2008 Financial Statements

Nestlé

Good Food, Good Life

Consolidated Financial Statements of the Nestlé Group

Financial Statements of Nestlé S.A.

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142nd Financial Statements of Nestlé S.A.

Principal exchange rates

CHF per		2008	2007	2008	2007
			Year ending rates		Weighted average annual rates
1 US Dollar	USD	1.056	1.126	1.084	1.196
1 Euro	EUR	1.488	1.657	1.586	1.644
1 Pound Sterling	GBP	1.527	2.248	1.992	2.395
100 Brazilian Reais	BRL	45.293	63.200	59.516	61.810
100 Japanese Yen	JPY	1.169	1.005	1.068	1.019
100 Mexican Pesos	MXN	7.672	10.320	9.752	10.960
1 Canadian Dollar	CAD	0.868	1.151	1.015	1.128
1 Australian Dollar	AUD	0.731	0.991	0.920	1.006
100 Philippine Pesos	PHP	2.224	2.730	2.438	2.606

Consolidated income statement
for the year ended 31 December 2008

In millions of CHF	Notes		2008		2007
Sales	3		**109 908**		**107 552**
Cost of goods sold			(47 339)		(45 037)
Distribution expenses			(9 084)		(9 104)
Marketing and administration expenses			(35 832)		(36 512)
Research and development costs			(1 977)		(1 875)
EBIT Earnings Before Interest, Taxes, restructuring and impairments	3		**15 676**		**15 024**
Net other income/(expenses)	4				
Other income		9 426		695	
Other expenses		(2 124)		(1 285)	
			7 302		(590)
Profit before interest and taxes			**22 978**		**14 434**
Net financing cost	5				
Financial income		102		576	
Financial expense		(1 247)		(1 492)	
			(1 145)		(916)
Profit before taxes and associates			**21 833**		**13 518**
Taxes	7		(3 787)		(3 416)
Share of results of associates	8		1 005		1 280
Profit for the period			**19 051**		**11 382**
of which attributable to minority interests			1 012		733
of which attributable to shareholders of the parent (Net profit)			18 039		10 649

As percentages of sales		
EBIT Earnings Before Interest, Taxes, restructuring and impairments	14.3%	14.0%
Profit for the period attributable to shareholders of the parent (Net profit)	16.4%	9.9%

Earnings per share (in CHF)			
Basic earnings per share [a]	9	4.87	2.78
Fully diluted earnings per share [a]	9	4.84	2.76

[a] 2007 comparatives have been restated following 1-for-10 share split effective on 30 June 2008.

Consolidated balance sheet as at 31 December 2008

before appropriations

In millions of CHF	Notes	2008	2007
Assets			
Current assets			
Cash and cash equivalents	19	5 835	6 594
Short-term investments	19	1 296	2 902
Trade and other receivables	10/19	13 442	14 890
Current income tax receivables		889	531
Assets held for sale		8	22
Inventories	12	9 342	9 272
Derivative assets	11/19	1 609	754
Prepayments and accrued income		627	805
Total current assets		**33 048**	**35 770**
Non-current assets			
Property, plant and equipment	13	21 097	22 065
Investments in associates	8	7 796	8 936
Deferred tax assets	7	2 842	2 224
Financial assets	19	3 868	4 213
Employee benefits assets [a]	16	60	1 513
Goodwill	14	30 637	33 423
Intangible assets	15	6 867	7 217
Total non-current assets		**73 167**	**79 591**
Total assets		**106 215**	**115 361**

[a] 2007 comparatives have been restated following first application of IFRIC 14 (refer to Note 32).

In millions of CHF	Notes	2008	2007

Liabilities and equity

Current liabilities			
Trade and other payables	19	12 608	14 179
Liabilities directly associated with assets held for sale		–	7
Financial liabilities	19	15 383	24 541
Current income tax payables		824	856
Derivative liabilities	11/19	1 477	477
Accruals and deferred income		2 931	3 266
Total current liabilities		**33 223**	**43 326**

Non-current liabilities			
Financial liabilities	19	6 344	6 129
Employee benefits liabilities	16	5 464	5 165
Deferred tax liabilities [a]	7	1 341	1 558
Other payables		1 264	1 091
Provisions	18	3 663	3 316
Total non-current liabilities		**18 076**	**17 259**

Total liabilities		**51 299**	**60 585**

Equity	21		
Share capital		383	393
Treasury shares		(9 652)	(8 013)
Translation reserve		(11 103)	(6 302)
Retained earnings and other reserves		71 146	66 549
Total equity attributable to shareholders of the parent [a]		**50 774**	**52 627**
Minority interests		4 142	2 149
Total equity		**54 916**	**54 776**

Total liabilities and equity		**106 215**	**115 361**

[a] 2007 comparatives have been restated following first application of IFRIC 14 (refer to Note 32).

Consolidated cash flow statement for the year ended 31 December 2008

In millions of CHF	Notes	2008	2007
Operating activities (a)			
Profit for the period		19 051	11 382
Non-cash items of income and expense	22	(6 157)	2 097
Decrease/(increase) in working capital	22	(1 787)	82
Variation of other operating assets and liabilities	22	(344)	(122)
Operating cash flow		**10 763**	**13 439**
Investing activities			
Capital expenditure	13	(4 869)	(4 971)
Expenditure on intangible assets	15	(585)	(619)
Sale of property, plant and equipment	13	122	323
Acquisition of businesses	23	(937)	(11 232)
Disposal of businesses	24	10 999	456
Cash flows with associates		266	264
Other investing cash flows		(297)	26
Cash flow from investing activities		**4 699**	**(15 753)**
Financing activities			
Dividend paid to shareholders of the parent	21	(4 573)	(4 004)
Purchase of treasury shares	22	(8 696)	(5 455)
Sale of treasury shares and options exercised		639	980
Cash flows with minority interests		(367)	(205)
Bonds issued	19	2 803	2 023
Bonds repaid	19	(2 244)	(2 780)
Increase in other non-current financial liabilities		374	348
Decrease in other non-current financial liabilities		(168)	(99)
Increase/(decrease) in current financial liabilities		(6 100)	9 851
Decrease/(increase) in short-term investments		1 448	3 238
Cash flow from financing activities		**(16 884)**	**3 897**
Currency retranslations		663	(267)
Increase/(decrease) in cash and cash equivalents		**(759)**	**1 316**
Cash and cash equivalents at beginning of period		6 594	5 278
Cash and cash equivalents at end of period	22	**5 835**	**6 594**

(a) Presentation was amended (refer to section Changes in presentation on page 20).

Consolidated statement of recognised income and expense and changes in equity for the year ended 31 December 2008

Statement of recognised income and expense [a]

In millions of CHF	Notes	2008	2007
Profit for the period recognised in the income statement		**19 051**	**11 382**
Currency retranslations		(4 997)	(1 195)
Fair value adjustments on available-for-sale financial instruments			
– Unrealised results		(358)	(15)
– Recognition of realised results in the income statement		(1)	(18)
Fair value adjustments on cash flow hedges			
– Recognised in hedging reserve		(409)	94
– Removed from hedging reserve		52	(168)
Actuarial gains/(losses) on defined benefit schemes [b]	16	(3 139)	273
Changes in equity of associates	8	(853)	(631)
Taxes on equity items [b]	7	1 454	(140)
Income and expense recognised directly in equity		**(8 251)**	**(1 800)**
Total recognised income and expense		**10 800**	**9 582**
of which attributable to minority interests		798	632
of which attributable to shareholders of the parent		10 002	8 950

[a] Presentation was amended (refer to section Changes in presentation on page 20).
[b] 2007 comparatives have been restated following first application of IFRIC 14 (refer to Note 32).

Changes in equity

In millions of CHF

		Share capital	Treasury shares	Translation reserve	Retained earnings and other reserves	Total equity attributable to shareholders of the parent	Minority interests	Total equity
2007	**Equity as at 31 December 2006 as reported last year**	401	(4 644)	(5 205)	60 439	50 991	1 857	52 848
	First application of IFRIC 14 [(a)]				793	793		793
	Equity restated as at 1 January 2007	401	(4 644)	(5 205)	61 232	51 784	1 857	53 641
	Total recognised income and expense			(1 097)	10 047	8 950	632	9 582
	Dividend paid to shareholders of the parent				(4 004)	(4 004)		(4 004)
	Dividends paid to minority interests					–	(359)	(359)
	Movement of treasury shares (net)		(4 522)		232	(4 290)		(4 290)
	Changes in minority interests					–	1	1
	Equity compensation plans		14		173	187	18	205
	Reduction in share capital	(8)	1 139		(1 131)	–		–
	Equity restated as at 31 December 2007	393	(8 013)	(6 302)	66 549	52 627	2 149	54 776
2008	Total recognised income and expense			(4 801)	14 803	10 002	798	10 800
	Dividend paid to shareholders of the parent				(4 573)	(4 573)		(4 573)
	Dividends paid to minority interests					–	(408)	(408)
	Movement of treasury shares (net) [(b)]		(7 141)		(381)	(7 522)		(7 522)
	Changes in minority interests					–	1 574	1 574
	Equity compensation plans		223		17	240	29	269
	Reduction in share capital	(10)	5 279		(5 269)	–		–
	Equity as at 31 December 2008	383	(9 652)	(11 103)	71 146	50 774	4 142	54 916

(a) Refer to Note 32
(b) Includes Nestlé S.A. shares exchanged for warrants (refer to Note 19).

Notes

1. Accounting policies

Accounting convention and accounting standards

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

The consolidated accounts have been prepared on an accrual basis and under the historical cost convention, unless stated otherwise. All significant consolidated companies and associates have a 31 December accounting year-end.

The preparation of the Consolidated Financial Statements requires Group Management to exercise judgement and to make estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities and disclosures. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Those areas affect mainly provisions, impairment tests, employee benefits and unrecognised tax losses.

Scope of consolidation

The Consolidated Financial Statements 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 the power to exercise control, are fully consolidated. This applies irrespective of the percentage of interest in the share capital. Control refers to the power to govern the financial and operating policies of a company so as to obtain the benefits from its activities. Minority interests are shown as a component of equity in the balance sheet and the share of the profit attributable to minority interests is shown as a component of profit for the period in the income statement.

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

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

Associates

Companies where the Group has the power to exercise a significant influence but does not exercise control are accounted for using the equity method. The net assets and results are adjusted to comply with the Group's accounting policies. The carrying amount of goodwill arising from the acquisition of associates is included in the carrying amount of investments in associates.

Venture funds

Investments in venture funds are recognised in accordance with the consolidation methods described above, depending on the level of control or significant influence exercised.

Foreign currencies

The functional currency of the Group's entities is the currency of their primary economic environment.

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 entities reported in their functional currencies are translated into Swiss Francs, the Group's presentation currency, at year-end exchange rates. Income and expense items are translated into Swiss Francs at the annual weighted average rate 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 entities, together with differences arising from the restatement of the net results for the year of Group entities, are recognised against equity.

The balance sheet and net results of Group entities 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 segment format – by management responsibility and geographic area – reflects the Group's management structure. The Group manages its Food and Beverages business through three geographic Zones and globally for Nestlé Waters and Nestlé Nutrition. The Group's pharmaceuticals activities are also managed on a worldwide basis and are presented separately from Food and Beverages.
- the secondary segment format – by product group – is divided into six product groups (segments).

Segment results represent the contribution of the different segments to central overheads, research and development costs and the profit of the Group. Specific corporate expenses as well as specific research and development costs are allocated to the corresponding segments.

Segment assets comprise property, plant and equipment, intangible assets, goodwill, trade and other receivables, assets held for sale, inventories as well as prepayments and accrued income.

Segment liabilities comprise trade and other payables, liabilities directly associated with assets held for sale as well as accruals and deferred income.

Eliminations represent inter-company balances between the different segments.

Segment assets and liabilities of the primary segment represent the situation at the end of the year. Segment assets of the secondary segment represent the annual average as this provides a better indication of the level of invested capital for management purposes.

Capital additions represent the total cost incurred to acquire property, plant and equipment, intangible assets and goodwill, including those arising from business combinations. Capital expenditure represents the investment in property, plant and equipment only.

Depreciation of segment assets includes depreciation of property, plant and equipment and intangible assets. Impairment of segment assets includes impairment related to property, plant and equipment, intangible assets and goodwill.

Unallocated items represent non-specific items whose allocation to a segment would be arbitrary. They mainly comprise:

- corporate expenses and related assets/liabilities;
- research and development costs and related assets/liabilities;
- some goodwill and intangible assets;
- capital additions related to administration and distribution assets for the secondary segment; and
- assets held for sale and liabilities directly associated with assets held for sale linked to a discontinued operation.

Valuation methods, presentation and definitions

Revenue

Revenue represents amounts received and receivable from third parties for goods supplied to the customers and for services rendered. Revenue from the sales of goods is recognised in the income statement at the moment when the significant risks and rewards of ownership of the goods have been transferred to the buyer, which is mainly upon shipment. It is measured at the list price applicable to a given distribution channel after deduction of all returns, sales taxes, pricing allowances and similar trade discounts. Payments made to the customers for commercial services received are expensed.

Expenses

Cost of goods sold is determined on the basis of the cost of production or of purchase, adjusted for the variation of inventories (which are measured as described in the policy on inventories, below). All other expenses, including those in respect of advertising and promotions, are recognised when the Group has the right of access to the goods or when it receives the services.

Net other income/(expenses)

These comprise all exit costs including but not limited to profit and loss on disposal of property plant and equipment, profit and loss on disposal of businesses, onerous contracts, restructuring costs, impairment of property plant and equipment, intangibles and goodwill.

Restructuring costs are restricted to dismissal indemnities and employee benefits paid to terminated employees upon the reorganisation of a business. Dismissal indemnities paid for normal attrition such as poor performance, professional misconduct, etc. are part of the expenses by functions.

Net financing cost

Net financing cost includes the financial expense on borrowings from third parties as well as the financial income earned on funds invested outside the Group.

Net financing cost also includes other financial income and expense, such as exchange differences on loans and borrowings, results on foreign currency and interest rate hedging instruments that are recognised in the income statement.

Unwind of discount on provisions is presented in net financing cost.

Taxes

The Group is subject to taxes in different countries all over the world. Taxes and fiscal risks recognised in the Consolidated Financial Statements reflect Group Management's best estimate of the outcome based on the facts known at the balance sheet date in each individual country. These facts may include but are not limited to change in tax laws and interpretation thereof in the various jurisdictions where the Group operates. They may have an impact on the income tax as well as the resulting assets and liabilities. Any differences between tax estimates and final tax assessments are charged to the income statement in the period in which they are incurred, unless anticipated.

Taxes include 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 against equity.

Deferred taxation is the tax attributable to the temporary differences that arise when taxation authorities recognise and measure assets and liabilities with rules that differ from the principles of the Consolidated Financial Statements. It also arises on temporary differences stemming from tax losses carry-forward.

Deferred taxes are calculated under the liability method at the rates of tax expected to prevail when the temporary differences reverse subject to such rates being substantially enacted at the balance sheet date. Any changes of the tax rates are recognised in the income statement unless related to items directly recognised against equity. Deferred tax liabilities are recognised on all taxable temporary differences excluding non-deductible goodwill. Deferred tax assets are recognised on all deductible temporary differences provided that it is probable that future taxable income will be available.

For share-based payments, a deferred tax asset is recognised in the income statement over the vesting period, provided that a future reduction of the tax expense is both probable and can be reliably estimated. The deferred tax asset for the future tax deductible amount exceeding the total share-based payment cost is recognised against equity.

Financial Instruments

Classes of financial instruments

The Group aggregates its financial instruments into classes based on their nature and characteristics. The details of financial instruments by class are disclosed in the notes.

Financial assets

The Group designates its financial assets into the following categories, as appropriate: loans and receivables, held-to-maturity investments, financial assets at fair value through profit and loss and available-for-sale assets.

Financial assets are initially recognised at fair value plus directly attributable transaction costs. Subsequent remeasurement of financial assets is determined by their designation that is revisited at each reporting date.

Derivatives embedded in other contracts are separated and treated as stand-alone derivatives when their risks and characteristics are not closely related to those of their host contracts and the respective host contracts are not carried at fair value.

In case of regular way purchase or sale (purchase or sale under a contract whose terms require delivery within the time frame established by regulation or convention in the market place), the settlement date is used for both initial recognition and subsequent derecognition.

At each balance sheet date, the Group assesses whether its financial assets are to be impaired. Impairment losses are recognised in the income statement where there is objective evidence of impairment. These losses are never reversed unless they refer to a financial instrument measured at fair value and classified as available-for-sale and the increase in fair value can objectively be related to an event occurring after the recognition of the impairment loss.

Financial assets are derecognised (in full or partly) when the Group's rights to cash flows from the respective assets have expired or have been transferred and the Group has neither exposure to the risks inherent in those assets nor entitlement to rewards from them.

Cash and cash equivalents

These are cash balances, deposits at sight as well as time deposits and placements in commercial paper the maturities of which are three months or less at inception.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes the following three classes of financial assets: loans, trade and other receivables.

Subsequent to initial measurement, loans and receivables are carried at amortised cost using the effective interest rate method less appropriate allowances for doubtful receivables.

Allowances for doubtful receivables represent the Group's estimates of losses that could arise from the failure or inability of customers to make payments when due. These estimates are based on the ageing of customers balances, specific credit circumstances and the Group's historical bad receivables experience.

Loans and receivables are further classified as current and non-current depending whether these will be realised within twelve months after the balance sheet date or beyond.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities. The Group uses this designation when it has an intention and ability to hold until maturity and the re-sale of such investments is prohibited.

Subsequent to initial recognition held-to-maturity investments are recognised at amortised cost less impairment losses.

Held-to-maturity investments are further classified as current and non-current depending whether these will mature within twelve months after the balance sheet date or beyond.

Financial assets at fair value through profit and loss

The financial assets at fair value through profit and loss category includes the following two classes of financial assets: held-for-trading assets and undesignated derivatives.

Held-for-trading assets

Held-for-trading assets are marketable securities and other fixed income portfolios that are managed with the aim of delivering performance over agreed benchmarks and are therefore classified as trading. Short-term investments in securities and fixed income instruments are made in line with the Group's liquidity and credit risk management policies.

Subsequent to initial measurement, held-for-trading assets are carried at fair value and all their gains and losses, realised and unrealised, are recognised in the income statement.

Undesignated derivatives

Undesignated derivatives are comprised of two categories. The first includes derivatives for which hedge accounting is not applied because these are either not designated as hedging instruments or not effective as hedging instruments. The second category relates to derivatives that are acquired with the aim of delivering performance over agreed benchmarks of marketable securities portfolios.

Subsequent to initial measurement, undesignated derivatives are carried at fair value and all their gains and losses, realised and unrealised, are recognised in the income statement. In both cases, derivatives are acquired in full compliance with the Group's risk management policies.

Available-for-sale assets

Available-for-sale assets are those non-derivative financial assets that are either designated as such upon initial recognition or are not classified in any of the other financial assets categories. This category includes the following classes of financial assets: cash at bank and in hands, commercial paper, time deposits and other investments.

Subsequent to initial measurement available-for-sale assets are stated at fair value with all unrealised gains or losses recognised against equity until their disposal when such gains or losses are recognised in the income statement.

Interests on available-for-sale assets are calculated using the effective interest rate method and are recognised in the income statement as part of interest income under net financing cost.

Available-for-sale assets are further classified as current and non-current depending whether these will be realised within twelve months after the balance sheet date or beyond.

Financial liabilities at amortised cost

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs.

Subsequent to initial measurement, financial liabilities are recognised at amortised cost unless they are part of a fair value hedge relationship (refer to fair value hedges). The difference between the initial carrying amount of the financial liabilities and their redemption value is recognised in the income statement over the contractual terms using the effective interest rate method. This category includes the following four classes of financial liabilities: trade and other payables, commercial paper, bonds and other financial liabilities.

Financial liabilities at amortised cost are further classified as current and non-current depending whether these will fall due within twelve months after the balance sheet date or beyond.

Financial liabilities are derecognised (in full or partly) when either the Group is discharged from its obligation, it expires, is cancelled or replaced by a new liability with substantially modified terms.

Derivative financial instruments

A derivative is a financial instrument that changes its values in response to changes in the underlying variable, requires no or little net initial investment and is settled at a future date. Derivatives are mainly used to manage exposures to foreign exchange, interest rate and commodity price risk. Whilst some derivatives are also acquired with the aim of managing the return of marketable securities portfolios, these derivatives are only acquired when there are underlying financial assets. The classification of derivatives is determined upon initial recognition and is monitored on a regular basis.

Derivatives are initially recognised at fair value, adjusted for directly attributable transaction costs. These are subsequently remeasured at fair value on a regular basis and at each reporting date as a minimum. The fair values of exchange-traded derivatives are based on market prices, while the fair value of the over-the-counter derivatives are using accepted mathematical models based on market data and assumptions. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in fair values of derivatives that do not qualify for hedge accounting are recognised directly in the income statement.

The Group's derivatives mainly consist of currency forwards, futures, options and swaps; commodity futures and options; interest rate forwards, futures, options and swaps.

The use of derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of derivatives consistent with the Group's overall risk management strategy.

Hedge accounting

The Group designates and documents certain derivatives as hedging instruments against changes in fair values of recognised assets and liabilities (fair value hedges), highly probable forecast transactions (cash flow hedges) and hedges of net investments in foreign operations (net investment hedges). The effectiveness of such hedges is demonstrated at inception and verified at regular intervals and at least on a quarterly basis, using prospective and retrospective testing.

Fair value hedges

The Group uses fair value hedges to mitigate foreign currency and interest rate risks of its recognised assets and liabilities.

The changes in fair values of hedging instruments are recognised in the income statement. Hedged items are also 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
The Group uses cash flow hedges to mitigate foreign currency risks of highly probable forecast transactions, such as anticipated future export sales, purchases of equipment and raw materials, as well as the variability of expected interest payments and receipts.

The effective part of the changes in fair value of hedging instruments are recognised against equity, while any ineffective part is recognised immediately in the income statement. When the hedged item results in the recognition of a non-financial asset or liability, the gains or losses previously recognised against equity are included in the measurement cost of the asset or of the liability. Otherwise the gains or losses previously recognised against equity are removed from equity and recognised in the income statement at the same time as the hedged transaction.

Net investment hedges
The Group uses net investment hedges to mitigate translation exposure on its net investments in affiliated companies.

The changes in fair values of hedging instruments are taken directly to equity together with gains or losses on the foreign currency translation of the hedged investments. All of these fair value gains or losses are deferred in equity until the investments are sold or otherwise disposed of.

Fair values
The Group determines the fair values of its financial instruments using market prices for quoted instruments and widely accepted valuation techniques for other instruments.

Valuation techniques include discounted cash flows, standard valuation models based on market parameters, dealer quotes for similar instruments and use of comparable arm's length transactions.

When fair values of unquoted instruments cannot be measured with sufficient reliability, the Group carries such instruments at cost less impairment, if applicable.

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.

Raw material 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.

An allowance is established when the net realisable value of any inventory item is lower than the value calculated above.

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 invoiced 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 components that have homogenous useful lives by using the straight-line method so as to depreciate the initial cost down to the residual value over the estimated useful lives. The residual values are 30% on head offices and nil for all other asset types. The useful lives are as follows:

Buildings	20–40 years
Machinery and equipment	10–25 years
Tools, furniture, information technology and sundry equipment	3–10 years
Vehicles	3–8 years

Land is not depreciated.

Useful lives, components and residual amounts are reviewed annually. Such a review takes into consideration the nature of the assets, their intended use including but not limitative to the closure of facilities and the evolution of the technology and competitive pressures that may lead to technical obsolescence.

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

Financing costs incurred during the course of construction are expensed. Premiums capitalised for leasehold land or buildings are amortised over the length of the lease. Government grants are recognised in accordance with the deferral method, whereby the grant is set up as deferred income which is released to the income statement over the useful life of the related assets. Grants that are not related to assets are credited to the income statement when they are received.

Leased assets

Assets acquired under finance leases are capitalised and depreciated in accordance with the Group's policy on property, plant and equipment unless the lease term is shorter. Land and building leases are recognised separately provided an allocation of the lease payments between these categories is reliable. The associated obligations are included under financial liabilities.

Rentals payable under operating leases are expensed.

