 million. Exercise conditions of the warrants: 30 000 warrants to purchase Nestlé S.A. shares. Each warrant gives the right to purchase 43.14 shares. The holders of warrants may exercise their warrants to purchase shares of Nestlé S.A. either: 1) during the note exercise period running from June 2000 to May 2005 by tendering a note and a warrant in exchange for shares; or 2) on the cash exercise date (9 May 2005), by tendering warrants together with the exercise price in cash. The exercise price per share is CHF 380.621 (or USD 231.806) prior to any anti-dilution adjustment.	378	439

In millions of CHF					2002	2001
Face value in millions	Interest rates		Year of issue/ maturity			
	Nominal	Effective				
USD 700	0.00%	6.15%	2001–2008	<p>Turbo Zero Equity-Link issue with warrants on Nestlé S.A. shares. The debt component (issue of the notes) was recognised under bonds for USD 451 million at inception, while the equity component (premium on warrants issued) was recognised under equity for USD 123 million.</p> <p>The investors have the option to put the notes to Nestlé Holdings, Inc. and the warrants to Nestlé S.A. against their accreted value at the end of 2003 and 2006.</p> <p>Exercise conditions of the warrants: 70 000 warrants to purchase Nestlé S.A. shares. Each warrant gives the right to purchase 31.9065 shares.</p> <p>The holders of warrants may exercise their warrants to purchase shares of Nestlé S.A. either:</p> <p>1) during the note exercise period running from July 2001 to June 2008 by tendering a note and a Warrant in exchange for shares; or</p> <p>2) on the cash exercise date (11 June 2008), by tendering warrants together with the exercise price in cash.</p> <p>The exercise price per share is CHF 455.– (or USD 261.119) prior to any anti-dilution adjustment.</p>	699	796
USD 950	3.50%	3.76%	2001–2005	The 2001 USD 650 million issue was increased by USD 300 million in 2002. The 2001 issue was partially subject to an interest rate swap that created a liability at floating rates.	1 307	1 055
USD 300	5.13%	5.19%	2001–2007		415	501
USD 500	4.75%	4.98%	2002–2007		689	—
USD 400	4.50%	4.64%	2002–2006	Partially subject to an interest rate swap that creates a liability at floating rates.	563	—
<b>Bond Issues of Nestlé Purina Petcare Company, USA</b> (Face values are shown after partial repayments.)						
USD 83	9.25%	9.50%	1989–2009		137	263
USD 48	7.75%	7.84%	1995–2015		75	326
USD 63	9.30%	9.42%	1991–2021		115	315
USD 79	8.63%	8.72%	1992–2022		136	439
USD 44	8.13%	8.27%	1993–2023		73	298
USD 51	7.88%	8.05%	1995–2025		83	388

In millions of CHF					2002	2001
Face value in millions	Interest rates		Year of issue/ maturity			
	Nominal	Effective				
<b>Bond Issues of Nestlé Finance-France S.A., France</b>						
ZAR 100	12.50%	13.07%	2000–2005	Subject to an interest rate swap that creates a liability at floating rates. The proceeds have been re-lent to a South African affiliated company.	16	14
ZAR 100	11.00%	11.52%	2001–2006	Subject to an interest rate swap that creates a liability at floating rates. The proceeds have been re-lent to a South African affiliated company.	16	14
EUR 400	4.75%	4.87%	2002–2007	Subject to an interest rate swap that creates a liability at floating rates.	619	—
USD 250	4.24%	4.24%	2002–2006	Uridashi issue sold to retail investors in Japan. Subject to an interest rate and currency swap that creates an EUR liability at floating rates.	366	—
USD 500	3.00%	3.08%	2002–2006	Subject to an interest rate and currency swap that creates an EUR liability at floating rates.	707	—
EUR 150	3.38%	3.38%	2002–2007	Uridashi issue sold to retail investors in Japan. Subject to an interest rate swap that creates a liability at floating rates.	215	—
<b>Bond Issues of Nestlé Holdings (U.K.) PLC, United Kingdom</b>						
USD 250	5.00%	5.07%	1998–2003	Subject to an interest rate and currency swap that creates a GBP liability at floating rates.	360	431
EUR 300	4.75%	4.75%	2001–2005	Subject to an interest rate and currency swap that creates a GBP liability at floating rates.	465	462
USD 300	5.25%	5.35%	2001–2006	Subject to an interest rate and currency swap that creates a GBP liability at floating rates.	464	518



In millions of CHF					2002	2001
Face value in millions	Interest rates		Year of issue/ maturity			
	Nominal	Effective				
<b>Bond Issues of Nestlé Australia Ltd, Australia</b>						
USD 250	1.25%	6.07%	1998–2005	Called by the issuer in 2002. Through a swap the issuer was hedged against its equity, interest rate and currency exposure.	—	415
AUD 300	4.75%	5.10%	2002–2005	Subject to an interest rate swap that creates a liability at floating rates.	237	—
USD 54	7.40%	7.40%	2002–2012	Callable range accrual note, non-callable during the first year. Subject to an interest rate and currency swap that creates an AUD liability at floating rates.	76	—
<b>Bond Issue of Nestlé Capital Canada Ltd, Canada</b>						
USD 200	5.50%	5.47%	1999–2004	Subject to an interest rate and currency swap that creates a CAD liability at floating rates.	293	346
<b>Bond Issue of Nestlé Japan Ltd, Japan</b>						
EUR 350	5.25%	5.31%	2000–2004	Subject to an interest rate and currency swap that creates a JPY liability at floating rates.	535	537
<b>Other bonds</b>					<b>93</b>	70
Total					<b>9 835</b>	8 783
Due within one year					<b>(740)</b>	(323)
Due after one year					<b>9 095</b>	8 460

Bonds subject to fair value hedges are carried at fair value for CHF 5288 million (2001: CHF 4529 million) and the related derivatives are shown under derivative assets for CHF 296 million (2001: CHF 318 million) and under derivative liabilities for CHF 87 million (2001: CHF 110 million).

**21. Employee benefits****Reconciliation of assets and liabilities recognised in the balance sheet**

In millions of CHF			<b>2002</b>	2001
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Total
Present value of funded obligations	18 316	777	<b>19 093</b>	19 396
Fair value of plan assets	(15 561)	(113)	<b>(15 674)</b>	(19 673)
Excess of liabilities/(assets) of funded obligations	2 755	664	<b>3 419</b>	(277)
Present value of unfunded obligations	1 001	695	<b>1 696</b>	1 997
Unrecognised past service cost				
of non-vested benefits	(4)	(6)	<b>(10)</b>	(7)
Net unrecognised actuarial gains/(losses)	(3 687)	(144)	<b>(3 831)</b>	(1 366)
Unrecognised assets	28	—	<b>28</b>	1 198
Defined benefits net liabilities	93	1 209	<b>1 302</b>	1 545
Liabilities from defined contribution plans and non-current deferred compensation			<b>762</b>	849
Net liabilities			<b>2 064</b>	2 394
Reflected in the balance sheet as follows:				
Employee benefits assets			<b>(1 083)</b>	(1 392)
Employee benefits liabilities			<b>3 147</b>	3 786
Net liabilities			<b>2 064</b>	2 394

The plan assets include property occupied by affiliated companies with a fair value of CHF 16 million (2001: CHF 32 million).

The decrease of the excess of assets is mainly due to the lower effective return on assets.

**Expenses recognised in the income statement**

In millions of CHF

			<b>2002</b>	2001
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Total
Current service cost	603	56	<b>659</b>	637
Employees' contributions	(101)	—	<b>(101)</b>	(101)
Interest cost	1 022	104	<b>1 126</b>	1 032
Expected return on plan assets	(1 371)	(13)	<b>(1 384)</b>	(1 436)
Net actuarial gains/(losses) recognised in year	22	1	<b>23</b>	3
Early retirements, curtailments, settlements	(7)	(5)	<b>(12)</b>	(12)
Past service cost	23	10	<b>33</b>	40
Transfer (from)/to unrecognised assets	296	—	<b>296</b>	336
Total defined benefit expenses	487	153	<b>640</b>	499
Total defined contribution expenses			<b>309</b>	310

The expenses for defined benefit and defined contribution plans are allocated to the appropriate headings of expenses by function.

Transfer to unrecognised assets represents excess of return of overfunded defined benefit plans that cannot be recognised as assets as well as contributions paid to such plans in excess of their annual cost.

Actual gain/(loss) on plan assets	<b>(2 363)</b>	(1 448)
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**Movement of defined benefit net liabilities recognised in the balance sheet**

In millions of CHF

			<b>2002</b>	2001
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Total
At 1st January	154	1 391	<b>1 545</b>	1 933
Currency retranslation	35	(229)	<b>(194)</b>	(70)
Expense recognised in the income statement	487	153	<b>640</b>	499
Contributions	(544)	(60)	<b>(604)</b>	(387)
Benefits paid	(89)	(49)	<b>(138)</b>	(137)
Modification of the scope of consolidation	49	4	<b>53</b>	(317)
Transfer from/(to) defined contribution plans	1	(1)	<b>—</b>	24
At 31st December	93	1 209	<b>1 302</b>	1 545

**Principal actuarial assumptions**

At 31st December

	<b>2002</b>	2001
Discount rates		
Europe	<b>3.5–6%</b>	4–6%
Americas	<b>6.75–12%</b>	3–15.5%
Asia, Oceania and Africa	<b>2–13%</b>	3–15%
Expected long-term rates of return on plan assets		
Europe	<b>5–7.5%</b>	6–7.25%
Americas	<b>6–13%</b>	6–13%
Asia, Oceania and Africa	<b>4–13%</b>	4–14%
Expected rates of salary increases		
Europe	<b>2.5–3.5%</b>	2–4%
Americas	<b>1–12%</b>	1–12%
Asia, Oceania and Africa	<b>0.5–12.5%</b>	1–13%
Expected rates of pension adjustments		
Europe	<b>1.5–3.5%</b>	1.25–2.5%
Americas	<b>1–12%</b>	1–12%
Asia, Oceania and Africa	<b>0.5–6%</b>	0.5–9%

**Principal actuarial assumptions**

At 31st December	2002	2001
Medical cost trend rates		
Americas	5–10%	5–10%
Average remaining working life of employees (in years)		
Europe	13–22	11–22
Americas	9–25	9–30
Asia, Oceania and Africa	11–23	11–27

**22. Equity compensation plans and remuneration****Equity compensation plans**

The following are the movements and expiry dates of the options held by members of the Board of Directors, Executive Board and Senior Management.

**Movement of options**

In millions of CHF	2002		2001	
	Number of options	Value of shares	Number of options	Value of shares
Outstanding at 1st January	2 191 466	687	939 310	243
of which vested	427 260		179 220	
New rights	1 479 952	544	1 338 806	459
Rights exercised <sup>(a)</sup>	(91 535)	(22)	(79 930)	(13)
Rights cancelled	(34 636)	(11)	(6 720)	(2)
Outstanding at 31st December	3 545 247	1 198	2 191 466	687
of which vested	748 315		427 260	

<sup>(a)</sup> Average exercise price: CHF 241.65 (2001: CHF 165.65).

The rights are exercised throughout the year in accordance with the rules of the plan.

## Expiry dates of options

	2002		2001	
	Number	Exercise price	Number	Exercise price
One year	60 590	CHF 230.30	8 640	CHF 149.80
Two years	—	—	90 650	CHF 230.30
Three years	266 615	CHF 260.90	—	—
Four years	421 110	CHF 281.90	327 970	CHF 260.90
Five years	—	—	425 400	CHF 281.90
Six years	1 316 980	CHF 343.20	—	—
Seven years	1 479 952	CHF 367.35	1 338 806	CHF 343.20
<b>Total</b>	<b>3 545 247</b>		<b>2 191 466</b>	

The exercise price corresponds to the average price of the last 10 trading days of January of the year of allocation.

## Remuneration of the Board of Directors and of the Executive Board

	2002		2001	
	Number	CHF millions	Number	CHF millions
Non-Executive Board of Directors				
Remuneration		4		4
Shares	5 096	2	4 926	2
Executive Board <sup>(a)</sup>				
Remuneration		11		9
Bonus		7		7
Shares	10 956	4	916	—
Options	112 217		91 370	
<b>Total</b>		<b>28</b>		<b>22</b>

<sup>(a)</sup> Includes the Executive member of the Board of Directors.

## Board of Directors

Members of the Board of Directors receive an annual remuneration of CHF 262 500 each, members of the Committee of the Board receive an additional CHF 200 000 each. Members of the Audit Committee receive an additional CHF 25 000 each. Members of the Board of Directors also receive an annual expense allowance of CHF 15 000 each. The Chairman of the Board is also entitled to a salary, a bonus and share options.

50% of the remuneration of the members of the Board of Directors and the total additional remuneration of the members of the Committee of the Board are paid through the granting of Nestlé S.A. shares at the ex-dividend closing price at the day of payment of the dividend. These shares are subject to a 2-year blocking period.

**Executive Board**

The total annual remuneration of the members of the Executive Board comprises a salary, a bonus (based on the individual's performance and the achievement of the Group's objectives) and share options.

50% of the bonus of the members of the Executive Board is paid through the granting of Nestlé S.A. shares at the average price of the last 10 trading days of January of the year of allocation. These shares are subject to a 3-year blocking period.

**Alcon Incentive plan**

Alcon sponsors an Incentive plan whereby the Board of Directors of Alcon awards incentives in different forms, as for instance stock options, stock appreciation rights or restricted shares.

The total number of Alcon shares with respect to which awards may be issued under the Alcon Incentive Plan shall not exceed in the aggregate 30 million Alcon shares. Shares are issued at the grant price of stock options upon exercise. Stock option grant prices are determined by the Board of Directors of Alcon and shall not be less than the fair market value of the shares on the date of grant.

Details of the Incentive Plan are disclosed in Alcon's financial statements.

**23. Deferred taxes**

In millions of CHF	2002	2001
<b>Tax assets by types of temporary differences</b>		
Property, plant and equipment	200	154
Intangible assets	109	157
Employee benefits	844	1 044
Inventories, receivables, payables and provisions	1 013	1 433
Unused tax losses and unused tax credits	110	89
Other	533	596
	<b>2 809</b>	3 473
<b>Tax liabilities by types of temporary differences</b>		
Property, plant and equipment	790	1 068
Intangible assets	533	94
Employee benefits	90	499
Inventories, receivables, payables and provisions	96	110
Other	273	1 085
	<b>1 782</b>	2 856
Net assets	<b>1 027</b>	617

In millions of CHF	2002	2001
Reflected in the balance sheet as follows:		
Deferred tax assets	1 519	1 918
Deferred tax liabilities	492	1 301
Net assets	1 027	617
Temporary differences for which no deferred tax is recognised:		
on investments in affiliated companies (taxable temporary difference)	10 000	7 357
on unused tax losses, tax credits and other items	1 548	1 467

Unused tax losses expire mainly within 2 to 5 years.

#### 24. Provisions

In millions of CHF					2002	2001
	Restructuring	Environment	Litigation	Other	Total	Total
At 1st January	554	71	1 700	170	2 495	2 204
Currency retranslation	(102)	(10)	(207)	(6)	(325)	24
Provisions made in the period	918	11	443	105	1 477	285
Modification of the scope						
of consolidation	104	—	326	1	431	338
Amounts used	(364)	—	(130)	(26)	(520)	(318)
Unused amounts reversed	(42)	(17)	(51)	(67)	(177)	(38)
At 31st December	1 068	55	2 081	177	3 381	2 495

Restructuring provisions concern announced plans that reflect the Group's ongoing efforts to concentrate its industrial and commercial operations, mainly in the petcare segment in Europe and North America and in the ice cream segment in Europe. Restructuring provisions are expected to result in future cash outflows when starting to implement the plans over the next two years.

The litigation provisions have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. The timing of cash outflows of litigation provisions is uncertain since it will depend upon the outcome of the administrative and legal proceedings.



**25. Share capital of Nestlé S.A.**

	<b>2002</b>	2001
Number of registered shares of nominal value CHF 1.– each	<b>403 520 000</b>	403 520 000
In millions of CHF	<b>404</b>	404

Additional information is given in the annex to the annual accounts of Nestlé S.A., note 19.  
The share capital includes the nominal value of treasury shares (see note 26).

**26. Treasury shares**

This item represents the treasury shares held in Nestlé S.A.:

	<b>2002</b>	2001
Number of shares		
Purpose of holding		
Freely available shares	<b>5 055 688</b>	6 513 814
Management option rights	<b>3 545 247</b>	2 191 466
Warrants on SWANS and Turbo bond issues of		
Nestlé Holdings Inc., USA	<b>3 527 680</b>	3 527 680
Trading	<b>4 470 644</b>	3 631 494
Total at 31st December	<b>16 599 259</b>	15 864 454
In millions of CHF	<b>2002</b>	2001
Book value at 31st December	<b>2 578</b>	2 794
Market value at 31st December	<b>4 864</b>	5 616

The movement of these shares is described in the annex to the annual accounts of Nestlé S.A., note 21.

**27. Decrease/(increase) in working capital**

Disregarding exchange differences and effect of acquisitions and disposals.

	<b>2002</b>	2001
In millions of CHF		
Inventories	<b>28</b>	(448)
Trade receivables	<b>(21)</b>	(540)
Trade payables	<b>41</b>	274
Other payables	<b>151</b>	202
Net accruals and deferrals	<b>1</b>	64
Other	<b>587</b>	(422)
	<b>787</b>	(870)

**28. Acquisitions**

In millions of CHF	2002	2001
Fair value of net assets acquired <sup>(a)</sup>		
Property, plant and equipment	527	1 431
Financial assets	57	834
Intangible assets	27	4
Minority interests	(1)	(17)
Purchase of minority interests in existing participations	19	33
Net working capital	391	246
Financial liabilities	(809)	(2 785)
Employee benefits, deferred taxes and provisions	(1 152)	(846)
Liquid assets	82	1 787
	(859)	687
Goodwill	6 330	18 193
Total acquisition cost	5 471	18 880
less:		
Cash and cash equivalents acquired	(70)	(92)
Consideration payable	(6)	(22)
Cash outflow on acquisitions	5 395	18 766

<sup>(a)</sup> The fair value of the identifiable assets and liabilities acquired with Ralston Purina was determined on a provisional basis at 31st December 2001 (due to the timing of the acquisition) and has subsequently been updated in the 2002 figures. Such adjustment represents an amount of CHF 1044 million included in 2002 fair value of net assets acquired.

It is not possible to separately assess the financial impact of Ralston Purina on the result for the period, given its full integration into Nestlé's existing petcare business. However, given the new increased significance of the Group's petcare business, this is separately disclosed in the secondary segmental reporting in note 1.

**29. Disposals**

In millions of CHF	2002	2001
Net assets disposed of		
Property, plant and equipment	241	88
Financial assets	115	—
Goodwill and intangible assets	4	129
Minority interests	226	(29)
Net working capital	174	154
Financial liabilities	(131)	(46)
Employee benefits, deferred tax and provisions	59	14
Liquid assets	15	7
	703	317
Profit/(loss) on disposals current year	4 659	318
Profit/(loss) on disposals prior years	(114)	—
Total sale consideration	5 248	635
less:		
Cash and cash equivalents disposed of	(15)	(7)
Consideration receivable	(549)	(144)
Cash inflow on disposals	4 684	484

**30. Dividends**

Dividends payable are not accounted for until they have been ratified at the Annual General Meeting. At the meeting on 3rd April 2003, the following dividend in respect of 2002 will be proposed:

Dividend per share	CHF	7. —
Resulting in a total dividend of <sup>(a)</sup>	CHF	2 769 671 660. —

<sup>(a)</sup> Number of shares with right to dividend: see Annual report of Nestlé S.A.

The accounts for the year ended 31st December 2002 do not reflect this proposed distribution, which will be treated as an appropriation of profit in the year ending 31st December 2003.

**31. Guarantees**

In the normal course of business, the Group has granted guarantees to third parties, totalling CHF 341 million (2001: CHF 357 million) on 31st December 2002.

**32. Commitments for expenditure on property, plant and equipment**

At 31st December 2002, the Group was committed to expenditure amounting to CHF 158 million (2001: CHF 130 million).

**33. Lease commitments**

The following charges arise from these commitments:

**Operating leases**

In millions of CHF	2002	2001
	Minimum lease payments	
	Future value	
Within one year	<b>450</b>	390
In the second year	<b>382</b>	348
In the third to the fifth year inclusive	<b>753</b>	746
After the fifth year	<b>1 395</b>	1 278
	<b>2 980</b>	2 762

**Finance leases**

In millions of CHF	2002		2001	
	Minimum lease payments			
	Present value	Future value	Present value	Future value
Within one year	<b>52</b>	<b>64</b>	63	78
In the second year	<b>43</b>	<b>52</b>	59	75
In the third to the fifth year inclusive	<b>63</b>	<b>86</b>	82	113
After the fifth year	<b>138</b>	<b>191</b>	111	149
	<b>296</b>	<b>393</b>	315	415

The difference between the future value of the minimum lease payments and their present value represents the discount on the lease obligations.

### **34. Contingent assets and liabilities**

The Group is exposed to contingent liabilities amounting to about CHF 440 million (2001: CHF 440 million) representing various potential litigation.

Contingent assets for litigation claims in favour of the Group amount to about CHF 160 million (2001: CHF 230 million).

### **35. Events after the balance sheet date**

#### *Dreyer's Grand Ice Cream*

On 17th June 2002, Nestlé S.A. announced that Nestlé Holdings USA, Inc., a US subsidiary of Nestlé S.A., and Dreyer's Grand Ice Cream, Inc. (Dreyer's) had entered into a definite agreement to combine Nestlé's US ice cream business with Dreyer's. Under the agreement, Nestlé will contribute its ice cream business into Dreyer's in exchange for Dreyer's shares. Nestlé will obtain control of this combined enlarged company. The agreement is subject to regulatory and Dreyer's shareholders' approvals and is expected to be completed within twelve months from the date of announcement.

#### *Mövenpick Ice Cream*

On 23rd January 2003, the Group announced that it had signed an agreement with the Mövenpick Group to acquire the Mövenpick brand for ice cream products and related ice cream businesses worldwide, with the exception of the New Zealand manufacturing operations. Mövenpick branded ice cream sales worldwide amount to approximately CHF 300 million. The transaction is subject to regulatory approval in only a very limited number of countries.