The costs of the agreements that do not take the legal form of a lease but convey the right to use an asset are separated into lease payments and other payments if the entity has the control of the use or of the access to the asset or takes essentially all the output of the asset. Then the entity determines whether the lease component of the agreement is a finance or an operating lease.

Business combinations and related goodwill

As from 1 January 1995, the excess of the cost of an acquisition over the fair value of the net identifiable assets, liabilities and contingent liabilities acquired is capitalised. Previously these amounts had been written off through equity.

Goodwill is not amortised but tested for impairment at least annually and upon the occurrence of an indication of impairment. The impairment testing process is described in the appropriate section of these policies.

Goodwill is recorded in the functional currencies of the acquired operations.

All assets, liabilities and contingent liabilities acquired in a business combination are recognised at the acquisition date and measured at their fair value.

Intangible assets

This heading includes intangible assets that are acquired either separately or in a business combination when they are identifiable and can be reliably measured. Intangible assets are considered to be identifiable if they arise from contractual or other rights, or if they are separable i.e. they can be disposed of either individually or together with other assets. Intangible assets comprise indefinite life intangible assets and finite life intangible assets.

Indefinite life intangible assets are those for which there is no foreseeable limit to their useful economic life as they arise from contractual or other legal rights that can be renewed without significant cost and are the subject of continuous marketing support. They are not depreciated but tested for impairment annually or more frequently if an impairment indicator is triggered. They mainly comprise certain brands, trademarks and intellectual property rights. The assessment of the classification of intangible assets as indefinite is reviewed annually.

Finite life intangible assets are those for which there is an expectation of obsolescence that limits their useful economic life or where the useful life is limited by contractual or other terms. They are depreciated over the shorter of their contractual or useful economic lives. They comprise mainly management information systems, patents and rights to carry on an activity (i.e. exclusive rights to sell products or to perform a supply activity). Finite life intangible assets are depreciated on a straight-line basis assuming a zero residual value: management information systems over a period ranging from three to five years; and other finite life intangible assets over five to 20 years. The depreciation period and depreciation method are reviewed annually by taking into account the risk of obsolescence.

Depreciation of intangible assets is allocated to the appropriate headings of expenses by function in the income statement.

Internally generated intangible assets are capitalised, provided they generate future economic benefits and their costs are clearly identifiable.

Research and development

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

Development costs relating to new products are not capitalised because the expected future economic benefits cannot be reliably determined. As long as the products have not reached the market place, there is no reliable evidence that positive future cash flows would be obtained.

Other development costs (essentially management information system software) are capitalised provided that there is an identifiable asset that will be useful in generating future benefits in terms of savings, economies of scale, etc.

Impairment of goodwill and indefinite life intangible assets

Goodwill and indefinite life intangible assets are tested for impairment at least annually and upon the occurrence of an indication of impairment.

The impairment tests are performed annually at the same time each year and at the cash generating unit (CGU) level. The Group defines its CGUs based on the way that it monitors and derives economic benefits from the acquired goodwill and intangibles. The impairment tests are performed by comparing the carrying value of the assets of these CGUs with their recoverable amount, based on their future projected cash flows discounted at an appropriate pre-tax rate of return. Usually, the cash flows correspond to estimates made by Group Management in financial plans and business strategies covering a period of five years. They are then projected to 50 years using a steady or declining growth rate given that the Group businesses are of a long-term nature. The Group assesses the uncertainty of these estimates by making sensitivity analyses. The discount rate reflects the current assessment of the time value of money and the risks specific to the CGUs (essentially country risk). The business risk is included in the determination of the cash flows. Both the cash flows and the discount rates exclude inflation.

Impairment of property, plant and equipment and finite life intangible 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 property, plant and equipment and finite life intangible assets. Indication could be unfavourable development of a business under competitive pressures or severe economic slowdown in a given market as well as reorganisation of the operations to leverage their scale. 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 fair value less cost to sell 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.

Assets held for sale and discontinued operations

Non-current assets held for sale (and disposal groups) are presented separately in the current section of the balance sheet. Immediately before the initial classification of the assets (and disposal groups) as held for sale, the carrying amounts of the assets (or all the assets and liabilities in the disposal groups) are measured in accordance with their applicable accounting policy. Non-current assets held for sale (and disposal groups) are subsequently measured at the lower of their carrying amount and fair value less cost to sell. Non-current assets held for sale (and disposal groups) are no longer depreciated.

Upon occurrence of discontinued operations, the net profit/(loss) on discontinued operations is presented on the face of the Consolidated income statement. Comparative information is restated accordingly. Income statement and cash flow information related to discontinued operations are disclosed separately in the notes.

Provisions

Provisions comprise liabilities of uncertain timing or amount that arise from restructuring plans, 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 by either starting to implement them or announcing their main features. Obligations under litigations reflect Group Management's best estimate of the outcome based on the facts known at the balance sheet date.

Employee 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. Actuarial advice is provided both by external consultants and by actuaries employed by the Group. The actuarial assumptions used to calculate the defined benefit obligations vary according to the economic conditions of the country in which the plan is located. Such plans are either externally funded (in the form of independently administered funds) or unfunded.

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 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 available refunds from the plan or reductions in future contributions to the plan (either effective or possible). When such an excess is not available or does not represent at minimum a possible future economic benefit, it is not recognised but is disclosed in the notes. Impacts of minimum funding requirements in relation to past service are considered when determining pension obligations.

Actuarial gains and losses arise mainly from changes in actuarial assumptions and differences between actuarial assumptions and what has actually occurred. They are recognised in the period in which they occur in the statement of recognised income and expense.

For defined benefit plans, the pension cost charged to the income statement consists of current service cost, interest cost, expected return on plan assets and past service cost. Recycling to the income statement of cumulated actuarial gains and losses recognised against equity is not permitted by IAS 19. 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.

Share-based payment

The Group has equity-settled and cash-settled share-based payment transactions.

Equity-settled share-based payment transactions are recognised in the income statement with a corresponding increase in equity over the vesting period. They are fair valued at grant date and measured using the Black and Scholes model. The cost of equity-settled share-based payment transactions is adjusted annually by the expectations of vesting, for the forfeitures of the participants' rights that no longer satisfy the plan conditions, as well as for early vesting.

Liabilities arising from cash-settled share-based payment transactions are recognised in the income statement over the vesting period. They are fair valued at each reporting date and measured using the Black and Scholes model. The cost of cash-settled share-based payment transactions is adjusted for the forfeitures of the participants' rights that no longer satisfy the plan conditions, as well as for early vesting.

Accruals and deferred income

Accruals and deferred income comprise expenses relating to the current year, which will not be invoiced 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.

Contingent assets and liabilities

Contingent assets and liabilities are possible rights and obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not fully within the control of the Group. They are disclosed in the notes.

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 Consolidated Financial Statements by the Board of Directors. Other non-adjusting events are disclosed in the notes.

Changes in accounting policies

The Group has applied the following IFRS as from 1 January 2008 onwards:

IFRIC 14 – IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

This interpretation requires to determine the availability of refunds or reductions in future contributions in accordance with the terms and conditions of the plans and the statutory requirements of the plans of the respective jurisdictions.

The retrospective application of IFRIC 14 impacted the 2007 Consolidated Financial Statements (refer to Note 32).

Reclassification of Financial Assets – Amendments to IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures

These amendments allow entities to reclassify non-derivative financial assets out of fair value through profit or loss if the assets are no longer held for the purpose of selling or repurchasing and if the entity has the intention and ability to hold them for the foreseeable future or until maturity.

The Group did not reclassify any financial assets out of the fair value through profit or loss category in 2008.

Changes in presentation

Equity

The Group has simplified the presentation of its equity. In line with the income statement, the statement of recognised income and expense discloses in aggregate the allocations to minority interests and shareholders of the parent (previously allocated for each movement). The statement of changes in equity presents the reserves "Share premium" and "Reserve for treasury shares" together with "Retained earnings." Additionally, all of the movements in respect of equity-settled share-based payment are disclosed together in the statement of changes in equity. Furthermore, the dividends paid to minority interests are shown separately from the other changes in minority interests (previously presented under "Movements with minority interests [net].")

Cash Flow Statement

The Group has enhanced the presentation of its cash flow statement. It presents all of the "Non-cash items of income and expense" in aggregate (previously presented individually or under "Other operating cash flows.") It also discloses separately the variation of the "Other operating assets and liabilities" (previously presented under "Increase/[decrease] in provisions and deferred taxes" and "Other operating cash flows.") These reclassifications have had no impact on the operating cash flow.

Changes in accounting estimates

In accordance with the review of useful lives required by IAS 16, the Group has modified its useful lives as follows in 2008:

- maximum life of buildings increased from 35 to 40 years and deletion of the residual amount of 20% on distribution centres for products stored at ambient temperature,
- maximum useful life of machinery and equipment increased from 20 to 25 years,
- maximum life of tools furniture and sundry equipment increased from 8 to 10 years.

The Group considers that the new maximum lives better reflect the current improved construction techniques and operation conditions of industrial equipment. These changes do no have a material effect on the Group's financial statements.

Changes in IFRS that may affect the Group after 31 December 2008

IFRS 3 Revised – Business combinations
This standard will be effective for the first annual reporting period beginning on or after 1 July 2009. The Group will thus apply it prospectively as from 1 January 2010 onwards. The revised standard will cause the following changes:
– acquisition costs will be expensed;
– for a business combination in which the acquirer achieves control without buying all of the equity of the acquiree, the remaining minority (non-controlling) equity interests are measured either at fair value or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets;
– upon obtaining control in a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest at fair value and recognise a gain or a loss to the income statement; and
– changes in the contingent consideration of an acquisition will be accounted for outside goodwill, in the income statement.

IAS 27 Revised – Consolidated and separate financial statements
This standard will be applicable prospectively for the first annual reporting period beginning on or after 1 July 2009, the Group will thus apply it as from 1 January 2010 onwards. The revised standard stipulates that a change in the minority (non-controlling) interest of an acquiree that does not result in a loss of control shall be recognised in equity.

IFRS 8 – Operating segments
This standard will be applied in 2009. The Group has assessed its impact and determined that it should not significantly change its segments previously identified under IAS 14 – Segment Reporting.

IAS 1 Revised – Presentation of financial statements
The standard includes non-mandatory changes of the titles of the financial statements that the Group may not apply. The standard also introduces a statement of comprehensive income but allows to present an income statement and a statement of recognised income and expense.

IAS 23 Revised – Borrowing costs
The revised standard removes the option of recognising as an expense borrowing costs directly attributable to acquisition, construction or production of a qualifying asset as currently elected by the Group. This standard will not have a material impact on the Group's financial statements.

Improvements to IFRSs
Several standards have been modified on miscellaneous points and are effective in 2009. They are not going to have a material effect on the Group's financial statement. Moreover the Group already complies with the requirement of the change in IAS 38 – Intangible assets whereby expenditure in respect of advertising and promotions is recognised when an entity has the right of access to the goods and when the services are delivered.

IFRIC 13 – Consumer loyalty programmes
The Group will apply this interpretation in 2009. It requires that the fair value of the consideration related to award credits programmes be separately identified as a component of the sales transaction and recognised when the awards are redeemed by the customers and the corresponding obligations are fulfilled by the Group. Such programmes are not numerous in the Group and this interpretation is unlikely to have a material effect on its results.

IFRIC 16 – Hedges of a net investment in a foreign operation
This interpretation deals with the nature of the hedged risk, its designation and where the hedging instrument can be held. This interpretation will have no impact on the Group's financial statements when it is effective in 2009 as the Group already complies with its requirements.

2. Modification of the scope of consolidation
The scope of consolidation is affected by acquisitions and disposals. In 2008, the principal businesses acquired were:
– Collagenex, USA, Dermatology Rosacea, 50% (April)
– Ruzanna, Russia, Confectionery, 100% (March)

3. Segmental information

3.1 By management responsibility and geographic area

In millions of CHF

	Zone Europe	Zone Americas	Zone Asia, Oceania and Africa	Nestlé Waters	Nestlé Nutrition
2007					
Segment revenues and results					
Sales [(c)]	28 464	32 917	16 556	10 404	8 434
EBIT Earnings Before Interest, Taxes, restructuring and impairments	3 412	5 359	2 697	851	1 447
Segment assets and liabilities					
Segment assets	15 794	19 503	9 153	9 298	13 990
Non-segment assets [(d)]					
Total assets [(d)]					
of which goodwill and intangible assets	3 457	7 702	2 113	2 859	10 070
Segment liabilities	6 096	4 067	2 595	2 220	1 385
Non-segment liabilities [(d)]					
Total liabilities [(d)]					
Other segment information					
Capital additions	1 118	1 667	811	1 382	9 768
of which Capital expenditure	932	1 371	675	1 043	271
Depreciation of segment assets	878	753	458	527	155
Impairment of segment assets	85	66	13	243	–
Restructuring costs	89	15	60	237	46
2008					
Segment revenues and results					
Sales [(c)]	28 153	33 134	17 130	9 589	10 375
EBIT Earnings Before Interest, Taxes, restructuring and impairments	3 446	5 469	2 826	573	1 797
Segment assets and liabilities					
Segment assets	13 899	18 815	8 668	8 245	13 262
Non-segment assets					
Total assets					
of which goodwill and intangible assets	3 140	7 044	1 852	2 245	9 564
Segment liabilities	4 860	3 748	2 461	1 691	1 339
Non-segment liabilities					
Total liabilities					
Other segment information					
Capital additions	1 247	1 525	774	1 051	504
of which Capital expenditure	904	1 359	663	768	355
Depreciation of segment assets	852	738	434	554	217
Impairment of segment assets	63	53	(1)	638	6
Restructuring costs	88	45	41	169	18

(a) Mainly Nespresso and Food and Beverages Joint Ventures managed on a worldwide basis
(b) Refer to the Segmental information section of the Accounting policies for the definition of Unallocated items.

Other Food and Beverages [a]	Unallocated items [b]	Inter-segment eliminations	Total Food and Beverages	Pharma	Total		
						Segment revenues and results	2007
3 458			100 233	7 319	107 552	Sales [c]	
548	(1 725)		12 589	2 435	15 024	EBIT Earnings Before Interest, Taxes, restructuring and impairments	
						Segment assets and liabilities	
1 792	13 140	(1 565)	81 105	7 120	88 225	Segment assets	
					27 136	Non-segment assets [d]	
					115 361	Total assets [d]	
237	10 667		37 105	3 535	40 640	of which goodwill and intangible assets	
768	796	(1 565)	16 362	1 090	17 452	Segment liabilities	
					43 133	Non-segment liabilities [d]	
					60 585	Total liabilities [d]	
						Other segment information	
272	135		15 153	1 483	16 636	Capital additions	
269	134		4 695	276	4 971	of which Capital expenditure	
31	146		2 948	263	3 211	Depreciation of segment assets	
4	–		411	71	482	Impairment of segment assets	
7	–		454	27	481	Restructuring costs	
						Segment revenues and results	2008
3 983			102 364	7 544	109 908	Sales [c]	
696	(1 704)		13 103	2 573	15 676	EBIT Earnings Before Interest, Taxes, restructuring and impairments	
						Segment assets and liabilities	
2 052	11 991	(1 145)	75 787	7 122	82 909	Segment assets	
					23 306	Non-segment assets	
					106 215	Total assets	
193	9 917		33 955	3 549	37 504	of which goodwill and intangible assets	
754	721	(1 145)	14 429	1 110	15 539	Segment liabilities	
					35 760	Non-segment liabilities	
					51 299	Total liabilities	
						Other segment information	
307	188		5 596	753	6 349	Capital additions	
304	188		4 541	328	4 869	of which Capital expenditure	
106	93		2 994	255	3 249	Depreciation of segment assets	
–	–		759	51	810	Impairment of segment assets	
1	4		366	36	402	Restructuring costs	

[c] The analysis of sales by geographic area is stated by customer location. Inter-segment sales are not significant.
[d] 2007 comparatives have been restated following first application of IFRIC 14 (refer to Note 32).

3.2 By product group

In millions of CHF

		Beverages	Milk products, Nutrition and Ice cream	Prepared dishes and cooking aids	Confectionery
2007	**Segment revenues and results**				
	Sales	28 245	29 106	18 504	12 248
	EBIT Earnings Before Interest, Taxes, restructuring and impairments	4 854	3 744	2 414	1 426
	Segment assets				
	Segment assets	17 937	23 047	10 959	6 663
	of which goodwill and intangible assets	3 374	10 318	4 167	1 021
	Other segment information				
	Capital additions	1 678	10 519	313	304
	of which Capital expenditure	1 409	933	305	316
	Impairment of segment assets	243	112	47	(1)
	Restructuring costs	288	91	20	53
2008	**Segment revenues and results**				
	Sales	28 474	30 936	18 117	12 370
	EBIT Earnings Before Interest, Taxes, restructuring and impairments	4 756	4 158	2 311	1 620
	Segment assets				
	Segment assets	18 218	28 203	10 716	6 682
	of which goodwill and intangible assets	3 237	14 476	3 782	990
	Other segment information				
	Capital additions	1 375	1 058	434	534
	of which Capital expenditure	1 159	896	387	329
	Impairment of segment assets	647	68	23	1
	Restructuring costs	197	80	49	22

(a) Refer to the Segmental information section of the Accounting policies for the definition of Unallocated items.

PetCare	Pharmaceutical products	Total segments	Unallocated items [(a)]	Total		
					Segment revenues and results	2007
12 130	7 319	**107 552**		**107 552**	Sales	
1 876	2 435	**16 749**	(1 725)	**15 024**	EBIT Earnings Before Interest, Taxes, restructuring and impairments	
					Segment assets	
15 652	6 704	**80 962**			Segment assets	
11 347	3 286	**33 513**			of which goodwill and intangible assets	
					Other segment information	
496	1 363	**14 673**	1 963	**16 636**	Capital additions	
402	155	**3 520**	1 451	**4 971**	of which Capital expenditure	
10	71	**482**	–	**482**	Impairment of segment assets	
2	27	**481**	–	**481**	Restructuring costs	
					Segment revenues and results	2008
12 467	7 544	**109 908**		**109 908**	Sales	
1 962	2 573	**17 380**	(1 704)	**15 676**	EBIT Earnings Before Interest, Taxes, restructuring and impairments	
					Segment assets	
14 795	7 077	**85 691**			Segment assets	
10 282	3 425	**36 192**			of which goodwill and intangible assets	
					Other segment information	
431	583	**4 415**	1 934	**6 349**	Capital additions	
431	158	**3 360**	1 509	**4 869**	of which Capital expenditure	
20	51	**810**	–	**810**	Impairment of segment assets	
18	36	**402**	–	**402**	Restructuring costs	

4. Net other income/(expenses)

In millions of CHF	Notes	2008	2007
Other income			
Profit on disposal of property, plant and equipment	13	24	185
Profit on disposal of businesses	24	9 333	318
Other		69	192
		9 426	**695**
Other expenses			
Loss on disposal of property, plant and equipment	13	(6)	(9)
Loss on disposal of businesses	24	(81)	(59)
Restructuring costs	18	(402)	(481)
Impairment of property, plant and equipment	13	(248)	(225)
Impairment of goodwill	14	(561)	(251)
Impairment of intangible assets	15	(1)	(6)
Other [a]		(825)	(254)
		(2 124)	**(1 285)**
Net other income/(expenses)		**7 302**	**(590)**

[a] In 2008, the significant items are expenses linked to tax litigation claims mainly in South America.

5. Net financing cost

In millions of CHF	2008	2007
Financial income		
Interest income	102	418
Gains on investments at fair value to income statement	–	158
	102	**576**
Financial expense		
Interest expense	(1 102)	(1 481)
Losses on investments at fair value to income statement [a]	(131)	–
Unwind of the discount on provisions	(14)	(11)
	(1 247)	**(1 492)**
Net financing cost	**(1 145)**	**(916)**

[a] Losses in 2008 are mainly related to fair value losses in trading securities, of which a significant portion is related to Alcon.

6. Expenses by nature

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

In millions of CHF	2008	2007
Depreciation of property, plant and equipment	2 625	2 620
Depreciation of intangible assets	624	591
Salaries and welfare expenses	16 129	16 831
Operating lease charges	630	625
Exchange differences	283	146

7. Taxes

7.1 Taxes recognised in the income statement

In millions of CHF	2008	2007 [a]
Components of taxes		
Current taxes [b]	3 423	3 400
Deferred taxes	(1 090)	156
Taxes reclassified to equity	1 454	(140)
	3 787	**3 416**

In millions of CHF	2008	2007 [a]
Reconciliation of taxes		
Expected tax expense at weighted average applicable tax rate	4 294	3 134
Tax effect of non-deductible or non-taxable items	(873)	(225)
Prior years' taxes	(220)	(58)
Transfers to unrecognised deferred tax assets	61	62
Transfers from unrecognised deferred tax assets	(14)	(46)
Changes in tax rates	(6)	–
Withholding taxes levied on transfers of income	350	403
Other, incl. taxes on capital	195	146
	3 787	**3 416**

(a) 2007 comparatives have been restated following first application of IFRIC 14.
(b) The adjustment for current taxes of prior years is a benefit of CHF 49 million (2007: expense of CHF 12 million).

The expected tax expense at weighted average applicable tax rate is the result from applying the domestic statutory tax rates to profits before taxes of each entity in the country it operates. For the Group, the weighted average applicable tax rate varies from one year to the other depending on the relative weight of the profit of each individual entity in the Group's profit as well as the changes in the statutory tax rates.

In 2008, the weighted average applicable tax rate is also substantially impacted by the tax free gain resulting from the disposal of the 24.8% stake of Alcon.

7.2 Reconciliation of deferred taxes by types of temporary differences recognised in the balance sheet

In millions of CHF

		Property, plant and equipment	Goodwill and intangible assets	Employee benefits	Inventories, receivables, payables and provisions	Unused tax losses and unused tax credits	Other	Total
2007	At 1 January 2007 [a]	(922)	(655)	1 620	898	288	265	**1 494**
	Currency retranslations	81	15	(85)	(27)	(5)	(10)	**(31)**
	Deferred tax (expense)/income [a]	(3)	36	(193)	31	(14)	(13)	**(156)**
	Modification of the scope of consolidation	(47)	(453)	80	(11)	9	(219)	**(641)**
	At 31 December 2007 [a]	**(891)**	**(1 057)**	**1 422**	**891**	**278**	**23**	**666**
2008	Currency retranslations	76	69	(165)	(106)	(26)	(45)	**(197)**
	Deferred tax (expense)/income	(99)	147	654	94	75	219	**1 090**
	Modification of the scope of consolidation	3	(17)	(4)	1	(3)	(38)	**(58)**
	At 31 December 2008	**(911)**	**(858)**	**1 907**	**880**	**324**	**159**	**1 501**

In millions of CHF	2008	2007 [a]
Reflected in the balance sheet as follows:		
Deferred tax assets	2 842	2 224
Deferred tax liabilities	(1 341)	(1 558)
Net assets	**1 501**	**666**

[a] 2007 comparatives have been restated following first application of IFRIC 14 (refer to Note 32).

7.3 Unrecognised deferred taxes

The deductible temporary differences as well as the unused tax losses and tax credits for which no deferred tax assets are recognised expire as follows:

In millions of CHF	2008	2007
Within one year	80	115
Between one and five years	343	739
More than five years	1 080	890
	1 503	**1 744**

At 31 December 2008, the unrecognised deferred tax assets amount to CHF 450 million (2007: CHF 520 million).

In addition, the Group has not recognised deferred tax liabilities in respect of unremitted earnings that are considered indefinitely reinvested in foreign subsidiaries. At 31 December 2008, these earnings amount to CHF 17.4 billion (2007: CHF 22.3 billion). They could be subject to withholding and other taxes on remittance.

8. Associates

In millions of CHF	2008	2007
At 1 January	8 936	8 430
Currency retranslations	(986)	90
Investments	116	100
Share of results	1 005	1 280
Dividends received	(382)	(364)
Changes in equity	(853)	(631)
Modification of the scope of consolidation	(40)	31
At 31 December	**7 796**	**8 936**
of which L'Oréal	7 009	8 197

L'Oréal

The Group holds 178 381 021 shares in L'Oréal, representing a 30.6% participation in its equity (considering own shares held by L'Oréal in relation to the employee stock option plans and the share buy-back programmes). At 31 December 2008, the market value of our shares amounts to CHF 16 537 million (2007: CHF 28 961 million).