The agreement between Nestlé and Mövenpick does not include other Mövenpick food businesses nor the Hotel and Restaurant Business.

#### *Powwow*

On 3rd February 2003, Nestlé Waters announced that it had signed an agreement with A.S. Watson (ASW), subsidiary of Hutchison Whampoa Limited (HWL), for the acquisition of the Powwow company. This company is one of the leading players of the Home and Office Delivery (HOD) water business in Europe with sales amounting to approximately EUR 120 million. The purchase price is EUR 560 million. The closing of the transaction is subject to the usual closing conditions, including relevant regulatory approvals.

#### *Other subsequent events*

At 26th February 2003, date of approval of the accounts by the Board of Directors, the Group had no subsequent adjusting events that warrant a modification of the value of the assets and liabilities.

**36. Transactions with related parties**

The Group has not entered into any material transaction with related parties. Furthermore, throughout 2002, no director had a personal interest in any transaction of significance for the business of the Group.

**37. Nestlé Group Companies**

The list of companies appears in the section “Companies of the Nestlé Group”.

**Principal exchange rates**

CHF per		2002	2001	2002	2001
		Year end rates		Average annual rates	
1 US Dollar	USD	<b>1.39</b>	1.68	<b>1.55</b>	1.68
1 Euro	EUR	<b>1.46</b>	1.48	<b>1.47</b>	1.51
1 Pound Sterling	GBP	<b>2.23</b>	2.43	<b>2.33</b>	2.43
100 Brazilian Reais	BRL	<b>39.30</b>	71.90	<b>54.20</b>	72.21
100 Japanese Yen	JPY	<b>1.17</b>	1.28	<b>1.24</b>	1.39
100 Mexican Pesos	MXN	<b>13.30</b>	18.30	<b>16.16</b>	18.09
1 Canadian Dollar	CAD	<b>0.88</b>	1.05	<b>0.99</b>	1.09
1 Australian Dollar	AUD	<b>0.79</b>	0.86	<b>0.85</b>	0.87
100 Philippine Pesos	PHP	<b>2.62</b>	3.24	<b>3.01</b>	3.30

## Report of the Group auditors

to the General Meeting of Nestlé S.A.


As Group auditors we have audited the Consolidated accounts (balance sheet, income statement, cash flow statement, statement of changes in equity and annex) of the Nestlé Group for the year ended 31st December 2002.

These Consolidated accounts are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these Consolidated accounts based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, and with International Standards on Auditing issued by the International Federation of Accountants (IFAC), which require that an audit be planned and performed to obtain reasonable assurance about whether the Consolidated accounts are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the Consolidated accounts. We have also assessed the accounting principles used, significant estimates made and the overall Consolidated accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Consolidated accounts give a true and fair view of the financial position, the net profit and cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the Consolidated accounts submitted to you be approved.

 Klynveld Peat Marwick Goerdeler SA



S.R. Cormack  
Chartered accountant  
Auditor in charge



B.A. Mathers  
Chartered accountant

London and Zurich, 26th February 2003

## Financial information – five year review

In millions of CHF (except for per share data)	2002	2001
<b>Results</b>		
Consolidated sales	89 160	84 698
EBITA	10 940	9 987
as % of sales	12.3%	11.8%
Taxes	2 295	2 429
Consolidated net profit	7 564	6 681
as % of sales	8.5%	7.9%
as % of average equity	22.1%	21.0%
Total amount of dividend	2 770 <sup>(a)</sup>	2 484
Depreciation of property, plant and equipment	2 542	2 581
as % of sales	2.9%	3.0%
Amortisation of goodwill	1 438	494
<b>Balance sheet</b>		
Current assets	35 342	39 045
<i>of which liquid assets</i>	14 291	16 042
Non-current assets	52 010	54 741
Total assets	87 352	93 786
Current liabilities	33 737	41 492
Non-current liabilities and minority interests	18 796	18 641
Equity	34 819	33 653
Capital expenditure	3 577	3 611
as % of sales	4.0%	4.3%
<b>Data per share</b>		
Weighted average number of shares outstanding	387 641 752	387 369 846
Consolidated net profit <sup>(b)</sup>	19.51	17.25
Equity <sup>(b)</sup>	89.82	86.88
Dividend <sup>(b)</sup>	7.00 <sup>(d)</sup>	6.40
Pay-out ratio	35.9% <sup>(d)</sup>	37.1%
Stock exchange prices (high/low) <sup>(b)</sup>	397.0/271.0	386.5/289.0
Yield <sup>(c)</sup>	1.8/2.6 <sup>(d)</sup>	1.7/2.2
<b>Number of personnel</b>		
	254 199	229 765 <sup>(a)</sup>



2000 <sup>(f)</sup>	1999 <sup>(g)</sup>	1998
81 422	74 660	71 747
9 911	8 700	7 606
12.2%	11.7%	10.6%
2 761	2 314	2 000
5 763	4 724	4 205
7.1%	6.3%	5.9%
21.2%	20.0%	19.5%
2 127	1 657	1 469
2 737	2 597	2 609
3.4%	3.5%	3.6%
414	384	301
30 747	27 169	26 467
10 131	6 670	7 963
34 777	31 770	30 236
65 524	58 939	56 703
23 174	22 182	22 567
12 446	12 304	11 321
29 904	24 453	22 815
3 305	2 806	3 061
4.1%	3.8%	4.3%
386 527 830	386 772 130	392 936 650
14.91	12.21	10.70
77.40	63.20	58.10
5.50	4.30	3.80
36.9%	35.2%	35.5%
389.3/254.0	310.7/250.8	349.8/212.2
1.4/2.2	1.4/1.7	1.1/1.8
224 541	230 929	231 881

<sup>(a)</sup> As proposed by the Board of Directors of Nestlé S.A. This amount includes dividends payable in respect of shares with right to dividend at the balance sheet date (CHF 2709 million) as well as those potentially payable on the shares covering options and shares held for trading purposes (CHF 61 million).

<sup>(b)</sup> Figures prior to 2001 adjusted in order to make comparable the data per share.

<sup>(c)</sup> Calculated on the basis of the dividend for the year concerned but which is paid out in the following year.

<sup>(d)</sup> As proposed by the Board of Directors of Nestlé S.A.

<sup>(e)</sup> Excludes Ralston Purina.

<sup>(f)</sup> Figures prior to 2001 have not been restated following the first application of IAS 39 "Financial Instruments".

<sup>(g)</sup> Figures prior to 2000 have not been restated following the first application of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

## Companies of the Nestlé Group

### Operating companies

**Principal affiliated companies<sup>(a)</sup> which operate in the food and water sectors, with the exception of those marked with an asterisk (\*) which are engaged in the pharmaceutical sector.**

- Companies listed on the stock exchange.

<sup>(a)</sup> In the context of the new SWX Swiss Exchange Directive on Information relating to Corporate Governance which came into effect for the 2002 calendar year, the disclosure criteria have been reviewed as follows:

- Operating companies are disclosed if their sales exceed CHF 10 mio or equivalent;
- Financial companies are disclosed if either their equity exceed CHF 10 mio or equivalent and/or the total balance sheet is higher than CHF 50 mio or equivalent;

Countries within the continents are listed according to the alphabetical order of the French names.

### 1. Affiliated companies for which full consolidation treatment is applied (see “Scope of consolidation”).

Companies	City	% capital shareholdings	Currency	Capital
<b>Europe</b>				
<b>Germany</b>				
Nestlé Deutschland AG	Frankfurt am Main	100%	EUR	214 266 628.49
Blaue Quellen Mineral- und Heilbrunnen AG	Rhens am Rhein	100%	EUR	10 565 335.43
Trinks GmbH	Goslar	96.99%	EUR	2 351 942.65
San Pellegrino Deutschland GmbH	Mainz	100%	EUR	715 808.63
Nespresso Deutschland GmbH	Düsseldorf	100%	EUR	51 000.00
PowerBar Europe GmbH	München	100%	EUR	25 000.00
Alcon Pharma GmbH*	Freiburg/Breisgau	74.50%	EUR	511 291.90
Schoeller Holding GmbH & Co KG	Nürnberg	100%	EUR	166 272 000.00
<b>Austria</b>				
Nestlé Österreich GmbH	Wien	100%	EUR	7 267 283.42
Nespresso Österreich GmbH & Co OHG	Wien	100%	EUR	35 000.00
<b>Belgium</b>				
Nestlé Belgilux S.A.	Bruxelles	100%	EUR	8 924 200.00
Nestlé Waters Benelux S.A.	Etalle	100%	EUR	19 914 000.00
S.A. Nespresso Belgilux N.V.	Bruxelles	100%	EUR	550 000.00
S.A. Alcon-Couvreur N.V.*	Puurs	74.50%	EUR	4 491 830.00
Nestlé Purina PetCare Belgium	Bruxelles	100%	EUR	12 000.00
Nestlé Catering Services S.A.	Bruxelles	100%	EUR	10 535 500.00
<b>Bulgaria</b>				
Nestlé Sofia A.D.	Sofia	99.92%	BGN	8 779 588.00

Companies	City	% capital shareholdings	Currency	Capital
<b>Denmark</b>				
Nestlé Danmark A/S	Copenhagen	100%	DKK	41 000 000.00
Alcon Danmark A/S*	Rodovre	74.50%	DKK	500 000.00
<b>Spain</b>				
Nestlé España S.A.	Esplugues de Llobregat (Barcelona)	100%	EUR	100 000 000.00
Productos del Café S.A.	Reus	100%	EUR	6 611 000.00
Davigel España S.A.	Palma de Mallorca	100%	EUR	984 000.00
La Cocinera Alimentación S.A.	Barcelona	100%	EUR	150 000.00
Aquarel Ibérica S.A.	Barcelona	100%	EUR	300 506.05
Nestlé Waters España S.A.	Barcelona	100%	EUR	8 400 000.00
Alcon Cusi S.A.*	El Masnou (Barcelona)	74.50%	EUR	11 599 783.00
Helados Miko S.A.	Vitoria	100%	EUR	140 563 200.00
Compañía Avidesa S.A.	Alzira	100%	EUR	48 000 000.00
Friskies España S.A.	Castellbisbal (Barcelona)	100%	EUR	12 000 000.00
<b>Finland</b>				
Suomen Nestlé Oy	Helsinki	100%	EUR	3 363 758.53
Nestlé Purina PetCare Finland Oy	Vantaa	100%	EUR	84 093.96
<b>France</b>				
Nestlé France SAS	Noisiel	100%	EUR	129 130 560.00
Nestlé Grand Froid S.A.	Noisiel	100%	EUR	42 412 000.00
Nestlé Clinical Nutrition France	Noisiel	100%	EUR	57 943 072.00
Nestlé Produits Laitiers Frais S.A.	Noisiel	99.96%	EUR	13 127 250.00
Herta S.A.	Noisiel	100%	EUR	12 908 610.00
Davigel S.A.	Dieppe	100%	EUR	7 681 250.00
Nestlé Waters France	Paris	100%	EUR	42 824 105.00
Aquacool	Issy-les-Moulineaux	100%	EUR	3 455 000.00
Aquarel France	Issy-les-Moulineaux	100%	EUR	308 709.26
Nespresso France S.A.	Paris	100%	EUR	1 360 000.00
Laboratoires Alcon S.A.*	Rueil-Malmaison	74.50%	EUR	12 579 100.00
Nestlé Purina PetCare France	Rueil-Malmaison	100%	EUR	21 019 200.00
Nestlé HomeCare	Noisiel	100%	EUR	40 000.00
Société Industrielle de transformation de produits agricoles "SITPA" S.A.	Villers-les-Pots	100%	EUR	9 718 000.00