Key financial data of the main associates

The following items are an aggregate of the Financial Statements of the main associates:

In millions of CHF	2008	2007
Total current assets	10 640	11 153
Total non-current assets	25 130	28 916
Total assets	**35 770**	**40 069**
Total current liabilities	11 791	10 210
Total non-current liabilities	5 714	6 751
Total liabilities	**17 505**	**16 961**
Total equity	**18 265**	**23 108**
Total sales	**29 718**	**29 982**
Total results	**3 155**	**4 305**

9. Earnings per share

	2008	2007 [a]
Basic earnings per share (in CHF)	4.87	2.78
Net profit (in millions of CHF)	18 039	10 649
Weighted average number of shares outstanding	3 704 613 573	3 828 809 470
Fully diluted earnings per share (in CHF)	4.84	2.76
Net profit, net of effects of dilutive potential ordinary shares (in millions of CHF)	18 044	10 678
Weighted average number of shares outstanding, net of effects of dilutive potential ordinary shares	3 725 018 002	3 867 876 260
Reconciliation of net profit (in millions of CHF)		
Net profit used to calculate basic earnings per share	18 039	10 649
Elimination of interest expense, net of taxes, related to the Turbo Zero Equity-Link issued with warrants on Nestlé S.A. shares	5	29
Net profit used to calculate diluted earnings per share	18 044	10 678
Reconciliation of weighted average number of shares outstanding		
Weighted average number of shares outstanding used to calculate basic earnings per share	3 704 613 573	3 828 809 470
Adjustment for assumed exercise of warrants, where dilutive	4 182 623	19 666 210
Adjustment for share-based payment schemes, where dilutive	16 221 806	19 400 580
Weighted average number of shares outstanding used to calculate diluted earnings per share	3 725 018 002	3 867 876 260

[a] 2007 comparatives have been restated following 1-for-10 share split effective on 30 June 2008.

10. Trade and other receivables

10.1 By type

In millions of CHF	2008	2007
Trade receivables	10 552	12 025
Other receivables	2 890	2 865
	13 442	**14 890**

The five major receivables represent 9% (2007: 10%) of trade and other receivables, none of them exceeding 3%.

10.2 Past due and impaired receivables

In millions of CHF	2008	2007
Not past due	11 060	12 242
Past due 1–30 days	1 363	1 605
Past due 31–60 days	370	388
Past due 61–90 days	242	173
Past due 91–120 days	144	147
Past due more than 120 days	707	841
Allowance for doubtful receivables	(444)	(506)
	13 442	**14 890**

10.3 Allowance for doubtful receivables

In millions of CHF	2008	2007
At 1 January	506	453
Currency retranslations	(73)	3
Allowance made in the period	151	58
Amounts used and reversal of unused amounts	(141)	(46)
Modification of the scope of consolidation	1	38
At 31 December	**444**	**506**

Based on the historic trend and expected performance of the customers, the Group believes that the above allowance for doubtful receivables sufficiently covers the risk of default.

11. Derivative assets and liabilities

11.1 By type

In millions of CHF			2008			2007
	Contractual or notional amounts	Fair value assets	Fair value liabilities	Contractual or notional amounts	Fair value assets	Fair value liabilities
Fair value hedges						
Currency forwards, futures and swaps	3 388	63	124	5 282	35	64
Interest rate forwards, futures and swaps	1 854	127	–	2 844	73	2
Interest rate and currency swaps	3 380	252	223	2 904	250	–
Cash flow hedges						
Currency forwards, futures and swaps	4 573	139	202	2 494	50	44
Currency options	227	19	8	82	5	7
Interest rate forwards, futures and swaps	4 194	–	245	4 849	22	74
Commodity futures	1 941	94	193	386	22	5
Commodity options	67	2	9	80	8	3
Hedges of net investments in foreign operations (currency forwards, futures and swaps)	11 912	594	120	3 889	118	114
Undesignated derivatives						
Currency forwards, futures, swaps and options	60	6	11	2 065	13	–
Interest rate and currency swaps	2 716	281	287	3 357	133	135
Interest rate forwards, futures, swaps and options	3 561	30	50	3 651	17	22
Commodity futures and options	51	2	5	69	8	7
	37 924	**1 609**	**1 477**	**31 952**	**754**	**477**

Some derivatives, while complying with the Group's financial risk management policies of managing the risks of the volatility of the financial markets, do not qualify for applying hedge accounting treatments and are therefore classified as undesignated derivatives.

11.2 Impact on the income statement of fair value hedges

In millions of CHF	2008	2007
on hedged items	105	(127)
on hedging instruments	(92)	94

Ineffective portion of gains/(losses) of cash flow and net investment hedges are not significant.

12. Inventories

In millions of CHF	2008	2007
Raw materials, work in progress and sundry supplies	3 708	3 590
Finished goods	5 901	5 957
Allowance for write-down at net realisable value	(267)	(275)
	9 342	**9 272**

Inventories amounting to CHF 143 million (2007: CHF 153 million) are pledged as security for financial liabilities.

13. Property, plant and equipment

In millions of CHF — 2007

	Land and buildings	Machinery and equipment	Tools, furniture and other equipment	Vehicles	Total
Gross value					
At 1 January	13 245	25 455	7 446	931	**47 077**
Currency retranslations	(156)	(478)	(171)	(86)	**(891)**
Capital expenditure	860	2 695	1 209	207	**4 971**
Disposals	(258)	(884)	(492)	(78)	**(1 712)**
Reclassified as held for sale	(30)	(38)	(3)	–	**(71)**
Modification of the scope of consolidation	90	51	3	(44)	**100**
At 31 December	**13 751**	**26 801**	**7 992**	**930**	**49 474**
Accumulated depreciation and impairments					
At 1 January	(5 251)	(15 732)	(5 363)	(501)	**(26 847)**
Currency retranslations	60	284	60	14	**418**
Depreciation	(398)	(1 307)	(800)	(115)	**(2 620)**
Impairments	(26)	(148)	(50)	(1)	**(225)**
Disposals	165	758	468	67	**1 458**
Reclassified as held for sale	22	30	3	–	**55**
Modification of the scope of consolidation	80	228	12	32	**352**
At 31 December	**(5 348)**	**(15 887)**	**(5 670)**	**(504)**	**(27 409)**
Net at 31 December	**8 403**	**10 914**	**2 322**	**426**	**22 065**

At 31 December 2007, property, plant and equipment include CHF 1178 million of assets under construction. Net property, plant and equipment held under finance leases amount to CHF 354 million. Net property, plant and equipment of CHF 117 million are pledged as security for financial liabilities. Fire risks, reasonably estimated, are insured in accordance with domestic requirements.

In millions of CHF					2008
	Land and buildings	Machinery and equipment	Tools, furniture and other equipment	Vehicles	Total
Gross value					
At 1 January	13 751	26 801	7 992	930	**49 474**
Currency retranslations	(1 616)	(3 678)	(1 094)	(128)	**(6 516)**
Capital expenditure	1 069	2 615	1 060	125	**4 869**
Disposals	(92)	(733)	(387)	(60)	**(1 272)**
Reclassified as held for sale	(33)	(124)	(29)	–	**(186)**
Modification of the scope of consolidation	26	(170)	(32)	(2)	**(178)**
At 31 December	**13 105**	**24 711**	**7 510**	**865**	**46 191**
Accumulated depreciation and impairments					
At 1 January	(5 348)	(15 887)	(5 670)	(504)	**(27 409)**
Currency retranslations	603	2 225	806	77	**3 711**
Depreciation	(362)	(1 349)	(805)	(109)	**(2 625)**
Impairments	(79)	(131)	(38)	–	**(248)**
Disposals	92	553	371	60	**1 076**
Reclassified as held for sale	33	120	25	–	**178**
Modification of the scope of consolidation	49	148	23	3	**223**
At 31 December	**(5 012)**	**(14 321)**	**(5 288)**	**(473)**	**(25 094)**
Net at 31 December	**8 093**	**10 390**	**2 222**	**392**	**21 097**

At 31 December 2008, property, plant and equipment include CHF 781 million of assets under construction. Net property, plant and equipment held under finance leases amount to CHF 236 million. Net property, plant and equipment of CHF 109 million are pledged as security for financial liabilities. Fire risks, reasonably estimated, are insured in accordance with domestic requirements.

Impairment

Impairment of property, plant and equipment arises mainly from the plans to optimise industrial manufacturing capacities by closing or selling inefficient production facilities.

Commitments for expenditure

At 31 December 2008, the Group was committed to expenditure amounting to CHF 449 million (2007: CHF 442 million).

14. Goodwill

In millions of CHF	Notes	2008	2007
Gross value [a]			
At 1 January		35 142	30 007
Currency retranslations		(2 784)	(1 620)
Goodwill from acquisitions	23	515	6 903
Disposals		(127)	(148)
At 31 December		**32 746**	**35 142**
Accumulated impairments			
At 1 January		(1 719)	(1 494)
Currency retranslations		123	9
Impairments		(561)	(251)
Disposals		48	17
At 31 December		**(2 109)**	**(1 719)**
Net at 31 December		**30 637**	**33 423**

[a] In accordance with IFRS 3 – Business Combinations, gross value includes prior years' accumulated amortisation.

14.1 Impairment charge during the period

Nestlé Waters Home and Office Delivery business in Europe

Goodwill related to the 2003 acquisition of Powwow has been allocated for the impairment test to the Cash Generating Unit (CGU) defined as the Nestlé Waters Home and Office Delivery (HOD) business in Europe. As at 31 December 2008, the carrying amounts of all goodwill items allocated to this CGU and expressed in various European currencies represent an equivalent of CHF 836 million before 2008 impairment (2007: CHF 1119 million).

According to IFRS requirements an annual impairment test was conducted in the second half of the year. Following further deterioration of the business in various countries since the last impairment test and the foreseen disposal of the Italian and UK HOD operations, the present value of future cash flows was revised downwards.

As the recoverable amount of the CGU was lower than its carrying amount, an impairment of goodwill amounting to CHF 442 million has been recognised in 2008 (2007: CHF 210 million).

The recoverable amount of the CGU has been determined based upon a value-in-use calculation. Deflated cash flow projections covering the next 50 years, discounted at a weighted average rate of 6.2%, were used in this calculation. The cash flows for the first five years were based upon financial plans approved by Group Management; years six to ten were based upon Group Management's best expectations. Cash flows were assumed to be flat for years eleven to 50. Cash flows have been adjusted to reflect the specific business risks.

Main assumptions, based on past experiences and current initiatives, were the following:

- sales: annual growth between 1.5 and 8.3% for the first three years, and between 2.2 and 2.3% in the six years afterwards;
- EBIT margin evolution: consistent with sales growth and enhanced cost management and efficiency, with a higher growth during the first three years and then steadily improving ten basis points per year over the following years.

14.2 Yearly impairment tests

Goodwill impairment reviews have been conducted for more than 200 goodwill items allocated to some 50 Cash Generating Units (CGUs). There are no significant carrying values of goodwill that are allocated across multiple CGUs.

Detailed results of the impairment tests are presented below for the three significant goodwill items, representing more than 50% of the net book value at 31 December 2008. For the purpose of the tests, they have been allocated to the following CGUs: PetCare, Infant Nutrition and Ice Cream USA.

PetCare

Goodwill related to the 2001 acquisition of Ralston Purina has been allocated for the impairment test to the CGU of the product category PetCare on a worldwide basis. As at 31 December 2008, the carrying amounts, expressed in various currencies, represent an equivalent of CHF 9888 million (2007: CHF 10 618 million) for the goodwill and CHF 29 million (2007: CHF 29 million) for the intangible assets with indefinite useful life.

The recoverable amount of the CGU is higher than its carrying amount. The recoverable amount has been determined based upon a value-in-use calculation. Deflated cash flow projections covering the next 50 years, discounted at a weighted average rate of 6.7%, were used in this calculation. The cash flows for the first five years were based upon financial plans approved by Group Management; years six to ten were based upon Group Management's best expectations, which are consistent with the Group's approved strategy for this period. Cash flows were assumed to be flat for years eleven to 50, although Group Management expects continuing growth. Cash flows have been adjusted to reflect the specific business risks.

Main assumptions, based on past experiences and current initiatives, were the following:

- sales: annual growth between 3.9 and 7.9% for North America and between 3 and 4.5% for Europe over the first ten-year period;
- EBIT margin evolution: steadily improving margin over the period, in a range of 10–30 basis points per year for North America and 10–60 basis points per year for Europe, consistent with sales growth and portfolio rationalisation.

Assumptions used in the calculation are consistent with the expected long-term average growth rate of the PetCare business in the regions concerned.

The key sensitivity for the impairment test is the growth in sales and EBIT margin. Assuming no sales growth and no improvement in EBIT margin over the entire period would not result in the carrying amount exceeding the recoverable amount.

An increase of 100 basis points in the discount rate assumption would not change the conclusions of the impairment test.

Infant Nutrition

Goodwill and intangible assets with indefinite useful life related to the 2007 acquisition of Gerber have been allocated for the impairment test to the CGU of the Infant Nutrition businesses on a worldwide basis. As at 31 December 2008, the carrying amounts, expressed in various currencies, represent an equivalent of CHF 3963 million (2007: CHF 4227 million) for the goodwill and CHF 1405 million (2007: CHF 1497 million) for the intangible assets with indefinite useful life.

The recoverable amount of the CGU is higher than its carrying amount. The recoverable amount has been determined based upon a value-in-use calculation. Deflated cash flow projections covering the next 50 years, discounted at a weighted average rate of 8%, were used in this calculation. The cash flows for the first five years were based upon financial plans approved by Group Management; years six to ten were based upon Group Management's best expectations, which are consistent with the Group's approved strategy for this period. Cash flows were assumed to be flat after, although Group Management expects continuing growth. Cash flows have been adjusted to reflect the specific business risks.

Main assumptions were the following:

- sales: annual growth between 2 and 5% for North America and between 5.2 and 5.7% for the rest of the world over the first five-year period;
- EBIT margin evolution: steadily improving margin over the period, in a range of 10–50 basis points per year for North America and in a range of 60–90 basis points per year for the rest of the world.

The key sensitivity for the impairment test is the growth in sales and EBIT margin. Assuming no sales growth and no improvement in EBIT margin over the entire period would not result in the carrying amount exceeding the recoverable amount.

An increase of 100 basis points in the discount rate assumption would not change the conclusions of the impairment test.

Ice Cream USA

Goodwill and intangible assets with indefinite useful life related to the Group's Ice cream businesses in the USA (Nestlé Ice Cream Company and Dreyer's) has been allocated for the impairment test to the Ice Cream USA CGU. As at 31 December 2008, the carrying amounts, expressed in USD, represent an equivalent of CHF 3096 million (2007: CHF 3301 million) for the goodwill and CHF 76 million (2007: CHF 81 million) for the intangible assets with indefinite useful life.

The recoverable amount of the CGU is higher than its carrying amount. The recoverable amount has been determined based upon a value-in-use calculation. Deflated cash flow projections covering the next 50 years, discounted at 6.4%, were used in this calculation. The cash flows for the first five years were based upon financial plans approved by Group Management; years six to ten were based upon Group Management's best expectations, which are consistent with the Group's approved strategy for this period. Cash flows were assumed to be flat for years eleven to 50, although Group Management expects continuing growth. Cash flows have been adjusted to reflect the specific business risks.

Main assumptions, based on past experiences and current initiatives, were the following:

- sales: annual growth between 2 and 5% over the first ten-year period;
- EBIT margin evolution: steadily improving margin over the period, in a range of 70–270 basis points per year, which is consistent with strong sales growth and enhanced cost management and efficiency.

The key sensitivity for the impairment test is the growth in sales and EBIT margin. Limiting annual growth to only 4% until 2017 and 0% thereafter would not result in the carrying amount exceeding the recoverable amount. Reaching 80% of the expectations in terms of EBIT evolution would not result in the carrying amount exceeding the recoverable amount.

An increase of 100 basis points in the discount rate assumption would not change the conclusions of the impairment test.

15. Intangible assets

In millions of CHF					2007
	Brands and intellectual property rights	Operating rights and others	Management information systems	Total	of which internally generated
Gross value					
At 1 January	1 550	753	3 533	5 836	3 067
of which indefinite useful life	1 167	–	–	1 167	–
Currency retranslations	(153)	(38)	(24)	(215)	(8)
Expenditure	11	61	547	619	510
Disposals	(8)	(18)	(58)	(84)	(3)
Modification of the scope of consolidation	3 129	478	(6)	3 601	(6)
At 31 December	**4 529**	**1 236**	**3 992**	**9 757**	**3 560**
of which indefinite useful life	4 133	–	–	4 133	–
Accumulated depreciation and impairments					
At 1 January	(224)	(521)	(1 318)	(2 063)	(914)
Currency retranslations	–	29	12	41	–
Depreciation	(16)	(90)	(485)	(591)	(459)
Impairments	(2)	(2)	(2)	(6)	–
Disposals	8	14	56	78	–
Modification of the scope of consolidation	–	1	–	1	–
At 31 December	**(234)**	**(569)**	**(1 737)**	**(2 540)**	**(1 373)**
Net at 31 December	**4 295**	**667**	**2 255**	**7 217**	**2 187**

In millions of CHF					2008
	Brands and intellectual property rights	Operating rights and others	Management information systems	Total	of which internally generated
Gross value					
At 1 January	4 529	1 236	3 992	**9 757**	3 560
of which indefinite useful life	4 133	–	–	**4 133**	–
Currency retranslations	(227)	(65)	(502)	**(794)**	(463)
Expenditure	9	140	436	**585**	362
Disposals	–	(10)	(49)	**(59)**	(18)
Reclassified as held for sale	–	–	(5)	**(5)**	(5)
Modification of the scope of consolidation	184	58	(5)	**237**	(5)
At 31 December	**4 495**	**1 359**	**3 867**	**9 721**	**3 431**
of which indefinite useful life (a)	3 948	–	–	**3 948**	–
Accumulated depreciation and impairments					
At 1 January	(234)	(569)	(1 737)	**(2 540)**	(1 373)
Currency retranslations	10	25	230	**265**	198
Depreciation	(24)	(99)	(501)	**(624)**	(476)
Impairments	–	(1)	–	**(1)**	–
Disposals	–	8	36	**44**	7
Reclassified as held for sale	–	–	1	**1**	1
Modification of the scope of consolidation	–	–	1	**1**	–
At 31 December	**(248)**	**(636)**	**(1 970)**	**(2 854)**	**(1 643)**
Net at 31 December	**4 247**	**723**	**1 897**	**6 867**	**1 788**

(a) Yearly impairment tests are performed together with goodwill items (refer to Note 14).

Internally generated intangible assets consist mainly of management information systems.

Commitments for expenditure

At 31 December 2008, the Group was committed to expenditure amounting to CHF 54 million (2007: none).

16. Employee benefits

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-employment medical benefits and other employee benefits

Group companies, principally in the USA and Canada, maintain medical benefits 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.

16.1 Reconciliation of assets and liabilities recognised in the balance sheet

In millions of CHF	2008			2007			2006	2005
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Total	Total
Present value of funded obligations	18 723	416	**19 139**	22 664	434	23 098	23 468	22 863
Fair value of plan assets	(17 009)	(219)	**(17 228)**	(24 572)	(277)	(24 849)	(23 819)	(21 814)
Excess of liabilities/(assets) over funded obligations	1 714	197	**1 911**	(1 908)	157	(1 751)	(351)	1 049
Present value of unfunded obligations	951	1 386	**2 337**	1 176	1 517	2 693	2 627	2 656
Unrecognised past service cost of non-vested benefits	6	1	**7**	5	–	5	(5)	7
Unrecognised assets [a]	91	–	**91**	1 167	4	1 171	1 390	886
Defined benefits net liabilities/(assets)	**2 762**	**1 584**	**4 346**	440	1 678	2 118	3 661	4 598
Liabilities from defined contribution plans and non-current deferred compensation			**960**			1 369	1 294	982
Liabilities from cash-settled share-based transactions [b]			**98**			165	117	98
Net liabilities			**5 404**			3 652	5 072	5 678
Reflected in the balance sheet as follows:								
Employee benefits assets [a]			(60)			(1 513)	(343)	(69)
Employee benefits liabilities			5 464			5 165	5 415	5 747
Net liabilities			5 404			3 652	5 072	5 678

[a] 2007 comparatives have been restated following first application of IFRIC 14 (refer to Note 32).
[b] The intrinsic value of liabilities from cash-settled share-based transactions that are vested amounts to CHF 34 million (2007: CHF 72 million; 2006: CHF 39 million; 2005: CHF 3 million).

16.2 Movement in fair value of defined benefit plan assets

In millions of CHF	2008			2007		
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
At 1 January	(24 572)	(277)	**(24 849)**	(23 560)	(259)	**(23 819)**
Currency retranslations	2 912	26	**2 938**	615	9	**624**
Expected return on plan assets	(1 507)	(18)	**(1 525)**	(1 412)	(17)	**(1 429)**
Employees' contributions	(115)	–	**(115)**	(110)	–	**(110)**
Employer contributions	(518)	(32)	**(550)**	(518)	(34)	**(552)**
Actuarial (gains)/losses	5 658	61	**5 719**	(423)	2	**(421)**
Benefits paid on funded defined benefit schemes	1 181	20	**1 201**	1 188	24	**1 212**
Modification of the scope of consolidation	(16)	–	**(16)**	(336)	–	**(336)**
Transfer from/(to) defined contribution plans	(32)	1	**(31)**	(16)	(2)	**(18)**
At 31 December	**(17 009)**	**(219)**	**(17 228)**	**(24 572)**	**(277)**	**(24 849)**

The plan assets include property occupied by affiliated companies with a fair value of CHF 19 million (2007: CHF 31 million) and assets loaned to affiliated companies with a fair value of CHF 33 million (2007: CHF 24 million).

The actual return on plan assets is negative in 2008 by CHF 4194 million (2007: positive by CHF 1850 million).

The Group expects to contribute CHF 690 million to its funded defined benefit schemes in 2009.

The major categories of plan assets as a percentage of total plan assets are as follows:

At 31 December	2008	2007
Equities	38%	46%
Bonds	27%	27%
Real estate property	7%	7%
Alternative investments	23%	16%
Cash/Deposits	5%	4%

The overall investment policy and strategy for the Group's funded defined benefit schemes is guided by the objective of achieving an investment return which, together with the contributions paid, is sufficient to maintain reasonable control over the various funding risks of the plans. The investment advisors appointed by plan trustees are responsible for determining the mix of asset types and target allocations which are reviewed by the plan trustees on an ongoing basis. Actual asset allocation is determined by a variety of current economic and market conditions and in consideration of specific asset class risk.

The expected long-term rates of return on plan assets are based on long-term expected inflation, interest rates, risk premiums and targeted asset class allocations. These estimates take into consideration historical asset class returns and are determined together with the plans' investment and actuarial advisors.

16.3 Movement in the present value of defined benefit obligations

In millions of CHF			2008			2007
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
At 1 January	23 840	1 951	**25 791**	24 181	1 914	**26 095**
of which funded defined benefit schemes	22 664	434	**23 098**	23 020	448	**23 468**
of which unfunded defined benefit schemes	1 176	1 517	**2 693**	1 161	1 466	**2 627**
Currency retranslations	(3 132)	(185)	**(3 317)**	(608)	(104)	**(712)**
Current service cost	621	77	**698**	677	76	**753**
Interest cost	1 140	108	**1 248**	1 132	110	**1 242**
Early retirements, curtailments, settlements	(5)	(1)	**(6)**	8	(4)	**4**
Past service cost of vested benefits	8	(3)	**5**	11	1	**12**
Past service cost of non-vested benefits	–	–	**–**	(9)	–	**(9)**
Actuarial (gains)/losses	(1 576)	10	**(1 566)**	(616)	(42)	**(658)**
Benefits paid on funded defined benefit schemes	(1 181)	(20)	**(1 201)**	(1 188)	(24)	**(1 212)**
Benefits paid on unfunded defined benefit schemes	(69)	(98)	**(167)**	(89)	(107)	**(196)**
Modification of the scope of consolidation	(5)	2	**(3)**	332	174	**506**
Transfer from/(to) defined contribution plans	33	(39)	**(6)**	9	(43)	**(34)**
At 31 December	**19 674**	**1 802**	**21 476**	**23 840**	**1 951**	**25 791**
of which funded defined benefit schemes	18 723	416	**19 139**	22 664	434	**23 098**
of which unfunded defined benefit schemes	951	1 386	**2 337**	1 176	1 517	**2 693**

16.4 Actuarial gains/(losses) of defined benefit schemes recognised in the Statement of recognised income and expense

In millions of CHF	2008			2007			2006	2005
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Total	Total
Experience adjustments on plan assets	(5 658)	(61)	**(5 719)**	423	(2)	**421**	**1 027**	**1 522**
Experience adjustments on plan liabilities	82	13	**95**	(291)	(6)	**(297)**	**21**	**16**
Change of assumptions on plan liabilities	1 494	(23)	**1 471**	907	48	**955**	**(65)**	**(1 133)**
Transfer from/(to) unrecognised assets [a]	1 010	4	**1 014**	(802)	(4)	**(806)**	**(521)**	**(427)**
Actuarial gains/(losses) on defined benefit schemes	**(3 072)**	**(67)**	**(3 139)**	**237**	**36**	**273**	**462**	**(22)**

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.

At 31 December 2008, the net cumulative actuarial losses on defined benefit schemes recognised in equity amount to CHF 4261 million (2007: CHF 1787 [a] million; 2006: CHF 3222 million; 2005: CHF 3689 million).

[a] 2007 comparatives have been restated following first application of IFRIC 14 (refer to Note 32).

16.5 Expenses recognised in the income statement

In millions of CHF			2008			2007
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
Current service cost	621	77	**698**	677	76	**753**
Employee contributions	(115)	–	**(115)**	(110)	–	**(110)**
Interest cost	1 140	108	**1 248**	1 132	110	**1 242**
Expected return on plan assets	(1 507)	(18)	**(1 525)**	(1 412)	(17)	**(1 429)**
Early retirements, curtailments, settlements	(5)	(1)	**(6)**	8	(4)	**4**
Past service cost of vested benefits	8	(3)	**5**	11	1	**12**
Past service cost of non-vested benefits	–	–	**–**	–	2	**2**
Total defined benefit expenses	**142**	**163**	**305**	**306**	**168**	**474**
Total defined contribution expenses			**356**			**392**

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

16.6 Mortality tables and life expectancies for the major schemes

Country	Mortality table	Life expectancy at age 65 for a male member currently aged 65 (in years)		Life expectancy at age 65 for a female member currently aged 65 (in years)	
At 31 December		2008	2007	2008	2007
Switzerland	LPP 2000	18.1	18.1	21.5	21.4
United Kingdom	PNA00, medium cohort	20.7	20.6	23.0	22.9
United States	RP–2000	18.9	18.8	20.8	20.8
Germany	Heubeck Richttafeln 1998	21.3	19.6	22.8	22.8
Netherlands	AG Prognosetafel 2005–2050	18.9	18.9	21.0	21.0

Life expectancy is reflected in the defined benefit obligations by using up-to-date mortality tables of the country in which the plan is located. When those tables no longer reflect recent experience, they are adjusted by appropriate loadings.

16.7 Principal financial actuarial assumptions

The principal financial actuarial assumptions are presented by geographic area. Each item is a weighted average in relation to the relevant underlying component.

At 31 December	2008	2007
Discount rates		
Europe	5.0%	4.7%
Americas	6.3%	6.3%
Asia, Oceania and Africa	4.6%	5.5%
Expected long-term rates of return on plan assets		
Europe	5.7%	6.9%
Americas	8.6%	8.3%
Asia, Oceania and Africa	6.3%	6.8%
Expected rates of salary increases		
Europe	3.2%	3.3%
Americas	3.0%	2.9%
Asia, Oceania and Africa	3.0%	3.8%
Expected rates of pension adjustments		
Europe	1.9%	2.2%
Americas	0.2%	0.2%
Asia, Oceania and Africa	1.6%	2.0%
Medical cost trend rates		
Americas	6.4%	6.3%

16.8 Sensitivity analysis on medical cost trend rates

A one percentage point increase in assumed medical cost trend rates would increase the defined benefit obligations by CHF 92 million and increase the aggregate of current service cost and interest cost by CHF 11 million.

A one percentage point decrease in assumed medical cost trend rates would decrease the defined benefit obligations by CHF 78 million and decrease the aggregate of current service cost and interest cost by CHF 9 million.

17. Share-based payment

The following share-based payment costs are allocated to the appropriate headings of expenses by function in the income statement:

In millions of CHF	2008	2007
Equity-settled share-based payment costs	250	246
Cash-settled share-based payment costs	(14)	118
Total share-based payment costs	**236**	**364**

The following share-based payment schemes are currently available to members of the Executive Board and Senior Management:

17.1 Management Stock Option Plan (MSOP)

Members of Group Management are entitled to participate each year in a share option plan without payment. The benefits consist of the right to buy Nestlé S.A. shares (accounted for as equity-settled share-based payment transactions) at a predetermined fixed price. From 2005 onwards, the grant has been limited to members of the Executive Board.

This plan has a rolling seven-year duration. Vesting is subject to three years service conditions. The rights are exercised throughout the year in accordance with the rules of the plan.

	2008	2007 (a)
	Number of options	Number of options
Outstanding at 1 January	27 374 110	41 532 280
of which vested and exercisable	24 579 360	22 775 260
New rights	979 000	1 155 000
Rights exercised (b)	(5 740 284)	(15 313 170)
Rights forfeited	(285 930)	–
Outstanding at 31 December	**22 326 896**	**27 374 110**
of which vested and exercisable at 31 December	19 408 146	24 579 360
additional options vesting in 2009	964 750	

(a) 2007 comparatives and earlier grants have been restated following 1-for-10 share split effective on 30 June 2008.
(b) Average exercise price: CHF 33.77 (2007: CHF 33.29); average share price at exercise date: CHF 48.16 (2007: CHF 49.07)

Main features of the MSOP are the following:

							2008	2007 (a)
Grant date	Expiring on	Exercise price in CHF (a)	Expected volatility	Risk-free interest rate	Expected dividend yield	Fair value at grant in CHF (a)	Number of options outstanding	Number of options outstanding
01.03.2001	29.02.2008	34.32					–	1 453 090
01.03.2002	28.02.2009	36.73					3 187 589	5 129 230
01.02.2003	31.01.2010	27.86	27.16%	1.78%	2.25%	5.74	5 249 972	6 044 190
01.10.2003	30.09.2010	30.86	20.58%	2.11%	2.30%	4.93	107 750	164 000
01.02.2004	31.01.2011	32.91	19.41%	2.05%	2.11%	5.05	10 129 035	11 542 350
01.10.2004	30.09.2011	28.94	20.83%	2.09%	2.50%	4.52	125 800	176 500
01.02.2005	31.01.2012	30.92	20.13%	1.84%	2.29%	4.39	608 000	665 000
01.02.2006	31.01.2013	37.95	19.00%	2.20%	2.11%	5.29	964 750	1 044 750
01.02.2007	31.01.2014	44.50	16.78%	2.72%	2.54%	6.76	1 055 000	1 155 000
01.02.2008	31.01.2015	47.38	23.84%	2.65%	2.65%	7.81	899 000	–
							22 326 896	**27 374 110**

(a) 2007 comparatives and earlier grants have been restated following 1-for-10 share split effective on 30 June 2008.

The exercise price corresponds to the weighted average share price of the last ten trading days preceding the grant date. Group Management has assumed that, on average, the participants exercise their options after five years. The expected volatility is based on the historical volatility, adjusted for any expected changes to future volatility due to publicly available information.

17.2 Restricted Stock Unit Plan (RSUP)

As from 1 March 2005, members of Group Management are also awarded Restricted Stock Units (RSU) that each gives the right to one Nestlé S.A. share. Vesting is subject to three years service conditions. Upon vesting, the Group either delivers Nestlé S.A. shares (accounted for as equity-settled share-based payment transactions) or pays the equivalent amount in cash (accounted for as cash-settled share-based payment transactions).

	2008	2007 (a)
	Number of RSU	Number of RSU
Outstanding at 1 January	10 771 260	7 648 860
of which vested	41 470	52 000
New RSU	3 182 660	3 739 200
RSU settled (b)	(4 279 570)	(519 850)
RSU forfeited	(230 400)	(96 950)
Outstanding at 31 December	**9 443 950**	**10 771 260**
of which vested at 31 December	–	41 470
of which considered cash-settled	411 960	798 130

(a) 2007 comparatives and earlier grants have been restated following 1-for-10 share split effective on 30 June 2008.
(b) Average price at vesting date: CHF 49.72 (2007: CHF 47.86)

Main features of the RSUP are the following:

Grant date	Restricted until	Risk-free interest rate	Expected dividend yield	Fair value at grant in CHF [a]	2008 Number of RSU outstanding	2007 [a] Number of RSU outstanding
01.03.2005	29.02.2008	1.59%	2.45%	31.80	–	3 625 320
01.10.2005	30.09.2008	1.50%	2.15%	37.16	–	58 270
01.02.2006	31.01.2009	2.10%	2.13%	37.47	3 026 200	3 395 640
01.10.2006	30.09.2009	2.40%	2.15%	43.93	44 900	46 400
01.02.2007	31.01.2010	2.71%	2.15%	46.39	3 259 330	3 590 950
01.10.2007	30.09.2010	3.02%	2.00%	53.90	49 180	54 680
01.02.2008	31.01.2011	2.65%	2.65%	48.30	3 019 330	–
01.10.2008	30.09.2011	2.80%	2.80%	48.20	45 010	–
					9 443 950	**10 771 260**

[a] 2007 comparatives and earlier grants have been restated following 1-for-10 share split effective on 30 June 2008.

The fair value corresponds to the market price at grant, adjusted for the restricted period of three years.

17.3 US plans

The US affiliates sponsor Share Appreciation Rights (SAR) plans. Those plans give right, upon exercise, to the payment in cash of the difference between the market price of a Nestlé S.A. share and the exercise price. They are accounted for as cash-settled share-based payment transactions.

From 2006 onwards, the US affiliates sponsor a separate Restricted Stock Unit Plan, that will be settled in cash.

17.4 Alcon Incentive Plan

Under the 2002 Alcon Incentive Plan, the Board of Directors of Alcon may award to officers, directors and key employees share-based compensation, including stock options, share-settled stock appreciation rights (SSARs), restricted shares, restricted share units (RSUs), performance share units and certain cash-settled liability awards.

The total number of Alcon shares that may be issued with respect to such awards shall not exceed the lessor of 30 million Alcon shares or 10% of Alcon's issued and outstanding shares. Alcon intends to satisfy all equity awards granted prior to 31 December 2003 and after 31 December 2007 with the issuance of new shares from conditional capital authorised for the 2002 Alcon Incentive Plan. Shares are issued at the grant price of stock options upon exercise.

The Board of Directors of Alcon has authorised the acquisition on the open market of Alcon shares to, among other things, satisfy the exercise of stock options and SSARs and the issuance of restricted shares and RSUs granted under the 2002 Alcon Incentive Plan.

Alcon stock options and SSARs

	2008	2007	2008	2007
	Number of options	Number of options	Number of SSARs	Number of SSARs
Outstanding at 1 January	8 223 509	12 154 336	2 697 311	1 326 945
of which vested and exercisable	4 977 306	5 433 353	3 852	407
New rights	168 504	187 551	1 025 030	1 477 132
Rights exercised [(a)]	(2 041 871)	(3 977 693)	–	(947)
Rights forfeited	(14 368)	(140 685)	(93 343)	(105 819)
Rights expired	(5 191)	–	–	–
Outstanding at 31 December	**6 330 583**	**8 223 509**	**3 628 998**	**2 697 311**
of which vested and exercisable at 31 December	5 818 693	4 977 306	10 113	3 852
additional awards scheduled to vest in 2009	159 158		1 232 532	

(a) Weighted average options exercise price: USD 61.32 (2007: USD 47.71); weighted average share price at options exercise date: USD 154.82 (2007: USD 134.60). Weighted average SSARs exercise price: none (2007: USD 122.90); weighted average share price at SSARs exercise date: none (2007: USD 138.01)

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

Main features of Alcon stock options are the following:

Grant date	Expiring on	Exercise price in USD	Remaining life in years	Expected volatility	Risk-free interest rate	Dividend yield	Fair value at grant in USD	2008 Number of options outstanding	2007 Number of options outstanding
21.03.2002	21.03.2012	33.00	3.22	33.00%	4.75%	1.00%	10.03	483 134	743 329
18.02.2003	18.02.2013	36.39	4.13	33.00%	2.92%	1.00%	10.06	1 251 633	1 623 011
Various 2003	Various 2013	49.63	4.52	33.00%	3.01%	1.00%	13.79	13 000	20 600
11.02.2004	11.02.2014	63.32	5.11	33.00%	2.99%	1.00%	19.59	1 811 022	2 334 890
Various 2004	Various 2014	77.07	5.69	33.00%	3.23%	1.00%	22.84	58 000	58 000
09.02.2005	09.02.2015	79.00	6.11	33.00%	3.60%	1.00%	25.48	2 187 067	3 059 413
Various 2005	Various 2015	90.84	6.26	33.00%	3.80%	1.00%	30.26	33 922	46 000
08.02.2006	08.02.2016	122.90	7.10	33.00%	4.56%	1.00%	42.54	162 483	156 459
12.02.2007	12.02.2017	130.56	8.10	31.00%	4.80%	1.50%	40.37	189 942	181 807
11.02.2008	11.02.2018	147.54	9.11	29.50%	2.67%	1.50%	38.39	140 255	–
03.04.2008	03.04.2018	144.87	9.25	29.50%	2.75%	1.50%	37.90	125	–
								6 330 583	**8 223 509**

Stock option grant prices are determined by the Board of Directors of Alcon and shall not be lower than the prevailing stock exchange price on the date of grant.

Main features of Alcon SSARs are the following:

								2008	2007
Grant date	Expiring on	Exercise price in USD	Remaining life in years	Expected volatility	Risk-free interest rate	Dividend yield	Fair value at grant in USD	Number of SSARs outstanding	Number of SSARs outstanding
08.02.2006	08.02.2016	122.90	7.10	33.00%	4.56%	1.00%	41.51	1 216 524	1 261 036
Various 2006	Various 2016	100.42	7.40	33.00%	5.03%	1.00%	32.67	15 050	15 050
12.02.2007	12.02.2017	130.58	8.12	31.00%	4.80%	1.50%	40.37	1 346 973	1 399 823
Various 2007	Various 2017	135.08	8.52	31.00%	4.41%	1.50%	40.81	21 402	21 402
11.02.2008	11.02.2018	147.54	9.11	29.50%	2.67%	1.50%	38.39	1 006 283	–
Various 2008	Various 2018	148.17	9.30	29.50%	2.63%	1.50%	38.92	22 766	–
								3 628 998	**2 697 311**

Expected volatility rates are estimated based on daily historical trading data of its common shares from March 2002 through the grant dates and, due to Alcon's short history as a public company, other factors, such as the volatility of the common share prices of other pharmaceutical and surgical companies.

Alcon Restricted shares and Restricted Share Units (RSUs)

Restricted shares and RSUs are recognised at the closing market price on the day of grant over the required service period. The participants will receive dividend equivalents over the scheduled three-year vesting period.

	2008	2007	2008	2007
	Number of Restricted shares	Number of Restricted shares	Number of RSUs	Number of RSUs
Outstanding at 1 January	344 242	185 939	51 486	27 705
New granted (a)	–	184 884	291 992	27 249
Settled (b)	(24 438)	(7 612)	(7 313)	(846)
Forfeited	(17 622)	(18 969)	(10 216)	(2 622)
Outstanding at 31 December	**302 182**	**344 242**	**325 949**	**51 486**

(a) Weighted average fair value of Restricted shares at grant date: none (2007: USD 130.63); weighted average fair value of RSUs at grant date: USD 147.29 (2007: USD 130.65)

(b) Weighted average price of Restricted shares at vesting date: USD 158.44 (2007: USD 124.80); weighted average price of RSUs at vesting date: USD 154.02 (2007: USD 115.60)

The fair value corresponds to the market price at grant.

18. Provisions and contingencies

18.1 Provisions

In millions of CHF

	Restructuring	Environmental	Litigation	Other	Total
At 1 January 2007	1 034	38	1 750	217	**3 039**
Currency retranslations	2	(2)	(44)	–	**(44)**
Provisions made in the period	392	7	510	121	**1 030**
Amounts used	(393)	(4)	(77)	(64)	**(538)**
Unused amounts reversed	(28)	–	(271)	(47)	**(346)**
Modification of the scope of consolidation	–	–	131	44	**175**
At 31 December 2007	**1 007**	**39**	**1 999**	**271**	3 316
Currency retranslations	(88)	(2)	(175)	(33)	**(298)**
Provisions made in the period	303	–	994	162	**1 459**
Amounts used	(313)	(6)	(51)	(80)	**(450)**
Unused amounts reversed	(51)	–	(283)	(37)	**(371)**
Modification of the scope of consolidation	–	–	–	7	**7**
At 31 December 2008	**858**	**31**	**2 484**	**290**	**3 663**

Restructuring
Restructuring provisions arise from a number of projects across the Group. These include plans to optimise production, sales and administration structures, mainly in Europe. Restructuring provisions are expected to result in future cash outflows when implementing the plans (usually over the following two to three years) and are generally not discounted.

Litigation
Litigation provisions have been set up to cover tax, legal and administrative proceedings that arise in the ordinary course of business. These provisions concern numerous cases whose detailed disclosure could seriously prejudice the interests of the Group. Reversal of such provisions refer to cases resolved in favour of the Group. The timing of cash outflows of litigation provisions is uncertain as it depends upon the outcome of the proceedings. These provisions are therefore not discounted because their present value would not represent meaningful information. Group Management does not believe it is possible to make assumptions on the evolution of the cases beyond the balance sheet date.

Other
Other provisions are mainly constituted by onerous contracts, liabilities for partial refund of selling prices of divested businesses and various damage claims having occurred during the period but not covered by insurance companies. Onerous contracts result from unfavourable leases or supply agreements above market prices in which the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received or for which no benefits are expected to be received. These agreements have been entered into as a result of selling and closing inefficient facilities.

18.2 Contingencies

The Group is exposed to contingent liabilities amounting to a maximum potential payment of CHF 644 million (2007: CHF 1016 million) representing potential litigations of CHF 590 million (2007: CHF 956 million) and other items of CHF 54 million (2007: CHF 60 million).

Contingent assets for litigation claims in favour of the Group amount to a maximum potential recoverable of CHF 296 million (2007: CHF 395 million).

19. Financial assets and liabilities

In millions of CHF	2008	2007
Liquid assets [(a)]	7 131	9 496
Trade and other receivables	13 442	14 890
Current income tax receivables	889	531
Financial assets – non-current	3 868	4 213
Derivative assets	1 609	754
Total financial assets	**26 939**	**29 884**
Trade and other payables	12 608	14 179
Current income tax payables	824	856
Financial liabilities – current	15 383	24 541
Financial liabilities – non-current	6 344	6 129
Other payables	1 264	1 091
Derivative liabilities	1 477	477
Total financial liabilities	**37 900**	**47 273**
Net financial position	**(10 961)**	**(17 389)**

[(a)] Liquid assets are composed of cash and cash equivalents and short-term investments.

19.1 By category

In millions of CHF	2008	2007
Loans and receivables	14 932	15 927
Held for trading	854	1 510
Derivative assets [(a)]	1 609	754
Available-for-sale assets	9 544	11 693
Total financial assets	**26 939**	**29 884**
Financial liabilities at amortised cost	30 341	41 218
Financial liabilities at fair value under hedge accounting	6 082	5 578
Derivative liabilities [(a)]	1 477	477
Total financial liabilities	**37 900**	**47 273**
Net financial position	**(10 961)**	**(17 389)**

(a) Include derivatives classified as undesignated derivatives (refer to Note 11).

The Group does not apply the fair value option.

19.2 Fair value hierarchy per classes of financial instruments

The Group determines the fair value of its financial instruments on the basis of the following hierarchy. The fair value of instruments that are quoted in active markets is determined based on current market prices. This applies to commodity futures that are traded on terminal exchanges and to listed bonds. The fair value of the other instruments is determined on the basis of valuation techniques such as discounted cash flow calculations or other pricing models. In this category, the fair value of the majority of the instruments is based on parameters stemming from observable market data or by reference to the prices of other instruments, while the fair value of a small number of instruments is based on unobservable input.

19.3 Bonds

In millions of CHF						2008	2007
Issuer	Face value in millions	Interest rates		Year of issue/ maturity	Comments		
		Coupon	Effective				
Nestlé Holdings, Inc., USA	USD 535	0.00%	6.25%	2001–2008	(a)	–	587
	USD 400	3.50%	3.81%	2005–2008	(b)	–	449
	USD 300	5.00%	5.19%	2006–2008	(b)	–	338
	USD 250	3.88%	3.42%	2003–2009	(c)	–	281
	EUR 250	2.13%	2.97%	2005–2009	(b)(d)	367	392
	AUD 300	5.50%	5.68%	2005–2009	(b)(e)	223	286
	GBP 200	5.13%	5.38%	2006–2009	(b)(f)	313	443
	USD 300	4.38%	4.49%	2005–2009	(b)	321	339
	AUD 300	6.00%	6.36%	2006–2010	(b)(g)	225	285
	CHF 625	2.75%	2.69%	2007–2010	(h)	620	398
	HUF 10000	6.88%	7.20%	2007–2010	(b)	53	64
	NOK 1500	4.75%	5.16%	2007–2010	(b)(i)	230	188
	NZD 100	8.25%	8.53%	2008–2010	(b)	62	–
	AUD 600	7.25%	7.63%	2008–2011	(j)	451	–
	CHF 300	2.25%	2.30%	2008–2011	(k)	296	–
	NOK 1000	5.00%	5.55%	2008–2011	(k)	152	–
	USD 750	4.00%	3.87%	2008–2011	(b)	822	–
	USD 500	4.75%	4.90%	2007–2011	(k)	537	572
	CHF 675	3.00%	2.86%	2007–2012	(l)	700	199
	CHF 450	2.50%	2.57%	2006–2013	(b)	454	435
	CHF 250	2.63%	2.66%	2007–2018	(b)	245	235
Nestlé Purina PetCare Company, USA	USD 83	9.25%	5.90%	1989–2009		90	98
	USD 48	7.75%	6.25%	1995–2015		54	59
	USD 63	9.30%	6.46%	1991–2021		83	89
	USD 79	8.63%	6.46%	1992–2022		99	107
	USD 44	8.13%	6.47%	1993–2023		53	57
	USD 51	7.88%	6.45%	1995–2025		62	66
Nestlé Finance International Ltd, Luxembourg	EUR 500	3.50%	3.51%	2003–2008	(b)	–	828
(formerly Nestlé Finance-France S.A., France)	AUD 200	6.00%	6.03%	2004–2008	(b)	–	198
	HUF 25000	7.00%	7.00%	2004–2009	(b)	138	163
	EUR 100	3.50%	3.52%	2006–2009	(b)	149	164
Nestlé (Thai) Ltd, Thailand	THB 5000	2.16%	2.16%	2003–2008		–	167
Other bonds						19	56
Total						**6 818**	**7 543**
of which due within one year						1 607	2 601
of which due after one year						5 211	4 942

Bonds subject to fair value hedges are carried at fair value for CHF 5243 million (2007: CHF 5578 million) and the related derivatives are shown under derivative assets for CHF 377 million (2007: CHF 340 million) and under derivative liabilities for CHF 223 million (2007: none). The full fair value of bonds amounts to CHF 6910 million (2007: CHF 7560 million).

Amounts subject to an interest rate and/or currency swap that creates a liability at floating rates in the currency of the issuer are carried at fair value.

Amounts subject to an interest rate and currency swap that creates a liability at fixed rates in the currency of the issuer are carried at amortised cost.

(a) 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. The investors had the option to put the notes to Nestlé Holdings, Inc. and the warrants to Nestlé S.A. at their accreted value in June 2003 and in June 2006.