Companies	City	% capital shareholdings	Currency	Capital
<b>Greece</b>				
Nestlé Hellas S.A.	Maroussi	100%	EUR	18 437 936.00
Alcon Laboratories Hellas Commercial and Industrial S.A.*	Maroussi	74.50%	EUR	382 127.66
<b>Italy</b>				
Nestlé Italiana S.p.A.	Milano	100%	EUR	25 582 492.00
San Pellegrino S.p.A.	Milano	100%	EUR	58 742 145.00
Alcon Italia S.p.A.*	Milano	74.50%	EUR	1 300 000.00
Nestlé Purina PetCare Italia S.p.A.	Milano	100%	EUR	8 300 000.00
Nespresso Italy S.p.A.	Milano	100%	EUR	250 000.00
<b>Hungary</b>				
Nestlé Hungária Kft.	Budapest	100%	HUF	6 000 000 000.00
Kékkúti Ásványvíz Rt.	Budapest	100%	HUF	238 326 000.00
<b>Lithuania</b>				
UAB "Nestlé Baltics"	Vilnius	100%	LTL	110 000.00
<b>Norway</b>				
A/S Nestlé Norge	Sandvika	100%	NOK	81 250 000.00
Alcon Norge AS*	Sandvika	74.50%	NOK	100 000.00
<b>Netherlands</b>				
Nestlé Nederland B.V.	Amsterdam	100%	EUR	68 067 032.41
Alcon Nederland B.V.*	Gorinchem	74.50%	EUR	18 151.21
Nestlé Purina PetCare Benelux	Amsterdam	100%	EUR	18 152.00
Nespresso Nederland B.V.	Amsterdam	100%	EUR	681 000.00
<b>Poland</b>				
Nestlé Polska S.A.	Warszawa	100%	PLN	451 315 730.00
ESI Polska Sp. z o.o.	Warszawa	50%	PLN	4 000.00

Companies	City	% capital shareholdings	Currency	Capital
<b>Portugal</b>				
Nestlé Portugal S.A.	Linda-a-Velha	100%	EUR	30 000 000.00
Longa Vida-Indústrias Lácteas S.A.	Matosinhos	100%	EUR	16 250 000.00
Sociedade das Aguas de Pisões-Moura S.A.	Lisboa	100%	EUR	3 500 000.00
Alcon Portugal-Produtos e Equipamentos Oftalmologicos, Ltda.*	Paço d'Arco	74.50%	EUR	4 500 000.00
<b>Republic of Ireland</b>				
Nestlé (Ireland) Ltd	Tallaght-Dublin	100%	EUR	3 530 600.00
Nestlé Purina PetCare (Ireland) Ltd	Dublin	100%	EUR	2.54
<b>Czech Republic</b>				
Nestlé Cesko s.r.o.	Praha	100%	CZK	1 604 000 000.00
<b>Romania</b>				
Nestlé Romania SRL	Bucharest	100%	ROL	68 704 000 000.00
<b>United Kingdom</b>				
Nestlé UK Ltd	Croydon	100%	GBP	120 374 341.50
Nestlé Waters UK Ltd	Rickmansworth	100%	GBP	14 000 000.00
Buxton Mineral Water Company Ltd	Rickmansworth	100%	GBP	14 000 000.00
Nestlé Watercoolers UK Ltd	Rickmansworth	100%	GBP	3 000 000.00
Alcon Laboratories (UK) Ltd*	Herts	74.50%	GBP	3 100 000.00
Nestlé Purina PetCare (UK) Ltd	New Malden	100%	GBP	224 000 000.00
<b>Russia</b>				
JSC Confectionery Union Rossiya	Samara	100%	RUB	90 244 000.00
Nestlé Zhukovsky Ice Cream LLC	Zhukovsky	100%	RUB	364 880 000.00
Nestlé Food LLC	Moscow	100%	RUB	1 655 572 000.00
OJSC "Kamskaya"	Perm	87.35%	RUB	88 997 000.00
Poseidon	Moscow	100%	RUB	9 000.00
Clean Spring	Moscow	100%	RUB	13 000.00
OOO "Best Water"	Moscow	100%	RUB	9 000.00
<b>Slovakia</b>				
Nestlé Slovensko s.r.o.	Prievidza	100%	SKK	400 000 000.00

Companies	City	% capital shareholdings	Currency	Capital
<b>Sweden</b>				
Nestlé Sverige AB	Helsingborg	100%	SEK	20 000 000.00
Zoégas Kaffee AB	Helsingborg	100%	SEK	20 000 000.00
Jede AB	Mariestad	100%	SEK	7 000 000.00
Alcon Sverige AB*	Bromma	74.50%	SEK	100 000.00
Nestlé Purina PetCare Sweden/Denmark	Malmö	100%	SEK	1 000 000.00
<b>Switzerland</b>				
Société des Produits Nestlé S.A.	Vevey	100%	CHF	54 750 000.00
Nestlé Suisse S.A.	Vevey	100%	CHF	250 000.00
Nestlé Waters (Suisse) S.A.	Gland	100%	CHF	1 200 000.00
Alcon Pharmaceuticals Ltd*	Hünenberg	74.50%	CHF	100 000.00
Nestlé World Trade Corporation	La Tour-de-Peilz	100%	CHF	6 500 000.00
Nestlé Nespresso S.A.	Paudex	100%	CHF	2 000 000.00
Nestlé International Travel Retail S.A.	Châtel-St-Denis	100%	CHF	3 514 000.00
<b>Turkey</b>				
Nestlé Türkiye Gıda Sanayi A.S.	Istanbul	100%	TRL	123 374 185 000 000.00
Alcon Laboratuvarlari Tic. A.S.*	Istanbul	74.50%	TRL	11 606 000 000 000.00
Sansu Gıda Ve Mesrubat Sanayi Ticaret A.S.	Gaziantep	50%	TRL	8 000 000 000.00
<b>Ukraine</b>				
JSC Lviv Confectionery Firm "Svitoch"	Lviv	94%	UAK	65 632 000.00
<b>Africa</b>				
<b>South Africa</b>				
Nestlé (South Africa) (Pty) Ltd	Randburg	100%	ZAR	51 200 000.00
Nestlé Purina PetCare	Randburg	100%	ZAR	1 000.00
Dairymaid-Nestlé (Pty) Ltd	Olifantsfontein	100%	ZAR	200.00
Alcon Laboratories (South Africa) Pty Ltd*	Randburg	74.50%	ZAR	201 820.00
<b>Cameroon</b>				
Nestlé Cameroun	Douala	99.80%	XAF	1 300 000 000.00
<b>Ivory Coast</b>				
• Nestlé Côte d'Ivoire	Abidjan	86.10%	XOF	5 517 600 000.00
Listed on the Abidjan Stock Exchange, market capitalisation FCFA 81 108 132 000, quotation code (ISIN) CI0009240728				

Companies	City	% capital shareholdings	Currency	Capital
<b>Egypt</b>				
Nestlé Egypt S.A.E.	Cairo	100%	EGP	73 000 000.00
Dolce Company for Food Industries S.A.E.	Cairo	100%	EGP	57 722 000.00
Société des eaux minérales Vittor S.A.E.	Cairo	99.16%	EGP	21 875 000.00
<b>Gabon</b>				
Nestlé Gabon	Libreville	90%	XAF	344 000 000.00
<b>Ghana</b>				
Nestlé Ghana Ltd	Tema-Accra	51%	GHC	1 000 000 000.00
<b>Guinea</b>				
Nestlé Guinée S.A.	Conakry	99%	GNF	3 424 000 000.00
<b>Kenya</b>				
Nestlé Foods Kenya Ltd	Nairobi	100%	KES	37 145 000.00
<b>Mauritius</b>				
Nestlé's Products (Mauritius) Ltd	Port Louis	100%	BSD	71 500.00
<b>Morocco</b>				
Nestlé Maroc S.A.	El Jadida	94.50%	MAD	156 933 000.00
<b>Nigeria</b>				
• Nestlé Nigeria PLC	Ilupeju-Lagos	61.94%	NGN	211 375 000.00
Listed on the Lagos stock exchange, market capitalisation NGN 36 779 250 000, quotation code (ISIN) NG00000NSTL3				
<b>Senegal</b>				
Nestlé Sénégal	Dakar	100%	XOF	1 620 000 000.00
<b>Tunisia</b>				
Nestlé Tunisie	Tunis	59.20%	TND	8 438 280.00
<b>Zimbabwe</b>				
Nestlé Zimbabwe (Pvt) Ltd	Harare	100%	ZWD	7 000 000.00

Companies	City	% capital shareholdings	Currency	Capital
<b>Americas</b>				
<b>Argentina</b>				
Nestlé Argentina S.A.	Buenos Aires	100%	ARP	501 000.00
Eco de Los Andes S.A.	Buenos Aires	50.87%	ARS	41 081 943.00
Alcon Laboratorios Argentina S.A.*	Buenos Aires	74.50%	ARP	7 176 282.00
<b>Bolivia</b>				
Nestlé Bolivia S.r.l.	La Paz	100%	BOB	190 000.00
<b>Brazil</b>				
Nestlé Brasil Ltda.	São Paulo	100%	BRL	463 298 854.00
Industrias Alimenticias Itacolomy S/A	Montes Claros	100%	BRL	196 918 886.00
Companhia Produtora de Alimentos	Itabuna	100%	BRL	147 445 464.00
Perrier Vittel do Brasil Ltda.	Rio de Janeiro	100%	BRL	101 032 200.00
Alcon Laboratorios do Brasil Ltda.*	São Paulo	74.50%	BRL	7 729 167.00
Chocolates Garoto S.A.	Vila Velha-ES	100%	BRL	160 620 000.00
Ralston Purina do Brasil Ltda.	São Paulo	100%	BRL	79 530 000.00
<b>Canada</b>				
Nestlé Canada, Inc.	North York (Ontario)	100%	CAD	45 530 000.00
Midwest Food Products, Inc.	North York (Ontario)	50%	CAD	50 000.00
Alcon Canada, Inc.*	Mississauga (Ontario)	74.50%	CAD	3 471 735.00
<b>Chile</b>				
Nestlé Chile S.A.	Santiago de Chile	99.50%	CLP	11 832 947 934.00
Alcon Laboratorios Chile Ltda.*	Santiago de Chile	74.50%	CLP	9 750 000.00
<b>Colombia</b>				
Nestlé de Colombia S.A.	Bogotá	100%	COP	1 291 305 400.00
Cicolac Ltda.	Bogotá	100%	COP	4 601 377 000.00
Laboratorios Alcon de Colombia S.A.*	Bogotá	74.50%	COP	20 872 000.00
<b>Costa Rica</b>				
Compañía Nestlé Costa Rica S.A.	Barreal de Heredia	100%	USD	18 000.00
<b>Cuba</b>				
Los Portales S.A.	Guane	50.02%	USD	24 110 000.00



Companies	City	% capital shareholdings	Currency	Capital
<b>El Salvador</b>				
Nestlé El Salvador S.A.	San Salvador	100%	SVC	39 000 000.00
<b>Ecuador</b>				
Nestlé Ecuador S.A.	Quito	85%	USD	188 496 676.00
Neslandina S.A.	Quito	85%	USD	3 386 975.16
<b>United States</b>				
Nestlé USA, Inc.	Glendale (California)	100%	USD	1 000.00
Nestlé USA – Prepared Foods Division, Inc.	Solon (Ohio)	100%	USD	476 760.00
Nestlé Purina PetCare Company	St. Louis (Missouri)	100%	USD	1 000.00
Nestlé Waters North America, Inc.	Wilmington (Delaware)	100%	USD	10 000 000.00
Nestlé Ice Cream Company, Inc.	Wilmington (Delaware)	100%	USD	750 252 000.00
Nespresso USA, Inc.	New York	100%	USD	7 010 000.00
Nestlé Puerto Rico, Inc.	San Juan (Puerto Rico)	100%	USD	500 000.00
Alcon Laboratories, Inc.*	Fort Worth (Texas)	74.50%	USD	1 000.00
Falcon Pharmaceuticals, Ltd	Dallas (Texas)	74.50%	USD	0.00
Alcon (Puerto Rico), Inc.*	San Juan (Puerto Rico)	74.50%	USD	100.00
<b>Guatemala</b>				
Nestlé Guatemala S.A.	Mixco/Guatemala	100%	GTQ	23 460 000.00
<b>Honduras</b>				
Nestlé Hondureña S.A.	Tegucigalpa	100%	PAB	200 000.00
<b>Jamaica</b>				
Nestlé-JMP Jamaica Ltd	Kingston	100%	JMD	49 200 000.00
<b>Mexico</b>				
Nestlé México S.A. de C.V.	México	100%	MXN	1 055 377 020.00
Alcon Laboratorios S.A. de C.V.*	México	74.50%	MXN	5 915 300.00
Nescalín, S.A. de C.V.	México	100%	MXN	461 225 110.00
Ralston Purina Mexico S.A. de C.V.	México	100%	MXN	1 000.00
<b>Nicaragua</b>				
Productos Nestlé (Nicaragua) S.A.	Managua	100%	USD	150 000.00

Companies	City	% capital shareholdings	Currency	Capital
<b>Panama</b>				
Nestlé Panamá S.A.	Panamá City	100%	PAB	17 500 000.00
Nestlé Caribbean, Inc.	Panamá City	100%	PAB	100 000.00
<b>Paraguay</b>				
Nestlé Paraguay S.A.	Asunción	100%	PYG	100 000 000.00
<b>Peru</b>				
Nestlé Perú S.A.	Lima	93.10%	PEN	133 952 133.00
<b>Dominican Republic</b>				
Nestlé Dominicana S.A.	Santo Domingo	97%	DOP	48 500 000.00
<b>Trinidad and Tobago</b>				
Nestlé Trinidad and Tobago Ltd	Valsayn	100%	TTD	35 540 000.00
<b>Uruguay</b>				
Nestlé del Uruguay S.A.	Montevideo	100%	UYP	32 000.00
<b>Venezuela</b>				
Nestlé Venezuela S.A.	Caracas	100%	VEB	516 590 000.00
Alcon Pharmaceutical, C.A.*	Caracas	74.50%	VEB	2 366 000.00
<b>Asia</b>				
<b>Saudi Arabia</b>				
Saudi Food Industries Co. Ltd	Jeddah	51%	SAR	51 000 000.00
Al Manhal Water Factory Co. Ltd	Riyadh	60%	SAR	7 000 000.00
Springs Water Factory Co. Ltd	Dammam	75%	SAR	5 000 000.00
<b>Bangladesh</b>				
Nestlé Bangladesh Ltd	Dhaka	100%	BDT	1 100 000 000.00
<b>Cambodia</b>				
Nestlé Dairy (Cambodia) Ltd	Phnom Penh	80%	USD	5 000 000.00
<b>United Arab Emirates</b>				
Nestlé Middle East FZE	Dubai	100%	AED	3 000 000.00

Companies	City	% capital shareholdings	Currency	Capital
<b>India</b>				
• Nestlé India Ltd	New Delhi	58.70%	INR	964 157 160.00
Listed on the Mumbai and Delhi stock exchange, market capitalisation INR 50 bio, quotation code (ISIN) INE239A01016				
<b>Indonesia</b>				
P.T. Nestlé Indonesia	Jakarta	90.20%	IDR	60 000 000 000.00
<b>Israel</b>				
• OSEM Investments Ltd	Petach-Tikva	50.10%	ILS	96 644 000.00
Listed on the Tel-Aviv stock exchange, market capitalisation USD 466,614K, quotation code (ISIN) IL0003040149				
<b>Japan</b>				
Nestlé Japan Ltd	Kobe	100%	JPY	10 000 000.00
Nestlé Japan Holding Ltd	Ibaragi	100%	JPY	20 000 000 000.00
Nestlé International Foods K.K.	Kobe	100%	JPY	10 000 000.00
Nestlé Confectionery K.K.	Kobe	100%	JPY	10 000 000.00
Nestlé Purina PetCare Ltd	Kobe	100%	JPY	20 000 000.00
Nestlé Beverage K.K.	Kobe	100%	JPY	20 000 000.00
Nestlé Snow K.K.	Tokyo	50%	JPY	20 000 000.00
Nestlé Japan Administration Ltd	Kobe	100%	JPY	10 000 000.00
Alcon Japan Ltd*	Tokyo	74.50%	JPY	27 500 000.00
<b>Jordan</b>				
Nestlé Jordan Trading Co. Ltd	Amman	49%	JDD	410 000.00
<b>Kuwait</b>				
Nestlé Kuwait General Trading Co. W.L.L.	Safat/Kuwait	49%	KWD	300 000.00
<b>Lebanon</b>				
Société pour l'Exportation des				
Produits Nestlé S.A.	Beyrouth	100%	CHF	1 750 000.00
SOHAT Distribution S.A.L.	Hazmieh	100%	LBP	160 000 000.00

Companies	City	% capital shareholdings	Currency	Capital
<b>Malaysia</b>				
• Nestlé (Malaysia) Bhd.	Petaling Jaya	61.65%	MYR	234 500 000.00
Listed on the Kuala Lumpur stock exchange, market capitalisation MYR 4.7 bio, quotation code (ISIN) MYL470700005				
Nestlé Foods (Malaysia) Sdn. Bhd.	Petaling Jaya	61.65%	MYR	100 000 000.00
Nestlé Products Sdn. Bhd.	Petaling Jaya	61.65%	MYR	25 000 000.00
Nestlé Asean (Malaysia) Sdn. Bhd.	Petaling Jaya	57.70%	MYR	42 000 000.00
Nestlé Manufacturing (Malaysia) Sdn. Bhd.	Petaling Jaya	61.65%	MYR	32 500 000.00
<b>Pakistan</b>				
• Nestlé Milkpak Ltd	Lahore	59%	PKR	452 639 250.00
Listed on the Karachi and Lahore stock exchange, market capitalisation PKR 9 639 mio				
<b>Philippines</b>				
Nestlé Philippines, Inc.	Makati City	100%	PHP	2 300 927 200.00
Goya, Inc.	Metro Manila	99.80%	PHP	358 234 812.00
Nestlé Waters Philippines, Inc.	Makati City	100%	PHP	420 000 000.00
Alcon Laboratories (Philippines) Inc.*	Metro Manila	74.50%	PHP	16 526 000.00
<b>Republic of Korea</b>				
Nestlé Korea Ltd	Seoul	100%	KRW	37 033 060 000.00
Alcon Korea Ltd*	Seoul	74.50%	KRW	200 000 000.00
Ralston Purina Korea Inc.	Seoul	100%	KRW	1 169 000 000.00
<b>People's Republic of China</b>				
Nestlé (China) Ltd	Beijing	100%	CNY	250 000 000.00
Nestlé Shuangcheng Ltd	Shuangcheng	97%	CNY	435 000 000.00
Nestlé Dongguan Ltd	Dongguan	100%	CNY	472 000 000.00
Nestlé Tianjin Ltd	Tianjin	100%	CNY	785 000 000.00
Nestlé Qingdao Ltd	Qingdao	100%	CNY	240 000 000.00
Nestlé Shanghai Ltd	Shanghai	95%	CNY	200 000 000.00
Nestlé Dairy Farm Qingdao Ltd	Qingdao	100%	CNY	400 000 000.00
Nestlé Dairy Farm Guangzhou Ltd	Guangzhou	95%	CNY	268 000 000.00
Guangzhou Refrigerated Foods Ltd	Guangzhou	96%	CNY	122 000 000.00
Shanghai Fuller Foods Co. Ltd	Shanghai	100%	CNY	384 000 000.00
Shanghai Nestlé Product Services Ltd	Shanghai	97%	CNY	83 000 000.00
Shanghai Totole Flavouring Food Co. Ltd	Shanghai	80%	USD	7 800 000.00
Shanghai Jiale Flavouring Food Sales Co. Ltd	Shanghai	80%	CNY	10 000 000.00
Nestlé Sources Shanghai Ltd	Shanghai	100%	CNY	158 000 000.00
Nestlé Sources Tianjin Ltd	Jin Xian	94%	CNY	159 000 000.00
Nestlé Hong Kong Ltd	Hong Kong	100%	HKD	250 000 000.00

Companies	City	% capital shareholdings	Currency	Capital
Sichuan Haoji Food Co., Ltd	Chengdu	60%	CNY	80 000 000.00
Nestlé Distributors Ltd	Hong Kong	100%	HKD	600 000.00
Alcon (China) Ophthalmic Product Co., Ltd*	Beijing	74.50%	USD	1 357 455.00
Alcon Hong Kong Ltd*	Hong Kong	74.50%	HKD	77 000.00
<b>Singapore</b>				
Nestlé Singapore (Pte) Ltd	Singapore	100%	SGD	1 000 000.00
Alcon Pte. Ltd*	Singapore	74.50%	SGD	164 000.00
<b>Sri Lanka</b>				
• Nestlé Lanka Ltd	Colombo	90.20%	LKR	537 254 630.00
Listed on the Colombo stock exchange, market capitalisation LKR 2.95 mio, quotation code (ISIN) NEST				
<b>Syria</b>				
Nestlé Syria Ltd	Damas	100%	SYP	800 000 000.00
Société pour l'exportation des produits Nestlé S.A.	Damas	100%	CHF	1 750 000.00
<b>Taiwan</b>				
Nestlé Taiwan Ltd	Taipei	100%	TWD	800 000 000.00
Alcon Pharmaceuticals Ltd*	Taipei (Branch)	74.50%	CHF	100 000.00
<b>Thailand</b>				
Nestlé Products (Thailand), Inc.	Bangkok (Branch)	100%	PAB	1 000 000.00
Quality Coffee Products Ltd	Bangkok	49%	THB	400 000 000.00
Nestlé Foods (Thailand) Ltd	Bangkok	100%	THB	500 000 000.00
Nestlé Trading (Thailand) Ltd	Bangkok	49%	THB	750 000.00
Nestlé Manufacturing (Thailand) Ltd	Bangkok	100%	THB	50 000 000.00
Nestlé (Thai) Ltd	Bangkok	100%	THB	500 000 000.00
Nestlé Dairy (Thailand) Ltd	Bangkok	100%	THB	46 000 000.00
Perrier Vittel (Thailand) Ltd	Bangkok	100%	THB	235 000 000.00
Alcon Laboratories (Thailand) Ltd*	Bangkok	74.50%	THB	2 100 000.00
<b>Uzbekistan</b>				
Nestlé Uzbekistan LLC	Namangan	95%	UZB	22 875 189 000.00
<b>Vietnam</b>				
Nestlé Vietnam Ltd	Bien Hoa	100%	USD	38 598 000.00
La Vie Joint Venture Company	Long An	65%	USD	2 513 000.00