Exercise conditions of the warrants: 70 000 warrants to purchase Nestlé S.A. shares. Each warrant gives the right to purchase 31.9065 shares. The holders of warrants may exercise their warrants to purchase shares of Nestlé S.A. either:

1) during the note exercise period from July 2001 to June 2008 by tendering a note and a warrant in exchange for shares on the basis that one note is required to exercise each warrant; or
2) on the cash exercise date, 11 June 2008, by tendering warrants together with the exercise price in cash.

The effective initial exercise price per share is USD 261.119 (or CHF 455.–, based on a fixed exchange rate of CHF 1.7425 for each USD), growing by 2.625% per annum, prior to any anti-dilution adjustment. In June 2003, 100 units (at USD 10 000 each) of this issue were put for cash by a holder on the put date at the prescribed price as per the terms and conditions of the issue. In 2006, one warrant was exercised. In 2007, 16 524 warrants were exercised. Notes valued at amortised cost of USD 155 million (nominal USD 165 million) were exchanged for 527 210 Nestlé S.A. shares of nominal value of CHF 1.–. In 2008, 50 765 warrants were exercised. Notes valued at amortised cost of USD 501 million (nominal USD 507 million) were exchanged for 1 619 688 Nestlé S.A. shares of nominal value of CHF 1.–.

(b) Subject to an interest rate and/or currency swap that creates a liability at floating rates in the currency of the issuer.

(c) The step-up fixed rate callable medium term note was called by Nestlé Holdings Inc. in March 2008 in accordance with terms and conditions.

(d) The initial EUR 150 million bond issued in 2005 was increased by EUR 100 million in 2006.

(e) The initial AUD 200 million bond issued in 2005 was increased by AUD 100 million in 2006.

(f) The initial GBP 100 million bond issued in 2006 was increased by GBP 100 million in 2007.

(g) The initial AUD 200 million bond issued in 2006 was increased by AUD 100 million in 2007.

(h) This bond is composed of:
- CHF 200 million issued in 2007 subject to an interest rate and currency swap that creates a liability at fixed rates in the currency of the issuer;
- CHF 200 million issued in 2007 subject to an interest rate and/or currency swap that creates a liability at floating rates in the currency of the issuer;
- CHF 100 million issued in 2008 subject to an interest rate and currency swap that creates a liability at fixed rates in the currency of the issuer; and
- CHF 125 million issued in 2008 subject to an interest rate and/or currency swap that creates a liability at floating rates in the currency of the issuer.

(i) The initial NOK 1000 million bond issued in 2007 was increased by NOK 500 million in 2008.

(j) This bond is composed of:
- AUD 300 million issued in 2008 subject to an interest rate and currency swap that creates a liability at fixed rates in the currency of the issuer; and
- AUD 300 million issued in 2008 subject to an interest rate and/or currency swap that creates a liability at floating rates in the currency of the issuer.

(k) Subject to an interest rate and currency swap that creates a liability at fixed rates in the currency of the issuer.

(l) This bond is composed of:
- CHF 200 million issued in 2007 subject to an interest rate and/or currency swap that creates a liability at floating rates in the currency of the issuer;
- CHF 150 million issued in 2008 subject to an interest rate and currency swap that creates a liability at fixed rates in the currency of the issuer; and
- CHF 325 million issued in 2008 subject to an interest rate and/or currency swap that creates a liability at floating rates in the currency of the issuer.

20. Financial risks

In the course of its business, the Group is exposed to a number of financial risks: credit risk, liquidity risk, market risk (including foreign currency risk and interest rate risk), commodity price risk and other risks (including equity price risk and settlement risk). This note presents the Group's objectives, policies and processes for managing its financial risk and capital.

Financial risk management is an integral part of the way the Group is managed. The Board of Directors establishes the Group's financial policies and the Chief Executive Officer establishes objectives in line with these policies. An Asset and Liability Management Committee (ALMC), under the supervision of the Chief Financial Officer, is then responsible for setting financial strategies, which are executed by the Centre Treasury, the Regional Treasury Centres and, in specific local circumstances, by the affiliated companies. The activities of the Centre Treasury and of the various Regional Treasury Centres are supervised by an independent Middle Office, which verifies the compliance of the strategies proposed and/or operations executed within the approved guidelines and limits set by the ALMC. Approved Treasury Management Guidelines define and classify risks as well as determine, by category of transaction, specific approval, limit and monitoring procedures. In accordance with the aforementioned policies, the Group only enters into derivative transactions relating to assets, liabilities or anticipated future transactions.

20.1 Credit risk

Credit risk management

Credit risk arises because counterparty may fail to perform its obligations. The Group is exposed to credit risk on financial instruments such as liquid assets, derivative assets and trade receivable portfolios.

The Group sets credit limits based on a counterparty value computed with a probability of default. The methodology used to set the list of counterparty limits includes Enterprise Value (EV), counterparty Credit Ratings (CR) and Credit Default Swaps (CDS).

Evolution of counterparties is monitored daily, taking into consideration EV, CR and CDS evolution. As a result of this daily review, changes on investment limits and risk allocation are carried out.

The Group avoids the concentration of credit risk on its liquid assets by spreading them over several institutions and sectors.

Following on the credit crisis, the Group enhanced risk management activities in particular concerning temporary reduction of global credit limits of key counterparties, regular review by the ALMC of exposures, reduction of liquid investments to decrease counterparty risk and payment of debt.

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 (refer to Note 10). Nevertheless global commercial counterparties are constantly monitored following the same methodology used for financial counterparties.

The maximum exposure to credit risk resulting from financial activities, without considering netting agreements and without taking into account any collateral held or other credit enhancements, is equal to the carrying amount of the Group's financial assets.

Credit rating of financial assets (excl. loans and receivables)

In millions of CHF	2008	2007
Investment grade A and above	10 977	13 119
Investment grade BBB+, BBB and BBB–	449	416
Non-investment grade (BB+ and below)	231	160
Not rated	350	262
	12 007	**13 957**

The source of the credit ratings is Standard & Poor's; if not available, the Group uses Moody's and Fitch's equivalents. The Group deals essentially with financial institutions located in Switzerland, the European Union and North America.

20.2 Liquidity risk

Liquidity risk management

Liquidity risk arises when a company encounters difficulties to meet commitments associated with liabilities and other payment obligations. Such risk may result from inadequate market depth or disruption or refinancing problems. The Group's objective is to manage this risk by limiting exposures in instruments that may be affected by liquidity problems and by maintaining sufficient back-up facilities. The Group does not expect any refinancing issues and has successfully completed the renewal and amendment of its EUR 5 billion 364-day revolving credit facility this year. The facility currently serves primarily as a backstop to its global commercial paper programme. In total, the Group's revolving credit facilities amounts to EUR 8.2 billion.

Maturity of financial instruments

In millions of CHF	In the first year	In the second year	In the third to the fifth year	After the fifth year	Contractual amount	Carrying amount 2007
Financial assets (excl. currency derivatives)						
Cash at bank and in hand	2 610	–	–	–	2 610	2 610
Commercial paper	2 071	–	–	–	2 071	2 071
Time deposits	3 144	–	–	–	3 144	3 144
Trade, tax and other receivables	15 421	–	–	–	15 421	15 421
Trading portfolios	1 510	–	–	–	1 510	1 510
Non-currency derivative assets	76	19	52	3	150	150
Other financial assets	213	208	163	2 689	3 273	3 273
	25 045	227	215	2 692	28 179	28 179
Financial investments without contractual maturities						1 101
	25 045	**227**	**215**	**2 692**	**28 179**	**29 280**
Financial liabilities (excl. currency derivatives)						
Trade, tax and other payables	15 035	1 091	–	–	16 126	16 126
Commercial paper (a)	18 647	–	–	–	18 647	18 544
Bonds (a)	2 909	2 312	2 167	1 345	8 733	7 543
Non-currency derivative liabilities	40	17	45	7	109	113
Other financial liabilities	3 738	500	590	505	5 333	4 583
	40 369	**3 920**	**2 802**	**1 857**	**48 948**	**46 909**
Currency derivative assets and liabilities						
Gross amount receivable from currency derivatives	14 655	4 417	1 819	701	21 592	21 411
Gross amount payable from currency derivatives	(14 669)	(4 447)	(1 401)	(664)	(21 181)	(21 171)
	(14)	**(30)**	**418**	**37**	**411**	**240**
Net financial position	**(15 338)**	**(3 723)**	**(2 169)**	**872**	**(20 358)**	**(17 389)**
of which Cash flow hedges (b)						
Derivative assets	71	–	34	2		107
Derivative liabilities	66	14	47	6		133

(a) Commercial paper (liabilities) of CHF 17 436 million and bonds of CHF 1621 million have maturities of less than three months.
(b) The periods when the cash flow hedges affect the income statement do not differ significantly from the maturities disclosed above.

In millions of CHF						2008
	In the first year	In the second year	In the third to the fifth year	After the fifth year	Contractual amount	Carrying amount
Financial assets (excl. currency derivatives)						
Cash at bank and in hand	1 855	–	–	–	1 855	1 855
Commercial paper	1 026	–	–	–	1 026	1 026
Time deposits	3 213	–	–	–	3 213	3 213
Trade, tax and other receivables	14 331	–	–	–	14 331	14 331
Trading portfolios	854	–	–	–	854	854
Non-currency derivative assets	111	29	115	–	255	255
Other financial assets	183	378	224	2 364	3 149	3 149
	21 573	407	339	2 364	24 683	24 683
Financial investments without contractual maturities						902
	21 573	**407**	**339**	**2 364**	**24 683**	**25 585**
Financial liabilities (excl. currency derivatives)						
Trade, tax and other payables	13 428	1 158	110	–	14 696	14 696
Commercial paper [a]	10 235	–	–	–	10 235	10 213
Bonds [a]	1 888	1 403	3 619	807	7 717	6 818
Non-currency derivative liabilities	292	77	95	38	502	502
Other financial liabilities	3 683	834	527	537	5 581	4 696
	29 526	**3 472**	**4 351**	**1 382**	**38 731**	**36 925**
Currency derivative assets and liabilities						
Gross amount receivable from currency derivatives	22 356	1 864	2 104	264	26 588	26 543
Gross amount payable from currency derivatives	(22 287)	(1 740)	(2 103)	(216)	(26 346)	(26 164)
	69	**124**	**1**	**48**	**242**	**379**
Net financial position	**(7 884)**	**(2 941)**	**(4 011)**	**1 030**	**(13 806)**	**(10 961)**
of which Cash flow hedges [b]						
Derivative assets	208	23	23	–		254
Derivative liabilities	375	77	167	38		657

[a] Commercial paper (liabilities) of CHF 9444 million and bonds of CHF 262 million have maturities of less than three months.
[b] The periods when the cash flow hedges affect the income statement do not differ significantly from the maturities disclosed above.

20.3 Market risk

The Group is exposed to risk from movements in foreign currency exchange rates, interest rates and market prices that affect its assets, liabilities and anticipated future transactions.

Foreign currency risk

Foreign currency risk management

The Group is exposed to foreign currency risk from transactions and translation.

Transaction exposure arises because affiliated companies undertake transactions in foreign currencies. Transactional exposures are managed within a prudent and systematic hedging policy in accordance with the Group's specific business needs. Translation exposure arises from the consolidation of the financial statements of foreign operations in Swiss francs, which is in principle not hedged.

The Group's objective is to manage its foreign currency exposure through the use of currency forwards, futures, swaps and options.

Financial instruments by currency

In millions of CHF							2007
	CHF	EUR	USD	GBP	AUD	Other	Total
Financial assets (excl. currency derivatives)							
Liquid assets [a]	1 663	711	5 213	347	7	1 555	**9 496**
Trade, tax and other receivables	463	5 324	2 923	637	290	5 784	**15 421**
Non-current financial assets	966	246	2 753	2	3	243	**4 213**
Non-currency derivative assets	–	49	84	5	–	12	**150**
	3 092	**6 330**	**10 973**	**991**	**300**	**7 594**	**29 280**
Financial liabilities (excl. currency derivatives)							
Trade, tax and other payables	1 442	5 463	4 447	487	237	4 050	**16 126**
Commercial paper	740	1 647	15 361	66	–	730	**18 544**
Bonds	1 268	1 383	3 080	444	768	600	**7 543**
Non-currency derivative liabilities	–	21	84	5	–	3	**113**
Other financial liabilities	126	1 135	463	88	156	2 615	**4 583**
	3 576	**9 649**	**23 435**	**1 090**	**1 161**	**7 998**	**46 909**
Currency derivative assets and liabilities							
Gross amount receivable from currency derivatives	5 504	3 437	5 507	607	2 072	4 284	**21 411**
Gross amount payable from currency derivatives	(2 785)	(8 402)	(3 554)	(452)	(1 235)	(4 743)	**(21 171)**
	2 719	**(4 965)**	**1 953**	**155**	**837**	**(459)**	**240**
Net financial position	**2 235**	**(8 284)**	**(10 509)**	**56**	**(24)**	**(863)**	**(17 389)**

[a] Liquid assets are composed of cash and cash equivalents and short-term investments.

In millions of CHF							2008
	CHF	EUR	USD	GBP	AUD	Other	Total
Financial assets (excl. currency derivatives)							
Liquid assets [a]	1 675	424	3 794	311	7	920	**7 131**
Trade, tax and other receivables	328	4 840	3 282	485	217	5 179	**14 331**
Non-current financial assets	733	295	2 603	1	2	234	**3 868**
Non-currency derivative assets	29	3	162	49	–	12	**255**
	2 765	**5 562**	**9 841**	**846**	**226**	**6 345**	**25 585**
Financial liabilities (excl. currency derivatives)							
Trade, tax and other payables	1 358	4 673	4 289	348	166	3 862	**14 696**
Commercial paper	90	260	9 105	297	–	461	**10 213**
Bonds	2 317	516	2 131	313	898	643	**6 818**
Non-currency derivative liabilities	–	44	424	27	–	7	**502**
Other financial liabilities	24	1 180	315	35	127	3 015	**4 696**
	3 789	**6 673**	**16 264**	**1 020**	**1 191**	**7 988**	**36 925**
Currency derivative assets and liabilities							
Gross amount receivable from currency derivatives	7 445	2 290	11 813	373	1 701	2 921	**26 543**
Gross amount payable from currency derivatives	(2 003)	(12 648)	(7 266)	(167)	(730)	(3 350)	**(26 164)**
	5 442	**(10 358)**	**4 547**	**206**	**971**	**(429)**	**379**
Net financial position	**4 418**	**(11 469)**	**(1 876)**	**32**	**6**	**(2 072)**	**(10 961)**

[a] Liquid assets are composed of cash and cash equivalents and short-term investments.

Interest rate risk

Interest risk management

Interest rate risk comprises the interest price risk that results from borrowings at fixed rates and the interest cash flow risk that results from borrowings at variable rates.

The ALMC is responsible for setting the overall duration and interest management targets.

The Group's objective is to manage its interest rate exposure through the use of interest rate forwards, futures and swaps.

Average interest rates

2007	USD	CHF	EUR	GBP
Liquid assets	5.29%	2.17%	3.81%	5.30%
Financial liabilities (excl. bonds [a])	5.27%	2.49%	4.07%	5.99%

2008	USD	CHF	EUR	GBP
Liquid assets	2.00%	1.74%	2.99%	–
Financial liabilities (excl. bonds [a])	2.54%	1.49%	3.80%	2.55%

[a] Interest rates of bonds are disclosed in Note 19.

Interest structure of non-current financial liabilities

In millions of CHF	2008	2007
Financial liabilities at fixed rates	5 507	5 603
Financial liabilities at variable rates	837	526
	6 344	**6 129**

20.4 Commodity price risk

Commodity price risk arises from transactions on the world commodity markets for securing the supplies of green coffee, cocoa beans and other commodities necessary for the manufacture of some of the Group's products.

Commodity price risk management

The Group's objective is to minimise the impact of commodity price fluctuations and this exposure is hedged in accordance with the commodity risk management policies set by the Board of Directors.

The regional Commodity Purchasing Competence Centres are responsible for managing commodity price risk on the basis of internal directives and centrally determined limits. They ensure that the Group benefits from guaranteed financial hedges through the use of exchange traded commodity derivatives.

The commodity price risk exposure of anticipated future purchases is managed using a combination of derivatives (futures and options) and executory contracts (differentials and ratios). The vast majority of these contracts are for physical delivery, while cash-settled contracts are treated as undesignated derivatives.

As a result of the short product business cycle of the Group, the majority of the anticipated future raw material transactions outstanding at the balance sheet date are expected to occur in the next period.

20.5 Other risks

Equity price risk

The Group is exposed to equity price risk on short-term investments held as trading and available-for-sale assets. To manage the price risk arising from investments in securities, the Group diversifies its portfolios in accordance with the Guidelines set by the Board of Directors.

The Group's external investments are in principle only with publicly traded counterparties that have an investment grade rating by one of the recognised rating agencies.

Settlement risk

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.

20.6 Value at Risk (VaR)

Description of the method

The VaR is a single measure to assess market risk. The VaR estimates the size of losses given current positions and possible changes in financial markets. The Group uses simulation to calculate VaR based on the historic data for a 250 days period.

The VaR calculation is based on 95% confidence level and, accordingly, does not take into account losses that might occur beyond this level of confidence. The VaR is calculated on the basis of exposures outstanding at the close of business and does not necessarily reflect intra-day exposures.

Objective of the method

The Group uses the described VaR analysis to estimate the potential one-day loss in the fair value of its financial and commodity instruments.

The Group cannot predict the actual future movements in market rates and commodity prices, therefore the below VaR numbers neither represent actual losses nor consider the effects of favourable movements in underlying variables. Accordingly, these VaR numbers may only be considered indicative of future movements to the extent the historic market patterns repeat in the future.

VaR figures

The VaR computation includes the Group's financial assets and liabilities that are subject to foreign currency, interest rate and commodity price risk.

The estimated potential one-day loss from the Group's foreign currency and interest rate risk sensitive instruments, as calculated using the above described historic VaR model, is as follows:

In millions of CHF	2008	2007
Foreign currency	9	15
Interest rate	19	44
Foreign currency and interest rate combined	14	41

The estimated potential one-day loss from the Group's commodity price risk sensitive instruments, as calculated using the above described historic VaR model, is as follows:

In millions of CHF	2008	2007
Commodity price	16	2

20.7 Capital risk management

The Group's capital management is driven by the impact on shareholders of the level of total capital employed. It is the Group's policy to maintain a sound capital base to support the continued development of its business.

The Board of Directors seeks to maintain a prudent balance between different components of the Group's capital. The ALMC monitors capital on the basis of operating cash flow as a percentage of net financial debt. Net financial debt is defined as current and non-current financial liabilities less liquid assets, as shown on the Consolidated balance sheet.

The operating cash flow-to-net financial debt ratio highlights the ability of a business to repay its debts. As at 31 December 2008, the ratio was 73.7% (2007: 63.5%).

The Group's subsidiaries have complied with local statutory capital requirements as appropriate.

21. Equity

21.1 Share capital issued

The ordinary share capital of Nestlé S.A. authorised, issued and fully paid is composed of 3 830 000 000 registered shares with a nominal value of CHF 0.10 each (2007: 393 072 500 registered shares with a nominal value of CHF 1.– each). Each share confers the right to one vote. No shareholders may be registered with the right to vote for shares which it holds, directly or indirectly, in excess of 5% of the share capital. Shareholders have the right to receive dividends.

The share capital changed twice in the last two financial years as a consequence of the Share Buy-Back Programmes launched in 2005 and 2007. The cancellation of shares was approved at the Annual General Meetings of 19 April 2007 and 10 April 2008. In 2007, the share capital was reduced by 7 663 200 shares from CHF 401 million to CHF 393 million. In 2008, the share capital was further reduced by 10 072 500 shares from CHF 393 million to CHF 383 million.

Additionally, the shareholders gave their assent at the last Annual General Meeting to a 1-for-10 share split and respective increase of the number of shares. This split aims to increase the liquidity and tradability of the Nestlé S.A. shares. As a consequence, the nominal value of the shares was reduced from CHF 1.– to CHF 0.10.

21.2 Conditional share capital

The conditional capital of Nestlé S.A. amounts to CHF 10 million as in the preceding year. It confers the right to increase the ordinary share capital, through the exercise of conversion or option rights in connection with debentures and other financial market instruments, by a maximum of CHF 10 million by the issue of a maximum of 100 000 000 registered shares with a nominal value of CHF 0.10 each. 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 debentures.

21.3 Treasury shares

Number of shares	Notes	2008	2007 [a]
Purpose of holding			
Trading		9 501 554	18 727 050
Share Buy-Back Programme		165 824 000	82 940 000
Warrants on Turbo bond issue of Nestlé Holdings Inc., USA	19	–	17 030 590
Management option rights	17	22 326 896	27 374 110
Restricted Stock Units	17	9 443 950	10 771 260
Freely available for future Long-Term Incentive Plans		7 296 360	11 164 410
		214 392 760	**168 007 420**

[a] 2007 comparatives have been restated following 1-for-10 share split effective on 30 June 2008.

At 31 December 2008, the market value of the treasury shares held by the Group is CHF 8919 million (2007: CHF 8736 million).

21.4 Number of shares outstanding

		Shares issued	Treasury shares	Outstanding shares
2007 [a]	At 1 January 2007	4 007 357 000	(170 136 260)	**3 837 220 740**
	Purchase of treasury shares		(104 326 920)	**(104 326 920)**
	Sale of treasury shares		8 662 660	**8 662 660**
	Treasury shares delivered in respect of options exercised		15 313 170	**15 313 170**
	Treasury shares delivered in respect of equity compensation plans		575 830	**575 830**
	Treasury shares exchanged for warrants		5 272 100	**5 272 100**
	Treasury shares cancelled	(76 632 000)	76 632 000	–
	At 31 December 2007	**3 930 725 000**	**(168 007 420)**	**3 762 717 580**
2008	Purchase of treasury shares		(183 809 000)	**(183 809 000)**
	Sale of treasury shares		9 575 506	**9 575 506**
	Treasury shares delivered in respect of options exercised		5 740 284	**5 740 284**
	Treasury shares delivered in respect of equity compensation plans		4 502 290	**4 502 290**
	Treasury shares exchanged for warrants		16 880 580	**16 880 580**
	Treasury shares cancelled	(100 725 000)	100 725 000	–
	At 31 December 2008	**3 830 000 000**	**(214 392 760)**	**3 615 607 240**

[a] 2007 comparatives have been restated following 1-for-10 share split effective on 30 June 2008.

21.5 Translation reserve

The translation reserve comprises the cumulative gains and losses arising from translating the financial statements of foreign operations that use functional currencies other than Swiss francs. It also includes the changes in the fair value of hedging instruments used for net investments in foreign operations.

21.6 Retained earnings and other reserves

Retained earnings represent the cumulative profits, share premium, as well as actuarial gains and losses on defined benefit plans attributable to shareholders of the parent. Other reserves comprise the fair value reserve and the hedging reserve attributable to shareholders of the parent.

The fair value reserve includes the gains and losses on remeasuring available-for-sale financial instruments. At 31 December 2008, it amounts to CHF 79 million (2007: CHF 436 million).

The hedging reserve consists of the effective portion of the gains and losses on hedging instruments related to hedged transactions that have not yet occurred. At 31 December 2008, the reserve is negative of CHF 378 million (2007: negative of CHF 21 million).

21.7 Minority interests

The minority interests comprise the portion of equity of subsidiaries that are not owned, directly or indirectly, by Nestlé S.A. A significant portion of minority interests relates to Alcon.

21.8 Dividend

The dividend related to 2007 was paid on 16 April 2008 in conformity with the decision taken at the Annual General Meeting on 10 April 2008. Shareholders approved the proposed dividend of CHF 12.20 per share, resulting in a total dividend of CHF 4573 million.

Dividends payable are not accounted for until they have been ratified at the Annual General Meeting. At the meeting on 23 April 2009, a dividend of CHF 1.40 per share will be proposed, resulting in a total dividend of CHF 5127 million. For further details, refer to the Financial Statements of Nestlé S.A.

The Financial Statements for the year ended 31 December 2008 do not reflect this proposed distribution, which will be treated as an appropriation of profit in the year ending 31 December 2009.