Companies	City	% capital shareholdings	Currency	Capital
<b>Oceania</b>				
<b>Australia</b>				
Nestlé Australia Ltd	Sydney	100%	AUD	274 000 000.00
Petersville Australia Ltd	Melbourne	100%	AUD	84 702 714.00
Nestlé Echuca Pty Ltd	Melbourne	100%	AUD	270 000.00
Alcon Laboratories (Australia) Pty Ltd*	Frenchs Forest	74.50%	AUD	2 550 000.00
Ralston Purina Australia Ltd	Sydney	100%	AUD	32 632 000.00
<b>Fiji</b>				
Nestlé (Fiji) Ltd	Ba	74%	FJD	3 000 000.00
<b>New Zealand</b>				
Nestlé New Zealand Ltd	Auckland	100%	NZD	2 668 000.00
<b>Papua-New Guinea</b>				
Nestlé (PNG) Ltd	Lae	100%	PGK	11 850 000.00
<b>French Polynesia</b>				
Nestlé Polynesia S.A.	Papeete	100%	XPF	5 000 000.00

**2. Affiliated companies for which the method of proportionate consolidation is used (see "Scope of consolidation").**

<b>Europe</b>				
<b>Germany</b>				
C.P.D. Cereal Partners				
Deutschland GmbH & Co. OHG	Frankfurt am Main	50%	EUR	511 291.88
Galderma Laboratorium GmbH*	Freiburg/Breisgau	50%	EUR	800 000.00
<b>Spain</b>				
Cereal Partners España AEIE				
	Esplugas de Llobregat (Barcelona)	50%	EUR	120 202.42
Laboratorios Galderma S.A.*	Madrid	50%	EUR	432 480.00
<b>France</b>				
Cereal Partners France SNC				
Laboratoires Galderma S.A.*	Noisiel	50%	EUR	3 000 000.00
	La Défense	50%	EUR	753 000.00

Companies	City	% capital shareholdings	Currency	Capital
<b>Italy</b>				
Galderma Italia S.p.A.*	Milano	50%	EUR	112 000.00
<b>Poland</b>				
Cereal Partners Poland Torun-Pacific Sp. z o.o.	Torun	50%	PLN	12 316 960.00
<b>Portugal</b>				
Cereal Associados Portugal AEIE	Oeiras	50%	EUR	99 759.58
<b>Sweden</b>				
Galderma Nordic AB*	Bromma	50%	SEK	52 400 000.00
<b>United Kingdom</b>				
Cereal Partners UK	Herts	50%	GBP	0.00
Galderma (U.K.) Ltd*	Amersham	50%	GBP	1 500 000.00
<b>Switzerland</b>				
Beverage Partners Worldwide Europe S.A.	Urdorf	50%	CHF	2 000 000.00
Belté Schweiz AG	Urdorf	50%	CHF	3 100 000.00
<b>Americas</b>				
<b>Brazil</b>				
Galderma Brasil Ltda*	São Paulo	50%	BRL	19 741 552.00
CPW Brasil Ltda	Cacapava/São Paulo	50%	BRL	37 885 520.00
<b>Canada</b>				
Galderma Canada Inc.*	Markham	50%	CAD	100.00
<b>Chile</b>				
Cereales CPW Chile Ltda	Santiago de Chile	50%	CLP	3 026 156 000.00
<b>United States</b>				
Beverage Partners Worldwide (North America)	Wilmington (Delaware)	50%	USD	0.00
Galderma Laboratories, Inc.*	Fort Worth (Texas)	50%	USD	981.00
<b>Mexico</b>				
CPW México S. de R.L. de C.V.	México	50%	MXN	220 050 000.00
Galderma México S.A. de C.V.*	México	50%	MXN	2 385 000.00

Companies	City	% capital shareholdings	Currency	Capital
<b>Asia</b>				
<b>People's Republic of China</b>				
Beverage Partners Worldwide (Pacific) Ltd	Hong Kong	50%	HKD	1 000 000.00
<b>Republic of Korea</b>				
Beverage Partners Worldwide Korea	Seoul	50%	KRW	50 000 000.00
Galderma Korea Ltd	Seoul	50%	KRW	375 000 000.00
<b>Thailand</b>				
Beverage Partners Asia Ltd	Bangkok	33.70%	THB	20 000 000.00
<b>Oceania</b>				
<b>Australia</b>				
Galderma Australia Pty Ltd	Frenchs Forest	50%	AUD	2 700 100.00
<b>Principal associated companies which operate in the food and water sectors, with the exception of those marked with an asterisk (*) which are engaged in the cosmetics and dermatology sectors. For which the equity method is used – see “Scope of consolidation”.</b>				
<b>Europe</b>				
<b>Germany</b>				
Alois Dallmayr Kaffee OHG	München	50%	EUR	5 112 918.81
<b>France</b>				
• L'Oréal S.A.*	Paris	26.30%	EUR	135 212 432.00
Listed on the Paris stock exchange, market capitalisation EUR 49 bio, quotation code (ISIN) FR0000120321				
<b>Americas</b>				
<b>United States</b>				
Floridian Groves, Inc.	Tampa (Florida)	40%	USD	5 000 000.00
• Dreyer's Grand Ice Cream, Inc.	Wilmington (Delaware)	23%	USD	34 911 000.00
Listed on the New York stock exchange, market capitalisation USD 2477 mio, quotation code (ISIN) US2618781023				
<b>Asia</b>				
<b>Malaysia</b>				
Premier Milk (Malaysia) Sdn. Bhd.	Kuala Lumpur	25%	MYR	24 000 000.00



Companies	City	% capital shareholdings	Currency	Capital
<b>Sub-holding, financial and property companies</b>				
<b>Germany</b>				
Nestlé Unternehmungen Deutschland GmbH	Frankfurt am Main	100%	EUR	1 000 000.00
<b>Bahamas</b>				
Nestlé's Holdings Ltd	Nassau	100%	BSD	10 003 000.00
Food Products (Holdings) Ltd	Nassau	100%	BSD	28 600.00
<b>Belgium</b>				
Centre de Coordination Nestlé S.A.	Bruxelles	100%	EUR	5 079 332 200.00
N.V. Alcon Cordination Center*	Puurs	74.50%	EUR	415 000 000.00
<b>Canada</b>				
Nestlé Capital Canada Ltd	North York (Ontario)	100%	CAD	1 010.00
<b>Denmark</b>				
Nestlé Danmark Holding A/S	Copenhagen	100%	DKK	203 015 000.00
<b>United States</b>				
Nestlé Holdings, Inc.	Norwalk (Connecticut)	100%	USD	100 000.00
Nestlé Capital Corporation	Norwalk (Connecticut)	100%	USD	1 000 000.00
Nestlé Waters North America Holdings, Inc.	Greenwich (Connecticut)	100%	USD	10 700 000.00
Alcon Capital Corporation*	Wilmington (Delaware)	74.50%	USD	1 000.00
Alcon Holdings, Inc.*	Wilmington (Delaware)	74.50%	CHF	24 020.00
<b>France</b>				
Nestlé Entreprises SAS	Noisiel	100%	EUR	739 559 392.00
Nestlé Finance-France S.A.	Noisiel	100%	EUR	547 050.00
Nestlé Waters SAS	Paris	100%	EUR	154 893 080.00
Société Immobilière de Noisiel	Noisiel	100%	EUR	22 753 550.00
Société Financière Meunier	Noisiel	99.98%	EUR	53 964 945.00
<b>Italie</b>				
Nestlé Finanziara Italia SpA	Milano	100%	EUR	5 000 000.00
Finanziara Italgel SpA	Milano	99.90%	EUR	45 385 950.00
<b>Panama</b>				
Unilac, Inc.	Panamá City	100%	CHF	1 200 000.00

Companies	City	% capital shareholdings	Currency	Capital
<b>Portugal</b>				
Nestlé Portugal SGPS, Ltda	Linda-a-Velha	100%	EUR	4 987 980.00
<b>United Kingdom</b>				
Nestlé Holdings (U.K.) PLC	Croydon	100%	GBP	57 940 000.00
Nestlé Purina Holdings (U.K.) Ltd	Croydon	100%	GBP	100.00
Nestlé Purina Investment Ltd	Croydon	100%	GBP	1.00
<b>Switzerland</b>				
Entreprises Maggi S.A.	Kemptthal	100%	CHF	60 000.00
Nestlé Finance S.A.	Cham	100%	CHF	30 000 000.00
Rive-Reine S.A.	La Tour-de-Peilz	100%	CHF	2 000 000.00
S.I. En Bergère Vevey S.A.	Vevey	100%	CHF	19 500 000.00
• Alcon Inc.*	Hünenberg	74.50%	CHF	61 832 339.80
Listed on the New York stock exchange, market capitalisation USD 12 191 mio, quotation code (ISIN) CH0013826497				
Galderma Pharma S.A.*	Lausanne	50%	CHF	48 900 000.00
Life Ventures Nestlé S.A.	La Tour-de-Peilz	100%	CHF	30 000 000.00
NTC-Europe S.A.	Vevey	100%	CHF	100 000.00
Beverage Partners Worldwide S.A	Urdorf	50%	CHF	14 000 000.00

## Technical assistance, research and development companies

### Technical assistance

#### Switzerland

Nestec S.A.	Vevey
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Technical, scientific, commercial and business assistance company whose units, specialised in all areas of the business, supply permanent know-how and assistance to operating companies in the Group within the framework of licence and equivalent contracts. It is also responsible for all scientific research and technological development, which it undertakes itself or has done on its behalf by its subsidiary companies. The companies and units involved are:

### Research centres

#### France

Nestlé Research Centre Plant Science	Tours
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#### Switzerland

Nestlé Research Center	Lausanne
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**Product Technology Centres and Research & Development centres****Germany**

Nestlé R&D Center Lebensmittelforschung GmbH	Weiding
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**Ivory Coast**

Centre R&D Nestlé	Abidjan
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**People's Republic of China**

Nestlé R&D Center Shanghai Ltd	Shanghai
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**United States**

Nestlé Product Technology Center	New Milford (Connecticut)
Nestlé R&D Center, Inc.	Marysville (Ohio)
Nestlé R&D Center, Inc.	Solon (Ohio)
Nestlé Purina Product Technology Center	St. Joseph (Missouri)
Alcon Research Ltd*	Forth Worth (Texas)
Galderma R&D Inc.*	City of Dover (New Jersey)