22. Cash flow statement

22.1 Non-cash items of income and expense

In millions of CHF	2008	2007
Share of results of associates	(1 005)	(1 280)
Depreciation of property, plant and equipment	2 625	2 620
Impairment of property, plant and equipment	248	225
Impairment of goodwill	561	251
Depreciation of intangible assets	624	591
Impairment of intangible assets	1	6
Net result on disposal of businesses	(9 252)	(259)
Net result on disposal of assets	186	(206)
Non-cash items in financial assets and liabilities	(759)	(113)
Deferred taxes	(1 090)	156
Taxes on equity items	1 454	(140)
Equity compensation plans	250	246
	(6 157)	**2 097**

22.2 Decrease/(increase) in working capital

In millions of CHF	2008	2007
Inventories	(1 523)	(1 001)
Trade receivables	13	(108)
Trade payables	78	968
Other current assets	(870)	(363)
Other current liabilities	515	586
	(1 787)	**82**

22.3 Variation of other operating assets and liabilities

In millions of CHF	2008	2007
Variation of employee benefits assets and liabilities	(824)	(213)
Variation of provisions	638	146
Other	(158)	(55)
	(344)	**(122)**

22.4 Purchase of treasury shares

In 2008, the Group invested CHF 8685 million on its Share Buy-Back Programme (2007: CHF 4405 million).

22.5 Cash and cash equivalents at end of period

In millions of CHF	2008	2007
Cash at bank and in hand	1 855	2 610
Time deposits [a]	3 174	3 039
Commercial paper [a]	806	945
	5 835	**6 594**

[a] With original maturity of less than three months

22.6 Interest, taxes and dividends

The following items are allocated to the appropriate headings in the cash flow statement:

In millions of CHF	2008	2007
Interest paid	(1 138)	(1 352)
Interest received	231	564
Taxes paid	(3 207)	(3 072)
Dividends paid	(4 981)	(4 363)
Dividends received	399	404

23. Acquisition of businesses

In millions of CHF	2008	2007
Fair value of net assets acquired		
Property, plant and equipment	137	533
Intangible assets	243	3 610
Other assets	53	3 065
Minority interests	(2)	(2)
Purchase of minority interests in existing participations	23	130
Financial liabilities	(21)	(78)
Employee benefits, deferred taxes and provisions	(55)	(1 125)
Other liabilities	(54)	(1 586)
	324	**4 547**
Goodwill [a]	515	6 903
Total acquisition cost	**839**	**11 450**
Cash and cash equivalents acquired	(37)	(132)
Consideration payable	(21)	(132)
Payment of consideration payable on prior years acquisition	156	46
Cash outflow on acquisitions	**937**	**11 232**

[a] Of which CHF 95 million (2007: CHF 1006 million) resulting from Alcon's acquisition of own shares to satisfy obligations under the stock option plan of Alcon employees and for shares buy-back programme.

Since the valuation of the assets and liabilities of businesses acquired during the period is still in process, the above values are determined provisionally. Adjustments of values determined provisionally in the preceding year are not significant. The carrying amounts of assets and liabilities determined in accordance with IFRSs immediately before the combination do not differ significantly from those disclosed above except for internally generated intangible assets and goodwill which were not recognised. The goodwill represents elements that cannot be recognised as intangible assets such as synergies, complementary market share and competitive position.

The sales and the profit for the period are not significantly impacted by acquisitions.

24. Disposal of businesses

In millions of CHF	2008	2007
Net assets disposed of		
Property, plant and equipment	92	81
Goodwill and intangible assets	84	139
Other assets	176	297
Minority interests	1 554	(29)
Financial liabilities	(61)	(18)
Employee benefits, deferred taxes and provisions	(5)	36
Other liabilities	(102)	(244)
	1 738	**262**
Profit/(loss) on current year disposals	9 252	259
Total disposal consideration	**10 990**	**521**
Cash and cash equivalents disposed of	(20)	(30)
Consideration receivable	(5)	(41)
Receipt of consideration receivable on prior years disposal	34	6
Cash inflow on disposals	**10 999**	**456**

Disposal of Alcon

On 7 July 2008, the Group sold 24.8% of Alcon outstanding capital to Novartis for a total amount of USD 10.4 billion, resulting in a profit on disposal of CHF 9208 million and in an increase of minority interests of CHF 1537 million. Alcon remains fully consolidated.

The agreement further includes the option for Novartis to acquire Nestlé's remaining shareholding in Alcon at a price of USD 181.– per share from January 2010 until July 2011. During the same period, Nestlé will have the option to sell its remaining shareholding in Alcon to Novartis at the lower of either the call price of USD 181.– per share or the average share price during the week preceding the exercise plus a premium of 20.5%. In accordance with IFRS requirements under IAS 39 – Financial Instruments: Recognition and Measurement, contracts between a buyer and a seller in a business combination to buy or sell a business at a later date, are exempt from recognition. Therefore, the outstanding put and call options have not been recognised.

25. Lease commitments

25.1 Operating leases

Lease commitments refer mainly to buildings, industrial equipment, vehicles and IT equipment.

In millions of CHF	2008	2007
	Minimum lease payments	
	Future value	
Within one year	609	559
In the second year	487	425
In the third to the fifth year inclusive	918	859
After the fifth year	524	571
	2 538	**2 414**

25.2 Finance leases

In millions of CHF	2008		2007	
	Minimum lease payments			
	Present value	Future value	Present value	Future value
Within one year	65	67	78	88
In the second year	54	64	100	120
In the third to the fifth year inclusive	101	139	146	208
After the fifth year	74	181	122	264
	294	**451**	**446**	**680**

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

26. Transactions with related parties

26.1 Compensation of the Board of Directors and the Executive Board

Board of Directors

With the exception of the Chairman and the CEO, members of the Board of Directors receive an annual compensation that varies with the Board and the Committee responsibilities as follows:

– Board members: CHF 280 000;
– members of the Chairman's and Corporate Governance Committee: additional CHF 200 000;
– members of the Compensation Comittee: additional CHF 40 000 (Chair CHF 100 000);
– members of the Nomination Committee: additional CHF 40 000 (Chair CHF 100 000); and
– members of the Audit Committee: additional CHF 100 000 (Chair CHF 150 000).

Half of the compensation is paid through the granting of Nestlé S.A. shares at the ex-dividend closing price on the day of payment of the dividend. These shares are subject to a two-year blocking period.

With the exception of the Chairman and the CEO, members of the Board of Directors also receive an annual expense allowance of CHF 15 000 each. This allowance covers travel and hotel accommodation in Switzerland, as well as sundry out-of-pocket expenses. For Board members from outside Europe, the Company reimburses additionally the airline tickets. When the Board meets outside of Switzerland, all expenses are borne and paid directly by the Company.

The Chairman is entitled to a salary, a bonus and Long-Term Incentives.

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), share options, restricted stock units and other benefits. Members of the Executive Board can choose to receive part or all of their bonus in Nestlé S.A. shares at the average closing price of the last ten trading days of January of the year of allocation. These shares are subject to a three-year blocking period.

	2008		2007	
	Number	CHF millions	Number (a)	CHF millions
Board of Directors				
Chairman's compensation (b)		14		
Other Board members				
Remuneration cash		3		3
Shares	50 320	2	58 750	3
Executive Board				
Remuneration cash		14		15
Bonus		8		6
Shares	100 741	3	245 170	10
Options (c)	499 000	4	1 155 000	8
Restricted Stock Units (c)	153 200	7	242 500	11
Pension contributions		5		5

(a) 2007 comparatives have been restated following 1-for-10 share split effective on 30 June 2008.
(b) Refer to Note 25 of the Financial Statements of Nestlé S.A.
(c) Both options and Restricted Stock Units are equity-settled share-based payment transactions whose cost is recognised over the vesting period.

26.2 Intra-Group transactions and transactions with associated companies

Intra-Group transactions are eliminated on consolidation:

- when it is between the parent and the fully consolidated affiliates or between fully consolidated affiliates; or
- in proportion to the Nestlé participation in the equity of the joint ventures (usually 50%) when it is between the parent and the joint ventures, or between fully consolidated affiliates and joint ventures.

There were no significant transactions between the Group companies and associated companies.

26.3 Other transactions

Nestlé Capital Management Ltd, one of the Group's subsidiaries, is an asset manager authorised and regulated by the Financial Services Authority, in the United Kingdom. As from 2007, it is engaged to manage some of the assets of the Group's pension funds. In this function, it executes trading and investment transactions on behalf of these pension funds directly or for the Robusta Funds. The fees received in 2008 for those activities amounted to CHF 14 million (2007: CHF 13 million). The assets under direct management represented an amount of CHF 6.5 billion at 31 December 2008 (2007: CHF 8.4 billion).

In addition, Robusta Asset Management Ltd (RAML), another Group's subsidiary, is in charge of selecting and monitoring investment managers for the Robusta Funds pension investment vehicles. No fees are charged by RAML for this activity. The assets under supervision of RAML, including assets under direct management of Nestlé Capital Management Ltd (CHF 4.6 billion), amounted to CHF 8 billion at 31 December 2008 (2007: CHF 10.6 billion).

Furthermore, throughout 2008, no director had a personal interest in any transaction of significance for the business of the Group.

27. Joint ventures

In millions of CHF	2008	2007
Share of assets and liabilities consolidated in the balance sheet		
Total current assets	862	834
Total non-current assets	1 058	956
Total current liabilities	1 263	1 097
Total non-current liabilities	149	152
Share of income and expenses consolidated in the income statement		
Total sales	2 820	2 692
Total expenses	(2 528)	(2 437)

28. Guarantees

The Group has not given significant guarantees to third parties.

29. Group risk management

The Nestlé Group Enterprise Risk Management Framework (ERM) is designed to identify, communicate, and mitigate risks in order to minimise their potential impact on the Group. Nestlé Group Risk Services developed the ERM and its implementation approach, and is responsible for managing the ERM today. The complexity of the Nestlé Group requires a two-tiered (centralised and decentralised) approach to the evaluation of risk. To allow for this complexity, the ERM has been developed using both "Top-Down" and "Bottom-Up" assessments. Implementation of this Framework has allowed the Group to achieve the following objectives:

- evaluation of all types of risks (e. g. financial, reputation, legal and compliance, security, environmental);
- development of a common language for communicating and consolidating risk; and
- prioritisation and identification of where to focus management resources and activity.

The "Top-Down" assessment occurs annually and focuses on the Group's global risk portfolio. It involves the aggregation of individual "Top-Down" assessments of Zones, Globally Managed Businesses, and selected markets. It is intended to provide a high-level mapping of Group risk and allow Group Management to make sound decisions on the future operations of the Company. Risk assessments are the responsibility of line management; this applies equally to a business, a market or a function, and any mitigating actions identified in the assessments are the responsibility of the individual line management. If a Group-level intervention is required, responsibility for mitigating actions will generally be determined by the Executive Board.

The "Bottom-Up" process includes assessments performed at an individual component level (business unit, function, department or project). The reason for performing these component level risk assessments is to highlight localised issues where risks can be mitigated quickly and efficiently. The timing of these assessments varies, and any mitigating actions required are the responsibility of the line management of the individual component unit.

Overall Group ERM reporting combines the total results of the "Top-Down" assessment and the compilations of the individual "Bottom-Up" assessments. The results of the Group ERM are presented to the Executive Board and Audit Committee annually. In the case of an individual risk assessment identifying a risk which requires action at Group level, an ad hoc presentation is made to the Executive Board.

Financial risks management is described in more details in Note 20.

30. Events after the balance sheet date

At 18 February 2009, date of approval of the Financial Statements by the Board of Directors, the Group had no subsequent events that warrant a modification of the value of the assets and liabilities or an additional disclosure.

31. Group companies

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

32. Restatement of 2007 comparatives following first application of IFRIC 14

In millions of CHF

	As originally published	First application of IFRIC 14	Restated
At 1 January 2007			
Employee benefits assets	343	1 026	**1 369**
Deferred tax liabilities	706	233	**939**
Total equity attributable to shareholders of the parent	50 991	793	**51 784**
At 31 December 2007			
Employee benefits assets	811	702	**1 513**
Deferred tax liabilities	1 398	160	**1 558**
Total equity attributable to shareholders of the parent	52 085	542	**52 627**
Statement of recognised income and expense for the year ended 31 December 2007			
Actuarial gains/(losses) on defined benefit schemes	597	(324)	**273**
Taxes on equity items	(213)	73	**(140)**

The first application of this interpretation did not affect the profit for the period nor earnings per share.

Report of the Statutory auditor on the Consolidated Financial Statements

to the General Meeting of Nestlé S.A.

As Statutory auditor we have audited the Consolidated Financial Statements (income statement, balance sheet, cash flow statement, statement of recognised income and expense, changes in equity and notes on pages 3 to 76) of the Nestlé Group for the year ended 31 December 2008.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the Consolidated Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the Consolidated Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Consolidated Financial Statements for the year ended 31 December 2008 give a true and fair view of the financial position, the result of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of Consolidated Financial Statements according to the instructions of the Board of Directors.

We recommend that the Consolidated Financial Statements submitted to you be approved.

KPMG Klynveld Peat Marwick Goerdeler SA

Mark Baillache
Licensed Audit Expert
Auditor in charge

Stéphane Gard
Licensed Audit Expert

Zurich, 18 February 2009

Financial information – five year review

In millions of CHF (except for per share data and personnel)	2008		2007	
Results				
Sales	109 908		107 552	
EBIT Earnings Before Interest, Taxes, restructuring and impairments	15 676		15 024	
as % of sales	*14.3%*		*14.0%*	
Taxes	3 787		3 416	
Profit for the period attributable to shareholders of the parent (Net profit)	18 039		10 649	
as % of sales	*16.4%*		*9.9%*	
Total amount of dividend	5 127	(d)	4 573	
Depreciation of property, plant and equipment	2 625		2 620	
Balance sheet and Cash flow statement				
Current assets	33 048		35 770	
of which liquid assets	7 131		9 496	
Non-current assets	73 167		79 591	(c)
Total assets	106 215		115 361	(c)
Current liabilities	33 223		43 326	
Non-current liabilities	18 076		17 259	(c)
Equity attributable to shareholders of the parent	50 774		52 627	(c)
Minority interests	4 142		2 149	
Net financial debt	14 596		21 174	
Operating cash flow	10 763		13 439	
as % of net financial debt	*73.7%*		*63.5%*	
Free cash flow (e)	5 033		8 231	
Capital expenditure	4 869		4 971	
as % of sales	*4.4%*		*4.6%*	
Data per share (f)				
Weighted average number of shares outstanding	3 704 613 573		3 828 809 470	
Basic earnings per share from continuing operations	4.87		2.78	
Basic earnings per share from discontinued operations	–		–	
Equity attributable to shareholders of the parent	13.71		13.75	(c)
Dividend	1.40	(d)	1.22	
Pay-out ratio based on Total basic earnings per share	28.8%	(d)	43.9%	
Stock prices (high)	52.95		55.35	
Stock prices (low)	38.02		42.65	
Yield (g)	2.6/3.7	(d)	2.2/2.9	
Market capitalisation	**150 409**		**195 661**	
Number of personnel (in thousands)	**283**		**276**	

(a) 2005 comparatives restated following first application of the option of IAS 19 – Employee Benefits § 93A ss. and IFRIC 4 – Determining whether an Arrangement contains a Lease, as well as the decision to transfer the fresh cheese activities in Italy to Nestlé Nutrition.

(b) 2004 comparatives restated following first application of IFRS 2 – Share-based Payment and for the discontinued operation following the announcement made in December 2005 for the Chilled dairy activities in Europe.

(c) 2007 comparatives have been restated following first application of IFRIC 14.

2006	2005 (a)	2004 (b)	
			Results
98 458	91 115	84 690	Sales
13 302	11 876	10 760	EBIT Earnings Before Interest, Taxes, restructuring and impairments
13.5%	*13.0%*	*12.7%*	*as % of sales*
3 293	2 647	2 404	Taxes
9 197	8 081	6 621	Profit for the period attributable to shareholders of the parent (Net profit)
9.3%	*8.9%*	*7.8%*	*as % of sales*
4 004	3 471	3 114	Total amount of dividend
2 581	2 382	2 454	Depreciation of property, plant and equipment
			Balance sheet and Cash flow statement
35 305	41 765	35 285	Current assets
11 475	17 393	15 282	of which liquid assets
66 500	60 953	51 832	Non-current assets
101 805	102 718	87 117	Total assets
32 479	35 854	29 075	Current liabilities
16 478	17 796	17 743	Non-current liabilities
50 991	47 498	39 236	Equity attributable to shareholders of the parent
1 857	1 570	1 063	Minority interests
10 971	9 725	10 171	Net financial debt
11 676	10 205	10 412	Operating cash flow
106.4%	*104.9%*	*102.4%*	*as % of net financial debt*
7 018	6 557	6 640	Free cash flow (e)
4 200	3 375	3 260	Capital expenditure
4.3%	*3.7%*	*3.8%*	*as % of sales*
			Data per share (f)
3 848 010 890	3 888 125 640	3 884 499 570	Weighted average number of shares outstanding
2.37	2.08	1.70	Basic earnings per share from continuing operations
0.02	(0.00)	0.01	Basic earnings per share from discontinued operations
13.25	12.22	10.10	Equity attributable to shareholders of the parent
1.04	0.90	0.80	Dividend
43.5%	43.3%	46.9%	Pay-out ratio based on Total basic earnings per share
44.83	40.43	34.60	Stock prices (high)
35.50	29.83	27.60	Stock prices (low)
2.3/2.9	2.2/3.0	2.3/2.9	Yield (g)
166 152	**152 576**	**115 237**	**Market capitalisation**
265	**250**	**244**	**Number of personnel (in thousands)**

(d) As proposed by the Board of Directors of Nestlé S.A.

(e) Operating cash flow less capital expenditure, disposal of tangible assets, purchase and disposal of intangible assets, movements with associates as well as with minority interests.

(f) 2007 and prior years comparatives have been restated following 1-for-10 share split effective on 30 June 2008.

(g) Calculated on the basis of the dividend for the year concerned but which is paid in the following year.

Companies of the Nestlé Group

Operating companies

Principal affiliated [(a)] and associated companies which operate in the Food and Beverages business, with the exception of those marked with an asterisk * which are engaged in the pharmaceutical activities and with an ° which are engaged in the health and beauty activities.

[(a)] In the context of the SIX Swiss Exchange Directive on Information relating to Corporate Governance, the disclosure criteria are as follows:

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

Countries within the continents are listed according to the alphabetical order of the country names.
% capital shareholding corresponds to voting powers unless stated otherwise.

All companies listed below are fully consolidated unless stated otherwise.
1) Affiliated companies for which the method of proportionate consolidation is used.
2) Principal associated companies for which the equity method is used.

Δ Companies listed on the stock exchange
◊ Sub-holding, financial and property companies

Companies		City	% capital shareholdings	Currency	Capital
Austria					
Alcon Ophthalmika GmbH*		Wien	52.3%	EUR	36 336.42
C.P.A. Cereal Partners Handelsgesellschaft M.B.H. & Co. OHG	1)	Wien	50%	EUR	145 345.64
Nespresso Österreich GmbH & Co. OHG		Wien	100%	EUR	35 000.00
Nestlé Austria Holding GmbH	◊	Wien	100%	EUR	7 270 000.00
Nestlé Österreich GmbH		Wien	100%	EUR	3 000 000.00
Schöller Lebensmittel GmbH		Wien	100%	EUR	7 231 000.00
Belgium					
Centre de Coordination Nestlé S.A.	◊	Bruxelles	100%	EUR	3 298 971 818.45
Davigel Belgilux S.A.		Bruxelles	100%	EUR	1 487 361.15
N.V. Alcon Coordination Center*	◊	Puurs	52.3%	EUR	415 000 000.00
Nespresso Belgique S.A.		Bruxelles	100%	EUR	550 000.00
Nestlé Belgilux S.A.		Bruxelles	100%	EUR	8 924 200.00
Nestlé Catering Services N.V.		Bruxelles	100%	EUR	10 535 500.00
Nestlé Purina PetCare Belgilux SPRL		Bruxelles	100%	EUR	2 961 854.76
Nestlé Waters Benelux S.A.		Etalle	100%	EUR	19 924 000.00
S.A. Alcon-Couvreur N.V.*		Puurs	52.3%	EUR	4 491 830.67

	Companies		City	% capital shareholdings	Currency	Capital
Bosnia and Herzegovina						
	Nestlé Ice Cream B&H d.o.o. Bijeljina		Bijeljina	100%	BAM	2 432 357.00
	Nestlé Adriatic BH d.o.o.		Sarajevo	100%	BAM	2 000.00
Bulgaria						
	Alcon Bulgaria EOOD*		Sofia	52.3%	BGN	850 000.00
	Nestlé Ice Cream Bulgaria S.A.		Sofia	75.8%	BGN	37 524 118.00
	Nestlé Bulgaria A.D.		Sofia	100%	BGN	8 786 941.00
Croatia						
	Nestlé Adriatic doo		Zagreb	100%	HRK	14 685 500.00
Czech Republic						
	Alcon Pharmaceuticals (Czech Republic) s.r.o.*		Praha	52.3%	CZK	31 000 000.00
	Cereal Partners Czech Republic	1)	Praha	50%	CZK	23 100 000.00
	Nestlé Cesko s.r.o.		Praha	100%	CZK	1 154 000 000.00
Denmark						
	Alcon Danmark A/S*		Rodovre	52.3%	DKK	500 000.00
	Food Specialities A/S		Esbjerg	100%	DKK	15 000 000.00
	Nestlé Danmark A/S		Copenhagen	100%	DKK	42 000 000.00
Finland						
	Alcon Finland Oy*		Vantaa	52.3%	EUR	84 093.96
	Kotijäätelö Oy		Helsinki	100%	EUR	500 000.00
	Suomen Nestlé Oy		Helsinki	100%	EUR	10 000 000.00
France						
	Cereal Partners France SNC	1)	Noisiel	50%	EUR	3 000 000.00
	Davigel S.A.S.		Dieppe	100%	EUR	7 681 250.00
	Eau Minérale Naturelle de Plancoët «Source Sassay» S.A.S.		Plancoët	100%	EUR	430 028.00
	Galderma International SAS°	1)	Courbevoie	50%	EUR	931 905.00
	Herta S.A.S.		Noisiel	100%	EUR	12 908 610.00
	Houdebine S.A.S.		Pontivy	50%	EUR	726 000.00
	Laboratoires Galderma SAS°	1)	Alby-sur-Chéran	50%	EUR	14 015 000.00
Δ	L'Oréal S.A.°	2)	Paris	30.6%	EUR	127 923 282.00
	Listed on the Paris stock exchange, market capitalisation EUR 37.5 billion, quotation code (ISIN) FR0000120321					
	Laboratoires Alcon S.A.*		Rueil-Malmaison	52.3%	EUR	12 579 102.00
	Laboratoires Innéov SNC°	1)	Asnières	50%	EUR	500 000.00
	Lactalis Nestlé Produits Frais SAS	2)	Laval	40%	EUR	69 208 831.78
	Nespresso France S.A.S.		Paris	100%	EUR	1 360 000.00
	Nestlé Clinical Nutrition France S.A.S.		Noisiel	100%	EUR	57 943 072.00
	Nestlé Entreprises SAS	◊	Noisiel	100%	EUR	739 559 392.00
	Nestlé France S.A.S.		Noisiel	100%	EUR	129 130 560.00

Companies		City	% capital shareholdings	Currency	Capital
France (continued)					
Nestlé Grand Froid S.A.		Noisiel	100%	EUR	6 674 000.00
Nestlé HomeCare S.A.S.		Noisiel	100%	EUR	1 077 860.00
Nestlé Purina PetCare France S.A.S.		Rueil-Malmaison	100%	EUR	21 091 872.00
Nestlé Waters Direct France S.A.S.		Rungis	100%	EUR	8 864 000.00
Nestlé Waters France S.A.S.	◊	Issy-les-Moulineaux	100%	EUR	44 856 149.00
Nestlé Waters Marketing & Distribution		Issy-les-Moulineaux	100%	EUR	26 740 940.00
Nestlé Waters SAS	◊	Issy-les-Moulineaux	100%	EUR	154 893 080.00
Nestlé Waters Supply Centre		Issy-les-Moulineaux	100%	EUR	2 577 000.00
Nestlé Waters Supply Est		Issy-les-Moulineaux	100%	EUR	17 539 660.00
Nestlé Waters Supply Sud		Issy-les-Moulineaux	100%	EUR	8 130 105.17
S.A. des Eaux Minérales de Ribeauvillé		Ribeauvillé	100%	EUR	846 595.13
Schöller Glaces et Desserts S.A.S.		Vitry-sur-Seine	100%	EUR	104 400.00
Société de Bouchages Emballages Conditionnement Moderne	2)	Lavardac	50%	EUR	10 200 000.00
Société Française des Eaux Régionales	◊	Issy-les-Moulineaux	100%	EUR	1 490 098.00
Société Immobilière de Noisiel	◊	Noisiel	100%	EUR	22 753 550.00
Société Industrielle de Transformation de Produits Agricoles «SITPA» S.A.S.		Dijon	100%	EUR	9 718 000.00
Germany					
Alcon Pharma GmbH*		Freiburg/Breisgau	52.3%	EUR	511 291.88
Alois Dallmayr Kaffee OHG	2)	München	25%	EUR	10 250 000.00
C.P.D. Cereal Partners Deutschland GmbH & Co. OHG	1)	Frankfurt am Main	50%	EUR	511 291.88
Distributa Gesellschaft für Lebensmittel-Logistik mbH		Wildau	70%	EUR	515 000.00
Erlenbacher Backwaren GmbH		Gross-Gerau	100%	EUR	2 582 024.00
FUCATUS Vermietungsgesellschaft mbH & Co. Objekt Mainz OHG		Düsseldorf	100%	EUR	71 785.39
Galderma Laboratorium GmbH°	1)	Düsseldorf	50%	EUR	800 000.00
Herta GmbH		Herten	100%	EUR	51 129.19
Nespresso Deutschland GmbH		Düsseldorf	100%	EUR	25 000.00
Nestlé Deutschland AG		Frankfurt am Main	100%	EUR	214 266 628.49
Nestlé Pensionsfond AG	◊	Biessenhofen	100%	EUR	3 000 000.00
Nestlé Purina PetCare Deutschland GmbH		Euskirchen	100%	EUR	30 000.00
Nestlé Schöller GmbH & Co. KG		Nürnberg	100%	EUR	60 000 000.00
Nestlé Schöller Produktions GmbH		Nürnberg	100%	EUR	30 000.00
Nestlé Unternehmungen Deutschland GmbH	◊	Frankfurt am Main	100%	EUR	1 000 000.00
Nestlé Versorgungskasse GmbH	◊	Frankfurt am Main	100%	EUR	60 000.00
Nestlé Waters Deutschland AG		Mainz	100%	EUR	10 566 000.00
Nestlé Waters Direct Deutschland GmbH		Neuss	100%	EUR	31 000.00
PowerBar Europe GmbH		München	100%	EUR	25 000.00
Schöller Holding GmbH & Co. KG	◊	Nürnberg	100%	EUR	167 669 861.39
Trinks GmbH	2)	Goslar	34%	EUR	2 360 000.00
Trinks Süd GmbH	2)	München	34%	EUR	260 000.00

	Companies	City	% capital shareholdings	Currency	Capital
Germany (continued)					
	Wagner Tiefkühlprodukte GmbH	Nonnweiler	49%	EUR	511 291.88
	Nestlé acquired control, further financial investments subject to regulatory review				
Δ	WaveLight AG*	Erlangen	48.7%	EUR	6 577 026.00
	Listed on the Xetra stock exchange, market capitalisation EUR 0.1 billion, quotation code (ISIN) DE0005125603				
	WCO Kinderkost GmbH Conow	Conow	100%	EUR	26 000.00
Greece					
	Alcon Laboratories Hellas Commercial and Industrial S.A.*	Maroussi	52.3%	EUR	1 657 189.05
	C.P. Hellas E.E.I.G.	1) Maroussi	50%	EUR	146 735.14
	Makan Food Trade S.A.	Acharnes-Attica	100%	EUR	1 246 400.00
	Nestlé Hellas Ice Cream S.A.	Tavros-Attica	100%	EUR	12 655 458.00
	Nestlé Hellas S.A.	Maroussi	100%	EUR	18 656 726.00
Hungary					
	Alcon Hungary Pharmaceuticals Trading LLC*	Budapest	52.3%	HUF	75 000 000.00
	Cereal Partners Hungária Kft.	1) Budapest	50%	HUF	22 000 000.00
	Kékkúti Ásvànyvíz Rt.	Budapest	100%	HUF	238 326 000.00
	Nestlé Hungária Kft.	Budapest	100%	HUF	6 000 000 000.00
Italy					
	Acqua Claudia s.r.l.	Milano	99.6%	EUR	7 910 000.00
	Alcon Italia S.p.A.*	Milano	52.3%	EUR	1 300 000.00
	Fastlog S.p.A.	Milano	99.6%	EUR	154 935.00
	Galderma Italia S.p.A.°	1) Milano	50%	EUR	112 000.00
	Koiné S.p.A.	Madone (Bergamo)	50.9%	EUR	258 230.00
	Nespresso Italiana S.p.A.	Milano	100%	EUR	250 000.00
	Nestlé Italiana S.p.A.	Milano	100%	EUR	25 582 492.00
	Nestlé Vera s.r.l.	Castronovo di Sicilia, Palermo	100%	EUR	5 000 000.00
	Sanpellegrino S.p.A.	Milano	99.6%	EUR	58 742 145.00
Kazakhstan					
	Nestle Food Kazakhstan LLP	Almaty	100%	KZT	91 900.00
Lithuania					
	UAB “Nestlé Baltics”	Vilnius	100%	LTL	110 000.00
Luxemburg					
	Balkan Ice Cream Holding S.A.	◊ Luxemburg	100%	EUR	52 425 000.00
	Compagnie Financière du Haut-Rhin	◊ Luxemburg	100%	EUR	105 200 000.00
	Nestlé Finance International	◊ Luxemburg	100%	EUR	440 000.00
	Nestlé Waters Powwow European Investments Sàrl	◊ Luxemburg	100%	EUR	12 525.00
	NTC-Europe S.A.	◊ Luxemburg	100%	EUR	3 565 000.00

Companies		City	% capital shareholdings	Currency	Capital
Macedonia					
Nestlé Ice Cream A.D. Skopje		Skopje	100%	MKD	100 301 200.00
Nestlé Adriatik Makedonija d.o.o.e.l.		Skopje-Karpos	100%	MKD	306 700.00
Malta					
Nestlé Malta Ltd		Lija	100%	EUR	116 469.00
Netherlands					
Alcon Nederland B.V.*		Gorinchem	52.3%	EUR	18 151.21
East Springs International N.V.	◊	Amsterdam	100%	EUR	25 370 000.00
Nespresso Nederland B.V.		Amsterdam	100%	EUR	680 670.32
Nestlé Nederland B.V.		Amsterdam	100%	EUR	68 067 032.41
Nestlé Purina PetCare Nederland B.V.		Zwijndrecht	100%	EUR	18 152.00
Nestlé Waters Direct Netherlands B.V.		Zoetermeer	100%	EUR	1 606 430.00
Norway					
A/S Nestlé Norge		Sandvika	100%	NOK	81 250 000.00
Alcon Norge AS*		Oslo	52.3%	NOK	100 000.00
Hjem-IS A/S		Oslo	100%	NOK	2 250 000.00
Kaffeknappen Norge AS		Oslo	50%	NOK	100 000.00
Poland					
Alcon Polska Sp. z o.o.*		Warszawa	52.3%	PLN	750 000.00
Cereal Partners Poland Torun-Pacific Sp. z o.o.	1)	Torun	50%	PLN	14 572 838.00
Nestlé Polska S.A.		Warszawa	100%	PLN	50 000 000.00
Nestlé Waters Polska S.A.		Warszawa	100%	PLN	46 100 000.00
Z.L. Uzdrowisko Naleczów S.A.		Naleczów	99.9%	PLN	10 634 160.00
Alima-Gerber S.A.		Warszawa	100%	PLN	57 075 370.00
Portugal					
Alcon Portugal-Produtos e Equipamentos Oftalmologicos, Ltda.*		Paço d'Arcos	52.3%	EUR	4 500 000.00
Cereal Associados Portugal A.E.I.E.	1)	Oeiras	50%	EUR	99 759.58
Nestlé Portugal S.A.		Linda-a-Velha	100%	EUR	30 000 000.00
Nestlé Waters Direct Portugal - Comérico e Distribuiçao de Produtos Alimentares S.A.		S. João da Talha	100%	EUR	1 000 000.00
Prolacto-Lacticinios de Sao Miguel S.A.		Ponta Delgada	100%	EUR	700 000.00
Republic of Ireland					
Alcon Lab. Ireland Limited*		Cork	52.3%	EUR	192 501.00
Nestlé (Ireland) Ltd		Dublin	100%	EUR	3 530 600.00
Romania					
Alcon Romania SRL*		Bucharest	52.3%	RON	3 291 000.00
Nestlé Ice Cream Romania S.R.L.		Clinceni	100%	RON	49 547 943.00
Nestlé Romania SRL		Bucharest	100%	RON	30 783 700.00

Companies		City	% capital shareholdings	Currency	Capital
Russia					
Alcon Farmacevtika LLC*		Moscow	52.3%	RUB	44 055 000.00
Aqua Star LLC		Kostroma	100%	RUB	100 583 571.12
Cereal Partners Trading, LLC	1)	Moscow	50%	RUB	5 000 000.00
Cereals Partners LLC	1)	Perm	50%	RUB	15 420 000.00
Nestlé Food LLC		Moscow	100%	RUB	568 507 372.00
Nestlé Kuban, LLC		Timashevsk	100%	RUB	48 675.00
Nestle Rossiya		Moscow	100%	RUB	668 380 775.77
Nestlé Watercoolers Service		Moscow	100%	RUB	20 372 925.50
OJSC "Confectionery Union Rossiya"		Samara	100%	RUB	49 350 000.00
OJSC Confectionery Firm "Altai"		Barnaul	100%	RUB	167 000.00
Schöller Eiscrem GmbH		Moscow	100%	RUB	750 217.00
Torgovyj Dom Ruzanna LLC		Moscow	100%	RUB	10 000.00
Serbia					
Nestlé Ice Cream Srbija A.D. Beograd		Beograd	99.1%	RSD	2 097 324 193.00
Nestlé Adriatic Foods doo		Beograd	100%	RSD	52 022 596.00
Slovakia					
Cereal Partners Slovak Republic s.r.o	1)	Prievidza	50%	SKK	5 000 000.00
Nestlé Slovensko s.r.o.		Bratislava	100%	SKK	400 000 000.00
Spain					
Alcon Cusi S.A.*		El Masnou (Barcelona)	52.3%	EUR	11 599 783.00
Aquarel Iberica S.A.		Barcelona	100%	EUR	300 505.00
Cereal Partners España A.E.I.E.	1)	Esplugues de Llobregat (Barcelona)	50%	EUR	120 212.42
Davigel España S.A.		Sant Just Desvern (Barcelona)	100%	EUR	984 000.00
Helados y Postres S.A.		Vitoria	100%	EUR	140 563 200.00
Innéov España S.A.°	1)	Madrid	50%	EUR	120 000.00
Laboratorios Galderma S.A.°	1)	Madrid	50%	EUR	432 480.00
Nestlé España S.A.		Esplugues de Llobregat (Barcelona)	100%	EUR	100 000 000.00
Nestle HealthCare Nutrition, S.A.		Esplugues de Llobregat (Barcelona)	100%	EUR	300 000.00
Nestlé PetCare España S.A.		Castellbisbal (Barcelona)	100%	EUR	12 000 000.00
Nestlé Waters España S.A.		Barcelona	100%	EUR	14 700 000.00
Productos del Café S.A.		Reus (Tarragona)	100%	EUR	6 600 000.00
Sweden					
Alcon Sverige AB*		Bromma	52.3%	SEK	100 000.00
Galderma Nordic AB°	1)	Bromma	50%	SEK	63 400 000.00
Jede AB		Mariestad	100%	SEK	7 000 000.00
Kaffeknappen AB		Stockholm	100%	SEK	100 000.00
Nestlé Sverige AB		Helsingborg	100%	SEK	20 000 000.00
Novartis Medical Nutrition (Sweden) AB		Tåby	100%	SEK	100 000.00

	Companies		City	% capital shareholdings	Currency	Capital
Switzerland						
	Alcon Credit Corporation*	◊	Hünenberg	52.3%	CHF	1 000 000.00
Δ	Alcon Inc.*	◊	Hünenberg	52.3%	CHF	60 944 541.00
	Listed on the New York stock exchange, market capitalisation USD 26.6 billion, quotation code (ISIN) CH0013826497					
	Alcon Pharmaceuticals Ltd*		Fribourg	52.3%	CHF	200 000.00
	Belté Schweiz AG		Urdorf	99.6%	CHF	3 100 000.00
	Beverage Partners Worldwide (Europe) AG	1)	Urdorf	50%	CHF	2 000 000.00
	Beverage Partners Worldwide S.A.	1) ◊	Urdorf	50%	CHF	14 000 000.00
	CP Suisse	1)	Vevey	50%	CHF	0.00
	CPW Operations Sàrl	1)	Prilly	50%	CHF	20 000.00
	Emaro S.A.	◊	Romanel-sur-Lausanne	100%	CHF	300 000.00
	Entreprises Maggi S.A.	◊	Cham	100%	CHF	100 000.00
	Galderma Pharma S.A.°	1) ◊	Lausanne	50%	CHF	48 900 000.00
	Galderma S.A.°	1)	Cham	50%	CHF	100 000.00
	Life Ventures S.A.	◊	La Tour-de-Peilz	100%	CHF	30 000 000.00
	Nestlé Business Services S.A.	◊	Bussigny-près-Lausanne	100%	CHF	100 000.00
	Nestlé Finance S.A.	◊	Cham	100%	CHF	30 000 000.00
	Nestlé International Travel Retail S.A.		Châtel-St-Denis	100%	CHF	3 514 000.00
	Nestlé Nespresso S.A.		Paudex	100%	CHF	2 000 000.00
	Nestlé Suisse S.A.		Vevey	100%	CHF	250 000.00
	Nestlé Waters (Suisse) S.A.		Henniez	100%	CHF	1 200 000.00
	Nestrade - Nestlé World Trade Corporation		La Tour-de-Peilz	100%	CHF	6 500 000.00
	NTC-Latin America S.A.	◊	Cham	100%	CHF	500 000.00
	Nutrition-Wellness Venture AG	◊	Zürich	100%	CHF	100 000.00
	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
	Société des Produits Nestlé S.A.		Vevey	100%	CHF	54 750 000.00
	Sofinol S.A.		Manno	100%	CHF	3 000 000.00
	Sources Minérales Henniez S.A.		Henniez	100%	CHF	5 000 000.00
Turkey						
	Alcon Laboratuvarlari Ticaret A.S.*		Istanbul	52.3%	TRY	25 169 000.00
	Cereal Partners Gida Ticaret Limited Sirketi	1)	Istanbul	50%	TRY	20 000.00
	Erikli Dagitim Ve Pazarlama A.S.		Bursa	60%	TRY	3 849 975.00
	Erikli Su Ve Mesrubat Sanayi Ticaret A.S.		Bursa	60%	TRY	12 700 000.00
	Nestlé Turkiye Gida Sanayi A.S.		Istanbul	99.9%	TRY	35 000 000.00
	Nestlé Waters Gida Ve Mesrubat Sanayi Ticaret A.S.		Bursa	55%	TRY	8 000 000.00
Ukraine						
	JSC “Lviv Confectionery Firm Svitoch”		Lviv	96.9%	UAH	88 111 060.00
	LLC Nestlé Ukraine		Kyiv	100%	USD	150 000.00
	OJSC Volynholding		Torchyn	90.5%	UAH	100 000.00

Companies		City	% capital shareholdings	Currency	Capital
United Kingdom					
Alcon Laboratories (UK) Ltd*		Hemel Hempstead	52.3%	GBP	3 100 000.00
Buxton Mineral Water Ltd		Rickmansworth	100%	GBP	14 000 000.00
Cereal Partners U.K.	1)	Welwyn Garden	50%	GBP	0.00
Galderma (U.K.) Ltd°	1)	Watford	50%	GBP	1 500 000.00
Nespresso UK Ltd		Croydon	100%	GBP	275 000.00
Nestec York Ltd		York	100%	GBP	500 000.00
Nestlé Holdings (U.K.) PLC	◊	Croydon	100%	GBP	77 940 000.00
Nestlé Purina PetCare (UK) Ltd		New Malden	100%	GBP	24 000 000.00
Nestlé UK Ltd		Croydon	100%	GBP	130 000 000.00
Nestlé Watercoolers UK Ltd		Rickmansworth	100%	GBP	3 000 000.00
Nestlé Waters Powwow (U.K.) Holdings Ltd	◊	Croydon	100%	GBP	6 500 002.00
Nestlé Waters Powwow Ltd		Croydon	100%	GBP	640.00
Nestlé Waters UK Ltd		Rickmansworth	100%	GBP	14 000 000.00
Raw Products Ltd		Croydon	100%	GBP	200 000.00
Schöller Ice-Cream Ltd		Guildford	100%	GBP	1 584 626.00
Uzbekistan					
Nestlé Uzbekistan MChJ		Namangan	98%	USD	32 200 000.00

	Companies	City	% capital shareholdings	Currency	Capital
Africa					
Angola					
	Nestlé Angola Lda	Luanda	99%	AOA	23 760 000.00
Cameroon					
	Nestlé Cameroun	Douala	100%	XAF	650 000 000.00
Egypt					
	Nestlé Egypt S.A.E.	Cairo	100%	EGP	80 722 000.00
	Nestlé Waters Egypt S.A.E.	Cairo	99.7%	EGP	81 500 000.00
	Nestlé Waters Distribution S.A.E.	Cairo	51%	EGP	15 200 000.00
Gabon					
	Nestlé Gabon	Libreville	90%	XAF	344 000 000.00
Ghana					
	Nestlé Central & West Africa Ltd	Accra	100%	USD	50 000.00
	Nestlé Ghana Ltd	Accra	76%	GHS	100 000.00
Guinea					
	Nestlé Guinée S.A.	Conakry	99%	GNF	3 424 000 000.00
Côte d'Ivoire					
Δ	Nestlé Côte d'Ivoire	Abidjan	86.5%	XOF	5 517 600 000.00
	Listed on the Abidjan stock exchange, market capitalisation XOF 75 billion, quotation code (ISIN) CI0000000029				
Kenya					
	Nestlé Foods Kenya Ltd	Nairobi	100%	KES	37 145.00
	Nestle Equatorial African Region (EPZ) Limited	Nairobi	100%	KES	24 000 000.00
Mauritius					
	Nestlé's Products (Mauritius) Ltd	Port Louis	100%	BSD	71 500.00
	Nestlé SEA Trading Ltd	Port Louis	100%	USD	100.00
Morocco					
	Nestlé Maroc S.A.	El Jadida	94.5%	MAD	156 933 000.00
Mozambique					
	Nestlé Mozambique Limitada	Maputo	100%	MZN	4 000.00
Niger					
	Nestlé Niger	Niamey	80%	XOF	50 000 000.00

	Companies	City	% capital shareholdings	Currency	Capital
Nigeria					
Δ	Nestlé Nigeria PLC	Ilupeju-Lagos	62.3%	NGN	330 273 437.50
	Listed on the Lagos stock exchange, market capitalisation NGN 126.5 billion, quotation code (ISIN) NG00000NSTL3				
Senegal					
	Nestlé Sénégal	Dakar	100%	XOF	1 620 000 000.00
South Africa					
	Alcon Laboratories (South Africa) (Pty) Ltd*	Randburg	52.3%	ZAR	201 820.00
	Nestlé (South Africa) (Pty) Ltd	Randburg	100%	ZAR	53 400 000.00
	Nestlé Waters (South Africa) (Pty) Ltd	Randburg	100%	ZAR	1 000.00
Tunisia					
	Nestlé Tunisie	Tunis	59.2%	TND	8 438 280.00
Zimbabwe					
	Nestlé Zimbabwe (Pvt) Ltd	Harare	100%	ZWD	7 000 000.00

Companies		City	% capital shareholdings	Currency	Capital
## Americas					
Argentina					
Alcon Laboratorios Argentina S.A.*		Buenos Aires	52.3%	ARS	978 145.00
Dairy Partners Americas Argentina S.A.	1)	Buenos Aires	50%	ARS	98 800.00
Dairy Partners Americas Manufacturing Argentina S.A.	1)	Buenos Aires	50%	ARS	150 000.00
Eco de Los Andes S.A.		Buenos Aires	50.9%	ARS	92 524 285.00
Nestlé Argentina S.A.		Buenos Aires	99.7%	ARS	9 000 000.00
Nestlé Waters Argentina		Buenos Aires	100%	ARS	2 000 000.00
Union Sancor C.U.L./DPAA Union Transitoria de Empresas	2)	Buenos Aires	25%	ARS	1 000 000.00
Barbados					
Lacven Corporation	1) ◊	Barbados	50%	USD	65 179 195.00
Bermuda					
Centram Holdings Ltd	◊	Hamilton	100%	USD	12 000.00
DPA Manufacturing Holding Ltda	1) ◊	Hamilton	50%	USD	23 639 630.00
Trinity River Insurance Co. Ltd*	◊	Hamilton	52.3%	USD	120 000.00
Trinity River International Investments (Bermuda) Ltd*	◊	Hamilton	52.3%	USD	12 000.00
Bolivia					
Nestlé Bolivia S.A.		Santa Cruz de la Sierra	100%	BOB	191 900.00
Brazil					
Alcon Laboratorios do Brasil Ltda.*		São Paulo	52.3%	BRL	7 729 167.00
Chocolates Garoto S.A.		Vila Velha-ES	100%	BRL	161 450 000.00
CPW Brasil Ltda.	1)	Cacapava/São Paulo	50%	BRL	7 885 520.00
Dairy Partners Americas Brasil Ltda.	1)	São Paulo	50%	BRL	27 606 368.00
Dairy Partners Americas Manufacturing Brasil Ltda.	1)	Feira de Santana	50%	BRL	100 000.00
Galderma Brasil Limitada°	1)	São Paulo	50%	BRL	19 741 602.00
Nestec BDG Alimentos e Bebidas Ltda.		São Paulo	100%	BRL	1 000.00
Nestlé Brasil Ltda.		São Paulo	100%	BRL	468 208 970.00
Nestlé Nordeste Alimentos e Bebidas Ltda.		Feira de Santana	100%	BRL	12 713 641.00
Nestlé Waters Brasil - Bebidas e Alimentos Ltda.		São Paulo	100%	BRL	87 248 341.00
Ralston Purina do Brasil Ltda.		Ribeirão Preto	77%	BRL	79 473 771.00
Socopal Soc Coml de Corretagem de Seguros e Part. Ltda.		São Paulo	100%	BRL	2 155 600.00
Canada					
Alcon Canada Inc.*		Mississauga (Ontario)	52.3%	CAD	5 002 500.00
Galderma Canada Inc.°	1)	Thornhill (Ontario)	50%	CAD	100.00
Galderma Production Canada Inc.°	1)	Baie D'Urfé (Québec)	50%	CAD	100.00