**France**

Nestlé Product Technology Centre	Beauvais
Nestlé Product Technology Centre	Lisieux
Nestlé Purina PetCare R&D Centre Amiens	Aubigny
Galderma R&D S.n.c.*	Sophia Antipolis
Nestlé Waters MT	Paris

**United Kingdom**

Nestlé Product Technology Centre	York
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**Israël**

Nestlé R&D Centre Sderot, Ltd	Sderot
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**Singapore**

Nestlé R&D Center (Pte) Ltd	Singapore
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**Switzerland**

Nestlé Product Technology Centre	Kemptthal
Nestlé Product Technology Centre	Konolfingen
Nestlé Product Technology Centre	Orbe



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## Income statement for the year 2002

In millions of CHF	Notes	2002	2001
<b>Income</b>			
Income from Group companies	1	6 201	3 815
Interest income	2	233	765
Profit on disposal of fixed assets	3	3 982	837
Other income		25	21
<b>Total income</b>		<b>10 441</b>	5 438
<b>Expenses</b>			
Investment write downs	4	2 293	791
Administration and other expenses	5	163	157
Interest expense	6	626	44
Provision	7	3 796	—
<b>Total expenses before taxes</b>		<b>6 878</b>	992
<b>Profit before taxes</b>		<b>3 563</b>	4 446
Taxes	8	235	298
<b>Profit for the year</b>	20	<b>3 328</b>	4 148

## Balance sheet as at 31st December 2002

before appropriations

In millions of CHF	Notes	2002	2001
<b>Assets</b>			
<b>Current assets</b>			
Liquid assets	9	5 345	5 519
Receivables	10	938	489
Prepayments and accrued income		176	45
<b>Total current assets</b>		<b>6 459</b>	6 053
<b>Fixed assets</b>			
Financial assets	11	20 202	18 520
Intangible assets	14	1 030	—
Tangible fixed assets	15	—	—
<b>Total fixed assets</b>		<b>21 232</b>	18 520
<b>Total assets</b>		<b>27 691</b>	24 573
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Short term payables	16	67	654
Accruals and deferred income		106	177
Long term payables	17	234	255
Provisions	18	3 742	789
<b>Total liabilities</b>		<b>4 149</b>	1 875
<b>Equity</b>			
Share capital	19/20	404	404
Legal reserves	20	6 392	6 392
Special reserve	20	13 417	11 752
Retained earnings	20	3 329	4 150
<b>Total equity</b>		<b>23 542</b>	22 698
<b>Total liabilities and equity</b>		<b>27 691</b>	24 573

## Annex to the annual accounts of Nestlé S.A.

### Accounting policies

#### General

Nestlé S.A. (the Company) is the ultimate holding company of the Nestlé Group which comprises subsidiaries, associated companies and joint ventures throughout the world. The accounts are prepared in accordance with accounting principles required by Swiss law. They are prepared under the historical cost convention and on the accruals basis.

#### Foreign currency translation

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward contract. Assets and liabilities in foreign currencies are translated at year end rates. Any resulting exchange differences are included in the respective income statement captions depending upon the nature of the underlying transactions. The aggregate unrealised exchange difference is calculated by reference to original transaction date exchange rates and includes hedging transactions. Where this gives rise to a net loss, it is charged to the income statement whilst a net gain is deferred.

#### Hedging

The Company uses forward foreign exchange contracts, options, financial futures and currency swaps to hedge foreign currency flows and positions. Unrealised foreign exchange differences on hedging instruments are matched and accounted for with those on the underlying asset or liability. Long term loans, in foreign currencies, used to finance investments in participations are generally not hedged.

The Company also uses interest rate swaps to manage interest rate risk. The swaps are accounted for at fair value at each balance sheet date and changes in the market value are recorded in the income statement.

#### Income statement

Income due at the balance sheet date, but not currently transferable is recognised only upon receipt. Dividends paid out of pre-acquisition profits are not included under income

from Group companies; instead they are credited against the carrying value of the participation.

In accordance with Swiss law and the Company's articles of association, dividends are treated as an appropriation of profit in the year in which they are ratified at the Annual General Meeting and subsequently paid, rather than as an appropriation of profit in the year to which they relate.

#### Taxes

This caption includes taxes on profit, capital and withholding taxes on transfers from Group companies.

#### Financial assets

The carrying value of participations and loans comprises the cost of investment, excluding the incidental costs of acquisition, less any write downs.

Participations located in countries where the political, economic or monetary situation might be considered to carry a greater than normal level of risk are carried at a nominal value of one franc.

Participations and loans are written down on a conservative basis, taking into account the profitability of the company concerned.

Marketable securities are valued at the lower of cost and market value.

Own shares held to cover option rights in favour of members of the Group's Management are carried at exercise price if lower than cost. Own shares held for trading purposes are carried at cost as are own shares earmarked to cover warrants attached to a bond issue of an affiliated company.

#### Intangible assets

Trademarks and other industrial property rights are written off on acquisition or exceptionally over a longer period. In the consolidated accounts of the Group this item has a different treatment.

#### Tangible fixed assets

The Company owns land and buildings which have been depreciated in the past to one franc. Office furniture and equipment is fully depreciated on acquisition.



### **Provisions**

Provisions recognise contingencies which may arise and which have been prudently provided. A provision for uninsured risks is constituted to cover general risks not insured with third parties, such as consequential loss. Provision for Swiss taxes is made on the basis of the Company's taxable capital, reserves and profit for the year. A general provision is maintained to cover possible foreign taxes liabilities.

### **Employee benefits**

Employees are eligible for retirement benefits under a defined benefit plan provided through separate funds.

### **Prepayments and accrued income**

Prepayments and accrued income comprise payments made in advance relating to the following year, and income relating to the current year which will not be received until after the balance sheet date (such as interest receivable on loans or deposits). Revaluation gains on open forward exchange contracts at year end rates, as well as the result of the valuation of interest rate swaps, are also included in this caption.

### **Accruals and deferred income**

Accruals and deferred income comprise expenses relating to the current year which will not be paid until after the balance sheet date and income received in advance, relating to the following year. Revaluation losses on open forward exchange contracts at year end rates, as well as the result of the valuation of interest rate swaps, are also included in this caption.



## Notes to the annual accounts

### 1. Income from Group companies

This represents dividends of the current and prior years and other net income from Group companies.

### 2. Interest income

In millions of CHF	2002	2001
Net result on loans to Group companies	—	634
Other	233	131
	<b>233</b>	765

Substantial unrealised exchange losses on long term loans to Group companies were recorded as a result of the strengthening of the Swiss Franc against most foreign currencies. The interest income arising on these loans partially compensated these exchange losses. The net charge is included under “Interest expense” in note 6.

### 3. Profit on disposal of fixed assets

This primarily comprises the gains realised on the sale of 25% of Alcon Inc, the disposal of FIS S.A., as well as the sale of trademarks and other industrial property rights previously written down.

### 4. Investment write downs

In millions of CHF	2002	2001
Participations and loans	594	389
Trademarks and other industrial property rights	1 699	402
	<b>2 293</b>	791

The write down of participations and loans in 2002 derives from a conservative policy of valuation, based on the political, economic and monetary situation of the countries where the participations are located, as well as the profitability of the companies concerned. The write down of trademarks and other industrial property rights in 2002 includes a tranche of CHF 1500 million in respect of Ralston Purina and Chef America.

**5. Administration and other expenses**

In millions of CHF	2002	2001
Salaries and welfare expenses	57	53
Other expenses	106	104
	<b>163</b>	157

**6. Interest expense**

In millions of CHF	2002	2001
Net result on loans to Group companies (see note 2)	545	—
Interest on long term debenture	11	15
Other interest	70	29
	<b>626</b>	44

**7. Provision**

According to Swiss fiscal law, the gains on the sale of 25% of Alcon Inc and on the disposal of FIS S.A. have been deferred by a fiscal rollover (“remploi”) provision.

The provision relating to FIS S.A. has been fully utilised in 2002 by the partial write down of Givaudan shares received as partial consideration for the sale of FIS S.A.

The provision relating to Alcon Inc can be used to write down the cost of any future investments in the books of Nestlé S.A. As at 31 December 2002 CHF 278 million of this provision has been used.

**8. Taxes**

This includes withholding taxes on income from foreign sources, as well as Swiss taxes for which adequate provisions have been established.

**9. Liquid assets**

In millions of CHF	2002	2001
Cash and cash equivalents	1 982	3 350
Short term investments	61	155
Marketable securities	3 302	2 014
	<b>5 345</b>	5 519

**10. Receivables**

In millions of CHF	2002	2001
Amounts owed by Group companies (current accounts)	432	396
Other receivables (including withholding tax)	506	93
	<b>938</b>	489

The amount owed to the Company in respect of Swiss withholding tax was received after the year-end.

**11. Financial assets**

In millions of CHF	2002	2001
Participations in Group companies (see note 12)	10 616	10 848
Loans to Group companies (see note 13)	8 288	6 343
Own shares	987	1 014
Other investments	311	315
	<b>20 202</b>	18 520

Own shares of the Company are:

- held in order to allow the exercise of option rights by members of the Group's Management (748 315 options were outstanding at the close of 2002, all of which may be exercised in the year 2003);
- earmarked to cover warrants attached to a bond issue of an affiliated company (1 294 190 shares);
- acquired for trading purposes (1 303 746 shares).

**12. Participations in Group companies**

In millions of CHF	2002	2001
At 1st January	10 848	10 900
Increase	105	325
Write downs	(337)	(377)
At 31st December	10 616	10 848

The net increase in participations represents in particular:

- additional funding, through capital increases, of a number of Group companies mainly in Egypt and Uzbekistan;
- the purchase, on the stock exchange or from third parties, of shares of some of our affiliated companies, to increase the participations already held, mainly in India and Malaysia;
- acquisition of participations in various companies, mainly in the People's Republic of China;
- the purchase from affiliated companies of certain existing participations;
- the sale of 25% of Alcon Inc and the disposal of FIS S.A., together with capital decreases of a number of Group companies.

The carrying value of participations continues to represent a conservative valuation having regard to both the income received by the Company and the net assets of the Group companies concerned.

A list of the most important companies held, either directly by Nestlé S.A. or indirectly through other Group companies, with the percentage of the capital controlled, is given in the section "Consolidated accounts of the Nestlé Group".

A Canadian affiliate has been granted options to purchase shares in certain Group companies situated outside Continental Europe.

**13. Loans to Group companies**

In millions of CHF	2002	2001
At 1st January	6 343	7 114
New loans	6 660	1 799
Repayments and write downs	(3 438)	(2 575)
Realised exchange differences	(83)	57
Unrealised exchange differences	(1 194)	(52)
At 31st December	8 288	6 343

Loans granted to Group companies are usually long term to finance investments in participations.

**14. Intangible assets**

This represents the balance of the capitalised value of the trademarks and other industrial property rights of Ralston Purina and Chef America, of which a tranche of CHF 1500 million was written down in 2002 (see note 4, Investment write downs). In line with our policy, this amount will be written down in due course.

**15. Tangible fixed assets**

These are principally the land and buildings at Cham and at La Tour-de-Peilz. Nestlé Suisse S.A., the principal operating company in the Swiss market, is the tenant of the building at La Tour-de-Peilz. The "En Bergère" head office building in Vevey is held by a property company, which is wholly owned by Nestlé S.A.

The fire insurance value of buildings, furniture and office equipment amounted to CHF 22 million at 31st December 2002 and 2001.

**16. Short term payables**

In millions of CHF	<b>2002</b>	2001
Amounts owed to Group companies	<b>44</b>	559
Other payables	<b>23</b>	95
	<b>67</b>	654

**17. Long term payables**

Amounts owed to Group companies represent a long-term bond issued in 1989. The carrying value decreased by CHF 21 million to CHF 234 million as a result of an unrealised exchange difference arising in 2002.

**18. Provisions**

In millions of CHF						2002	2001
	Fiscal rollover "remploi"	Uninsured risks	Exchange risks	Swiss & foreign taxes	Other	Total	Total
At 1st January	—	475	53	229	32	<b>789</b>	873
Provisions made in the period	3 796			46	20	<b>3 862</b>	147
Amounts used	(700)		(53)	(131)	(21)	<b>(905)</b>	(210)
Unused amounts reversed				(4)		<b>(4)</b>	(21)
At 31st December	3 096	475	—	140	31	<b>3 742</b>	789

The provision for fiscal rollover ("remploi") has been partially utilised during the year against the Givaudan shares received as partial consideration on the disposal of FIS S.A., as well as for the write down of participations acquired in 2002 (see note 7).

**19. Share capital**

	2002	2001
Number of registered shares of nominal value CHF 1 each	<b>403 520 000</b>	403 520 000
In millions of CHF	<b>404</b>	404

According to article 6 of the Company's articles of association, no natural person or legal entity can be registered as a shareholder with voting rights for shares held directly or indirectly for more than 3% of the share capital. In addition, article 14 provides that, on exercising the voting rights, no shareholder, through shares owned or represented, may aggregate, directly or indirectly, more than 3% of the total share capital.

At 31st December 2002, the Share Register showed 187 935 registered shareholders. If unprocessed applications for registration and the indirect holders of shares under American depository receipts are also taken into account, the total number of shareholders probably exceeds 250 000. The Company was not aware of any shareholder holding, directly or indirectly, 3% or more of the share capital.

**Conditional increase in share capital**

According to the articles of association, the share capital can be increased, by the exercise of conversion or option rights, by a maximum of CHF 10 000 000 through the issue of a maximum of 10 000 000 registered shares with a nominal value of CHF 1 each, fully paid-up. Thus the Board of Directors has at its disposal a flexible instrument enabling it, if necessary, to finance the activities of the Company through convertible or option loans.



**20. Changes in equity**

In millions of CHF

	Share capital	General reserve <sup>(a)</sup>	Reserve for own shares <sup>(a)(b)</sup>	Special reserve	Retained earnings	Total
At 1st January 2002	404	3 804	2 588	11 752	4 150	<b>22 698</b>
Appropriation of profit to special reserve				1 620	(1 620)	
Profit for the year					3 328	<b>3 328</b>
Dividend for 2001					(2 484)	<b>(2 484)</b>
Movement of own shares		(242)	242			
Dividend on own shares held on the payment date of 2001 dividend				20	(20)	
Dividend on own shares in respect of which the corresponding option rights were not exercised by the payment date of 2001 dividend				25	(25)	
At 31st December 2002	404	3 562	2 830	13 417	3 329	<b>23 542</b>

<sup>(a)</sup> The general reserve and the reserve for own shares constitute the legal reserves.

<sup>(b)</sup> See note 21

## **21. Reserve for own shares**

At 31st December 2001, the reserve for own shares amounting to CHF 2 588 million, represented the cost of 7 852 620 freely available shares acquired by a Group company (of which, 1 338 806 shares were reserved to cover options rights granted in 2001 in favour of members of the Group's Management), as well as 852 660 shares reserved to cover option rights granted up to the year 2000, 3 527 680 shares earmarked to cover warrants attached to bond issues of an affiliated company and 3 631 494 shares held for trading purposes. During the year, a total of 1 837 972 shares have been acquired at a cost of CHF 606 million and 1 103 167 shares have been sold for a total amount of CHF 391 million (including 91 535 that represented shares for which options were exercised during the year).

At 31st December 2002, the shareholding of a Group company was unchanged (7 852 620 shares at an acquisition cost of CHF 31.7 million). The Board of Directors has decided that these shares will be earmarked for Nestlé Group companies' remuneration plans in Nestlé S.A. shares and options thereon (including the Management Stock Option Plan 2001 onwards, the Share Plan of the Board of Directors and the Short Term Bonus-Share Plan of the Executive Board). A total of 2 796 932 options granted in 2001 and 2002 was outstanding at 31st December 2002. As long as these shares are held by the Group company, they will be recorded in the Share Register as being without voting rights and will not rank for dividends. In addition to these, 4 470 644 shares were held for trading purposes, 748 315 shares were reserved to cover option rights granted before 2001 and 3 527 680 shares were earmarked to cover warrants attached to bond issues of an affiliated company. As long as the options and warrants are not exercised, or the shares sold, these shares are also recorded in the Share Register as being without voting rights and do not rank for dividends. The total of 16 599 259 own shares held at 31st December 2002 represents 4.1% of Nestlé S.A.'s share capital.

## **22. Contingencies**

At 31st December 2002 and 2001, the total of the guarantees for credit facilities granted to Group companies and the Global Commercial Paper Programs, together with the buy-back agreements relating to notes issued, amounted to CHF 16 862 million and CHF 6 444 million, respectively.

## Proposed appropriation of profit

In CHF	2002	2001
<b>Retained earnings</b>		
Balance brought forward	1 184 101	2 358 697
Profit for the year	3 328 174 639	4 148 374 076
	<b>3 329 358 740</b>	4 150 732 773
<b>We propose the following appropriations:</b>		
Allocation to the special reserve	559 000 000	1 620 000 000
Dividend for 2002, CHF 7.– per share		
on 386 920 741 shares (2001: CHF 6.40		
on 387 655 546 shares)	2 708 445 187	2 480 995 494
Dividend for 2002, CHF 7.– per share on		
748 315 shares reserved for the option		
rights which may be exercised in the		
year 2003, on 3 527 680 shares to cover		
warrants attached to bond issues and on		
4 470 644 shares held for trading purposes <sup>(a)</sup>		
(2001: CHF 6.40 on 7 586 434 shares)	61 226 473	48 553 178 <sup>(b)</sup>
	<b>3 328 671 660</b>	4 149 548 672
<b>Balance to be carried forward</b>	<b>687 080</b>	1 184 101

<sup>(a)</sup> The dividends on those shares for which the option rights will not have been exercised by the date of the dividend payment will be transferred to the special reserve. Dividends on shares held for trading purposes and to cover warrants issued, and which are still held at the date of the dividend payment will also be transferred to the special reserve.

<sup>(b)</sup> Of the total of CHF 48 553 178, CHF 3 485 114 were actually paid as dividends, whilst the balance of CHF 45 068 064 has been transferred to the special reserve.

If you accept this proposal, the gross dividend will amount to CHF 7.– per share. After deduction of the federal withholding tax of 35%, a net amount of CHF 4.55 per share will be payable as from Wednesday, 9th April 2003, by bank transfer to the shareholder's account or by cheque, in accordance with instructions received from the shareholder.

*Cham and Vevey, 26th February 2003*  
The Board of Directors

## Report of the statutory auditors

to the General Meeting of Nestlé S.A.


As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and annex) of Nestlé S.A. for the year ended 31st December 2002.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, financial statements and the proposed appropriation of retained earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

 Klynveld Peat Marwick Goerdeler SA



S.R. Cormack  
Chartered accountant  
Auditor in charge



B.A. Mathers  
Chartered accountant

London and Zurich, 26th February 2003

# Agenda for the 136th Ordinary General Meeting of Nestlé S.A.

Thursday 3rd April 2003  
at 3.00 p.m. at the "Palais de Beaulieu", Lausanne

- 1 Annual report; accounts of Nestlé S.A. and of the Nestlé Group;  
report of the auditors
- 1a 2002 annual report and accounts of Nestlé S.A.;  
report of the auditors
- 1b 2002 consolidated accounts of the Nestlé Group;  
report of the Nestlé Group auditors
- 2 Release of the Board of Directors  
and of the Management
- 3 Decision on the appropriation of profits resulting  
from the balance sheet of Nestlé S.A.
- 4 Elections to the Board of Directors  
Peter Böckli (term of office for 5 years)  
Andreas Koopmann (term of office for 5 years)

Next Ordinary General Meeting:  
Thursday 22nd April 2004  
at the "Palais de Beaulieu", Lausanne

## **Elections to the Board of Directors**

At the General Meeting of 3rd April 2003, the terms as directors of Messrs Stephan Schmidheiny and Peter Böckli will expire. Mr. S. Schmidheiny has expressed the wish to leave the Board.

Mr. P. Böckli is eligible for re-election and is standing for a new five-year term.

Furthermore, the Board of Directors is recommending that the General Meeting elect as a new director, also for a five-year term, Mr. Andreas Koopmann, Member of the Board of Directors and Chief Executive Officer of Bobst Group S.A., Lausanne, Switzerland.

## Important dates

3rd April 2003	136th Ordinary General Meeting, "Palais de Beaulieu", Lausanne
9th April 2003	Payment of the dividend
23rd April 2003	Announcement of first quarter 2003 sales figures
20th August 2003	Publication of the half-yearly report January/June 2003
23th October 2003	Announcement of first nine months 2003 sales figures; Autumn press conference

## Shareholder information

### Stock exchange listings

As of 31st December 2002, the registered shares of Nestlé S.A. were listed on the following stock exchanges: SWX Swiss Exchange, Frankfurt, London and Paris. American Depositary Receipts (ADRs) representing Nestlé S.A. shares are offered in the USA by JPMorgan Chase Bank.

### Registered Offices

Nestlé S.A., avenue Nestlé 55, CH-1800 Vevey (Switzerland), tel. +41 (0)21 924 21 11.

Nestlé S.A. (Share Transfer Office), Zugerstrasse 8, CH-6330 Cham (Switzerland), tel. +41 041 785 20 20.

### Further information

For any additional information or ordering additional copies of this document, please contact Nestlé S.A., Investor Relations, avenue Nestlé 55, CH-1800 Vevey (Switzerland), tel. +41 (0)21 924 27 42, fax +41 (0)21 924 28 13;

E-mail: [investor.relations@nestle.com](mailto:investor.relations@nestle.com)  
or visit the investor relations web site [www.ir.nestle.com](http://www.ir.nestle.com)

The Nestlé Management Report, the Financial statements and the Corporate Governance Report are available online as a PDF file at <http://www.ir.nestle.com> in English, French and German. The Financial statements are also available in HTML.

As to information concerning the share register (registrations, transfers, address changes, dividends, etc.), please contact Nestlé S.A., Share Transfer Office, Zugerstrasse 8, CH-6330 Cham (Switzerland), tel. +41 (0)41 785 20 20, fax +41 (0)41 785 20 24.

The Company offers the possibility of depositing free of charge Nestlé S.A. shares traded on the SWX Swiss Exchange at its Share Transfer Office in Cham.

Nestlé URL: <http://www.nestle.com>