Companies		City	% capital shareholdings	Currency	Capital
Canada (continued)					
Jenny Craig Weight Loss Centres (Canada) Company		Halifax (Nova Scotia)	100%	CAD	10 000.00
Nestlé Canada Inc.		Toronto (Ontario)	100%	CAD	29 478 000.00
Nestlé Capital Canada Ltd	◊	Toronto (Ontario)	100%	CAD	1 010.00
Nestlé Globe Inc.		Toronto (Ontario)	100%	CAD	106 000 100.00
Chile					
Aguas CCU - Nestlé Chile S.A.	2)	Santiago de Chile	20%	CLP	10 532 023 856.00
Alcon Laboratorios Chile Ltda.*		Santiago de Chile	52.3%	CLP	2 021 238 071.00
Cereales CPW Chile Ltda.	1)	Santiago de Chile	50%	CLP	3 026 156 114.00
Gerber Chile S.A.		Santiago de Chile	100%	CLP	3 959 016 618.00
Nestlé Chile S.A.		Santiago de Chile	99.5%	CLP	11 832 926 051.00
Nestlé Waters Chile S.A.		Santiago de Chile	100%	CLP	16 474 259 000.00
Comercializadora de Productos Nestlé S.A. (CPN)		Santiago de Chile	100%	CLP	1 000 000.00
Colombia					
Comestibles La Rosa S.A.		Bogotá	100%	COP	126 397 400.00
Dairy Partners Americas Manufacturing Colombia Ltda.	1)	Bogotá	50%	COP	200 000 000.00
Laboratorios Alcon de Colombia, S.A.*		Bogotá	52.3%	COP	20 872 000.00
Nestlé de Colombia S.A.		Bogotá	100%	COP	1 291 305 400.00
Nestlé Purina PetCare de Colombia S.A.		Bogotá	100%	COP	17 030 000 000.00
Costa Rica					
Compañía Nestlé Costa Rica S.A.		Barreal de Heredia	100%	CRC	36 682 500.00
Gerber Ingredients, Sociedad Anónima		San José	100%	CRC	10 000.00
Cuba					
Coralac S.A.		La Habana	60%	USD	6 350 000.00
Los Portales S.A.		La Habana	50%	USD	24 110 000.00
Dominican Republic					
Nestlé Dominicana S.A.		Santo Domingo	97.6%	DOP	48 500 000.00
Ecuador					
Ecuajugos S.A.	1)	Quito	50%	USD	232 000.00
Industrial Surindu S.A.		Quito	100%	USD	32 216 012.00
Nestlé Ecuador S.A.		Quito	100%	USD	1 776 760.00
Guatemala					
Nestlé Guatemala S.A.		Mixco	100%	GTQ	23 460 600.00
NZMP Guatemala S.A.		Mixco	99.9%	GTQ	1 968 800.00

Companies		City	% capital shareholdings	Currency	Capital
Honduras					
Nestlé Hondureña S.A.		Tegucigalpa	100%	PAB	200 000.00
Jamaica					
Nestlé Jamaica Ltd		Kingston	100%	JMD	49 200 000.00
Mexico					
Alcon Laboratorios, S.A. de C.V.*		México, D.F.	52.3%	MXN	5 915 300.00
Cereal Partners México, S.A. de C.V.	1)	México, D.F.	50%	MXN	500 000.00
CPW México S. de R.L. de C.V.	1)	México, D.F.	50%	MXN	43 138 000.00
Fundación Purina, S.C.	◊	México, D.F.	50%	MXN	0.00
Galderma México, S.A. de C.V.°	1)	México, D.F.	50%	MXN	2 385 000.00
Manantiales La Asunción, S.A.P.I. de C.V.		México, D.F.	51%	MXN	377 827 492.00
Marcas Nestlé, S.A. de C.V.		México, D.F.	100%	MXN	500 050 000.00
Nescalín, S.A. de C.V.	◊	México, D.F.	100%	MXN	445 826 740.00
Nestlé Distribución, S.A. de C.V.		México, D.F.	100%	MXN	130 050 000.00
Nestlé México, S.A. de C.V.		México, D.F.	100%	MXN	606 532 730.00
Productos Gerber, S.A. de C.V.		México, D.F.	100%	MXN	5 252 440.00
Ralston Purina Holdings México, S.A. de C.V.	◊	México, D.F.	100%	MXN	60 283 210.00
Ralston Purina México, S.A. de C.V.		México, D.F.	100%	MXN	9 257 111.80
Waters Partners Services México, S.A.P.I. de C.V.		México, D.F.	51%	MXN	600 000.00
Nicaragua					
Compañia Centroamericana de Productos Lácteos, S.A.		Matagalpa	92.4%	NIO	10 294 900.00
Nestlé Nicaragua, S.A.		Managua	100%	USD	150 000.00
Panama					
Alcon Centroamérica, S.A.*		Panamá City	52.3%	USD	1 000.00
Food Products (Holdings), S.A.	◊	Panamá City	100%	PAB	286 000.00
Lacteos de Centroamérica, S.A.		Panamá City	100%	USD	1 500 000.00
Nestlé Caribbean, Inc.		Panamá City	100%	PAB	100 000.00
Nestlé Panamá, S.A.		Panamá City	100%	PAB	17 500 000.00
Nestlé Products (Thailand), Inc.		Panamá City	100%	PAB	1 000 000.00
Unilac, Inc.	◊	Panamá City	100%	USD	750 000.00
Paraguay					
Nestlé Paraguay S.A.		Asunción	100%	PYG	100 000 000.00
Peru					
Alcon Pharmaceutical del Perú, S.A.*		Lima	52.3%	PEN	3 261 865.00
Nestlé Marcas Perú, S.A.C.		Lima	100%	PEN	1 000.00
Nestlé Perú, S.A.		Lima	97.9%	PEN	120 676 240.00

Companies		City	% capital shareholdings	Currency	Capital
Puerto Rico					
Alcon (Puerto Rico), Inc.*		Cataño	52.3%	USD	100.00
Gerber Products Company of Puerto Rico, Inc.		Carolina	100%	USD	100 000.00
Nestlé Puerto Rico, Inc.		Cataño	100%	USD	4 600 000.00
Payco Foods Corporation		Bayamon	100%	USD	9 260 000.00
SWIRL Corporation		Guaynabo	100%	USD	17 999 445.00
Salvador					
Nestlé El Salvador S.A. de C.V.		San Salvador	100%	SVC	39 000 000.00
Trinidad and Tobago					
Nestlé Caribbean, Inc.		Valsayn	100%	USD	100 000.00
Nestlé Trinidad and Tobago Ltd		Valsayn	100%	TTD	35 540 000.00
United States					
Alcon Capital Corporation*	◊	Wilmington (Delaware)	52.3%	USD	1 000.00
Alcon Holdings, Inc.*	◊	Wilmington (Delaware)	52.3%	USD	10.00
Alcon Laboratories, Inc.*		Wilmington (Delaware)	52.3%	USD	1 000.00
Alcon RefractiveHorizons, LLC*	◊	Wilmington (Delaware)	52.3%	USD	10.00
Beverage Partners Worldwide (North America)	1)	Wilmington (Delaware)	50%	USD	0.00
Checkerboard Holding Company, Inc.	◊	Wilmington (Delaware)	100%	USD	1 001.00
Dreyer's Grand Ice Cream Holdings, Inc.		Oakland (California)	100%	USD	10.00
Dreyer's Grand Ice Cream, Inc.		Oakland (California)	100%	USD	1.00
Falcon Pharmaceuticals, Ltd*		Wilmington (Delaware)	52.3%	USD	10.00
Galderma Laboratories, Inc.°	1)	Fort Worth (Texas)	50%	USD	981.00
Gerber Life Insurance Company		New York	100%	USD	148 500 000.00
Gerber Products Company		Fremont (Michigan)	100%	USD	0.00
Jenny Craig Holdings, Inc.	◊	Carlsbad (California)	100%	USD	3 000.00
Jenny Craig, Inc.	◊	Carlsbad (California)	100%	USD	3 000.00
Jenny Craig Operations, Inc.		Carlsbad (California)	100%	USD	0.00
Jenny Craig Weight Loss Centres, Inc.	◊	Carlsbad (California)	100%	USD	100.00
Nespresso USA, Inc.		Wilmington (Delaware)	100%	USD	1 000.00
Nestlé Capital Corporation	◊	Glendale (California)	100%	USD	1 000 000.00
Nestlé Holdings, Inc.	◊	Norwalk (Connecticut)	100%	USD	100 000.00
Nestlé Prepared Foods Company		Solon (Ohio)	100%	USD	476 760.00
Nestlé Purina PetCare Company		St. Louis (Missouri)	100%	USD	1 000.00
Nestlé Transportation Company	◊	Glendale (California)	100%	USD	100.00
Nestlé USA, Inc.		Glendale (California)	100%	USD	1 000.00
Nestlé Waters North America Holdings, Inc.	◊	Greenwich (Connecticut)	100%	USD	0.00
Nestlé Waters North America, Inc.		Wilmington (Delaware)	100%	USD	0.00
The Haagen-Dazs Shoppe Company, Inc.	◊	Minneapolis (Minnesota)	100%	USD	0.00
The Stouffer Corporation	◊	Solon (Ohio)	100%	USD	0.00
TSC Holdings, Inc.	◊	Glendale (California)	100%	USD	100 000.00

Companies		City	% capital shareholdings	Currency	Capital
Uruguay					
Nestlé del Uruguay S.A.		Montevideo	100%	UYU	200 000.00
Venezuela					
Alcon Pharmaceutical, C.A.*		Caracas	52.3%	VEF	2 366.00
Cadipro Milk Products, C.A.		Caracas	100%	VEF	9 505 123.00
Corporacíon Inlaca, C.A.	1)	Caracas	50%	VEF	6 584 590.00
Nestlé Venezuela, S.A.		Caracas	100%	VEF	516 590.00
Laboratorios Galderma Venezuela, S.A.°	1)	Caracas	50%	VEF	5 000.00

	Companies		City	% capital shareholdings	Currency	Capital
Asia						
Bangladesh						
	Nestlé Bangladesh Ltd		Dhaka	100%	BDT	100 000 000.00
Greater China Region						
	Alcon (China) Ophthalmic Product Co., Ltd*		Beijing	52.3%	USD	2 164 635.00
	Alcon Hong Kong Limited*		Hong Kong	52.3%	HKD	77 000.00
	Alcon Pharmaceuticals Taiwan Limited*		Taipei	52.3%	CHF	50 000.00
	Beverage Partners Worldwide (Pacific) Limited	1)	Hong Kong	50%	HKD	1 000 000.00
	Guangzhou Refrigerated Foods Limited		Guangzhou	96.4%	CNY	122 000 000.00
	Nestlé (China) Limited		Beijing	100%	CNY	250 000 000.00
	Nestlé Dairy Farm Guangzhou Limited		Guangzhou	95%	CNY	268 000 000.00
	Nestlé Dongguan Limited		Dongguan	100%	CNY	472 000 000.00
	Nestlé Hong Kong Limited		Hong Kong	100%	HKD	250 000 000.00
	Nestlé Hulunbeir Limited		Erguna	100%	CNY	55 000 000.00
	Nestlé Purina PetCare Tianjin Limited		Tianjin	100%	CNY	40 000 000.00
	Nestlé Qingdao Limited		Qingdao	100%	CNY	640 000 000.00
	Nestlé Shanghai Limited		Shanghai	95%	CNY	200 000 000.00
	Nestlé Shuangcheng Limited		Shuangcheng	97%	CNY	435 000 000.00
	Nestlé Sources Shanghai Limited		Shanghai	100%	CNY	211 000 000.00
	Nestlé Taiwan Limited		Taipei	100%	TWD	300 000 000.00
	Nestlé Tianjin Limited		Tianjin	100%	CNY	785 000 000.00
	Shanghai Fuller Foods Co. Limited		Shanghai	100%	CNY	384 000 000.00
	Shanghai Nestlé Product Services Limited		Shanghai	97%	CNY	83 000 000.00
	Shanghai Totole Food Limited		Shanghai	80%	USD	7 800 000.00
	Sichuan Haoji Food Co. Limited		Chengdu	80%	CNY	80 000 000.00
India						
	Alcon Laboratories (India) Private Limited*		Bangalore	52.3%	INR	29 953 380.00
Δ	Nestlé India Ltd		New Delhi	61.9%	INR	964 157 160.00
	Listed on the Mumbai stock exchange, market capitalisation INR 140.1 billion, quotation code (ISIN) INE239A01016					
	Speciality Foods India Pvt Ltd		New Delhi	100%	INR	140 000 000.00
Indonesia						
	P.T. Cereal Partners Indonesia	1)	Jakarta	50%	IDR	956 500 000.00
	P.T. Nestlé Indofood Citarasa Indonesia	1)	Jakarta	50%	IDR	50 000 000 000.00
	P.T. Nestlé Indonesia		Jakarta	90.2%	IDR	60 000 000 000.00
Iran						
	Nestlé Iran Private Joint Stock Company		Tehran	89.7%	IRR	358 538 000 000.00
Israel						
Δ	OSEM Investments Ltd		Shoham	53.8%	ILS	110 644 444.00
	Listed on the Tel-Aviv stock exchange, market capitalisation ILS 5 billion, quotation code (ISIN) IL0003040149					

	Companies		City	% capital shareholdings	Currency	Capital
Japan						
	Alcon Japan Ltd*		Tokyo	52.3%	JPY	500 000 000.00
	Nestlé Confectionery Ltd		Kobe	100%	JPY	10 000 000.00
	Nestlé Japan Ltd		Ibaraki	100%	JPY	20 000 000 000.00
	Nestlé Manufacturing Ltd		Kobe	100%	JPY	10 000 000.00
	Nestlé Purina PetCare Ltd		Kobe	100%	JPY	20 000 000.00
	Nestlé Nutrition K.K.		Kobe	100%	JPY	100 000 000.00
Jordan						
	Ghadeer Mineral Water Co. Ltd		Amman	75%	JOD	1 785 000.00
	Nestlé Jordan Trading Co. Ltd		Amman	87%	JOD	410 000.00
Kingdom of Bahrain						
	Nestlé Bahrain Trading WLL		Manama	49%	BHD	200 000.00
Kuwait						
	Nestlé Kuwait General Trading Co. W.L.L.		Safat	49%	KWD	300 000.00
Lebanon						
	Société des Eaux Minérales Libanaises S.A.L.		Hazmieh	100%	LBP	1 610 000 000.00
	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
Malaysia						
	Alcon Laboratories (Malaysia) Sdn. Bhd.*		Kuala Lumpur	52.3%	MYR	190 000.00
	Cereal Partners (Malaysia) Sdn. Bhd.	1)	Petaling Jaya	50%	MYR	1 025 000.00
Δ	Nestlé (Malaysia) Bhd.		Petaling Jaya	72.6%	MYR	234 500 000.00
	Listed on the Kuala Lumpur stock exchange, market capitalisation MYR 6.3 billion, quotation code (ISIN) MYL4707OO005					
	Nestlé Asean (Malaysia) Sdn. Bhd.		Petaling Jaya	72.6%	MYR	42 000 000.00
	Nestlé Manufacturing (Malaysia) Sdn. Bhd.		Petaling Jaya	72.6%	MYR	32 500 000.00
	Nestlé Products Sdn. Bhd.		Petaling Jaya	72.6%	MYR	25 000 000.00
	Purina PetCare (Malaysia) Sdn. Bhd.		Petaling Jaya	100%	MYR	1 100 000.00
Oman						
	Nestlé Oman Trading LLC		Muscat	49%	OMR	300 000.00
Pakistan						
Δ	Nestlé Pakistan Ltd		Lahore	59%	PKR	452 731 000.00
	Listed on the Karachi and the Lahore stock exchange, market capitalisation PKR 60.3 billion, quotation code (ISIN) PK0025101012					

Companies		City	% capital shareholdings	Currency	Capital
Philippines					
Alcon Laboratories (Philippines), Inc.*		Manila	52.3%	PHP	16 526 000.00
CPW Philippines, Inc.	1)	Makati City	50%	PHP	7 500 000.00
Nestlé Philippines, Inc.		Makati City	100%	PHP	2 300 927 200.00
Penpro, Inc.		Makati City	40%	PHP	630 000 000.00
Qatar					
Nestlé Qatar Trading LLC		Doha	49%	QAR	1 680 000.00
Al Manhal Qatar		Doha	51%	QAR	5 500 000.00
Republic of Korea					
Alcon Korea Ltd*		Seoul	52.3%	KRW	3 800 000 000.00
Galderma Korea Ltd°	1)	Seoul	50%	KRW	500 000 000.00
Nestlé Korea Ltd		Seoul	100%	KRW	18 202 060 000.00
Pulmuone Waters Co. Ltd		Seoul	100%	KRW	3 778 760 000.00
Saudi Arabia					
Al Anhar Water Factory Co. Ltd		Jeddah	64%	SAR	7 500 000.00
Al Manhal Water Factory Co. Ltd		Riyadh	64%	SAR	7 000 000.00
Saudi Food Industries Co. Ltd		Jeddah	51%	SAR	51 000 000.00
SHAS Company for Water Services Ltd		Riyadh	75%	SAR	13 500 000.00
Springs Water Factory Co. Ltd		Dammam	75%	SAR	5 000 000.00
Nestle Water Factory Co. Ltd		Riyadh	64%	SAR	15 000 000.00
Singapore					
Alcon Pte Ltd*		Singapore	52.3%	SGD	164 000.00
Galderma South East Asia Ltd°	1)	Singapore	50%	SGD	1 387 000.00
Nestlé Singapore (Pte) Ltd		Singapore	100%	SGD	1 000 000.00
Nestlé TC Asia Pacific Pte Ltd		Singapore	100%	JPY	10 000 000 000.00
Sri Lanka					
Δ Nestlé Lanka PLC		Colombo	90.8%	LKR	537 254 630.00
Listed on the Colombo stock exchange, market capitalisation LKR 14 billion, quotation code (ISIN) LK0128N00005					
Syria					
Nestlé Syria Ltd		Damascus	100%	SYP	800 000 000.00
Société pour l'Exportation des Produits Nestlé S.A.		Damascus	100%	CHF	1 750 000.00
Thailand					
Alcon Laboratories (Thailand) Ltd*		Bangkok	77.3%	THB	2 100 000.00
Nestlé (Thai) Ltd		Bangkok	100%	THB	880 000 000.00
Perrier Vittel (Thailand) Ltd		Bangkok	100%	THB	235 000 000.00
Quality Coffee Products Ltd		Bangkok	50%	THB	400 000 000.00

Companies		City	% capital shareholdings	Currency	Capital
United Arab Emirates					
CP Middle East FZCO	1)	Jebel Ali Free Zone Dubai	50%	AED	600 000.00
Nestlé Dubai LLC		Dubai	49%	AED	2 000 000.00
Nestlé Middle East FZE		Dubai	100%	AED	3 000 000.00
Nestlé Treasury Centre - Middle East & Africa Ltd.	◊	Dubai	100%	USD	8 750 500 000.00
Nestlé Waters Middle East Investments FZCO		Dubai	100%	AED	600 000.00
Vietnam					
La Vie Limited Liability Company		Long An	65%	USD	2 663 400.00
Nestlé Vietnam Ltd		Bien Hoa	100%	USD	54 598 000.00

Companies		City	% capital shareholdings	Currency	Capital
Oceania					
Australia					
Alcon Laboratories (Australia) Pty Ltd*		Frenchs Forest	52.3%	AUD	2 550 000.00
Cereal Partners Australia Pty Limited	1)	Rhodes	50%	AUD	107 800 000.00
Galderma Australia Pty Ltd°	1)	Frenchs Forest	50%	AUD	2 700 100.00
Nestlé Australia Ltd		Rhodes	100%	AUD	274 000 000.00
Supercoat Holdings Australia Ltd		North Ryde	100%	AUD	55 814 174.00
Supercoat PetCare Pty Limited		North Ryde	100%	AUD	2.00
Fiji					
Nestlé (Fiji) Ltd		Ba	100%	FJD	3 000 000.00
French Polynesia					
Nestlé Polynésie S.A.		Papeete	100%	XPF	5 000 000.00
New Caledonia					
Nestlé Nouvelle-Calédonie S.A.		Noumea	100%	XPF	250 000 000.00
New Zealand					
Nestlé New Zealand Limited		Auckland	100%	NZD	300 000.00
Papua New Guinea					
Nestlé (PNG) Ltd		Lae	100%	PGK	11 850 000.00

Companies		City

Technical assistance, research and development companies

Technical Assistance	**TA**
Research & Development centres	**R&D**
Product Technology Centres	**PTC**

Switzerland		
Nestec S.A.	TA	Vevey

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 through affliated companies.
The companies and units involved are:

Australia		
CPW R&D Rutherglen	[1]R&D	Rutherglen
France		
Centre de Recherche Nestlé	R&D	Tours
Galderma R&D Centre°	[1]R&D	Biot
Nestlé Product Technology Centre	PTC	Beauvais
Nestlé Product Technology Centre	PTC	Lisieux
Nestlé Purina PetCare R&D Centre	R&D	Amiens
Nestlé Waters Product Technology Centre	PTC	Vittel
Germany		
Nestlé Product Technology Centre	PTC	Singen
Greater China Region		
Nestlé R&D Centre	R&D	Beijing
Nestlé R&D Centre	R&D	Shanghai
Israel		
Nestlé R&D Centre	R&D	Sderot
Italy		
Casa Buitoni	R&D	Sansepolcro
Mexico		
Nestlé R&D Centre	R&D	Queretaro
Poland		
Nestlé R&D Centre	R&D	Rzeszow
Singapore		
Nestlé R&D Centre	R&D	Singapore

Companies		City
Switzerland		
Nestlé Research Centre	R&D	Lausanne
Nestlé Product Technology Centre	PTC	Konolfingen
Nestlé Product Technology Centre	PTC	Orbe
Nestlé Professional Beverage Centre	R&D	Orbe
United Kingdom		
CPW R&D Welwyn Garden City	1) R&D	Welwyn Garden City
Nestlé Product Technology Centre	PTC	York
United States		
Alcon R&D Centre*	R&D	Fort Worth (Texas)
Galderma R&D Centre°	1) R&D	Cranbury (New Jersey)
Nestlé Purina PetCare Product Technology Centre	PTC	St. Joseph (Missouri)
Nestlé Purina PetCare Product Technology Centre	PTC	St. Louis (Missouri)
Nestlé R&D Centre	R&D	Fremont (Michigan)
Nestlé Product Technology Centre	PTC	Marysville (Ohio)
Nestlé R&D Centre	R&D	Minneapolis (Minnesota)
Nestlé R&D Centre	R&D	Solon (Ohio)

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Income statement for the year ended 31 December 2008

In millions of CHF	Notes	2008	2007
Income			
Income from Group companies	2	7 378	8 656
Financial income	3	156	849
Profit on disposal of fixed assets	4	10 819	115
Other income		108	88
Total income		**18 461**	**9 708**
Expenses			
Investment write downs	5	1 267	1 476
Administration and other expenses	6	245	214
Financial expense	7	479	445
Total expenses before taxes		**1 991**	**2 135**
Profit before taxes		**16 470**	**7 573**
Taxes	8	310	382
Profit for the year	21	**16 160**	**7 191**

Balance sheet as at 31 December 2008
before appropriations

In millions of CHF	Notes	2008	2007
Assets			
Current assets			
Liquid assets	9	823	1 033
Receivables	10	1 953	1 151
Prepayments and accrued income		126	169
Total current assets		**2 902**	**2 353**
Fixed assets			
Financial assets	11	39 898	36 294
Intangible assets	15	1 262	1 378
Tangible fixed assets	16	–	–
Total fixed assets		**41 160**	**37 672**
Total assets		**44 062**	**40 025**
Liabilities and equity			
Liabilities			
Short-term payables	17	5 426	7 644
Accruals and deferred income		218	114
Long-term payables	18	160	236
Provisions	19	656	737
Total liabilities		**6 460**	**8 731**
Equity			
Share capital	20/21	383	393
Legal reserves	21	11 655	9 681
Special reserve	21	8 673	12 799
Profit brought forward	21	731	1 230
Profit for the year	21	16 160	7 191
Total equity		**37 602**	**31 294**
Total liabilities and equity		**44 062**	**40 025**

Notes to the annual accounts

1. 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. Non-monetary assets and liabilities are carried at historical rates. Monetary 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
Not currently transferable income 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 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 other Long-Term Incentive Plans. Own shares repurchased for the Share Buy-Back Programme are carried at cost. All gains and losses on own shares are recorded in the income statement.

Intangible assets
Trademarks and other industrial property rights are written off on acquisition or exceptionally over a longer period. In the Consolidated Financial Statements of the Nestlé 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 are 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. Provisions for Swiss taxes are 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 contribution plan with a retirement pension objective expressed as a percentage of the base salary. Those benefits are mainly provided through separate pension 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. Net 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.

2. Income from Group companies

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

3. Financial income

In millions of CHF	2008	2007
Net result on loans to Group companies	–	667
Other financial income	156	182
	156	**849**

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 "Financial expense" in Note 7.

4. Profit on disposal of fixed assets

This represents mainly the net gains realised on the sale of 24,8% of Alcon Inc to Novartis, as well as the sale of trademarks and other industrial property rights previously written down.

5. Investment write downs

In millions of CHF	2008	2007
Participations and loans	238	284
Trademarks and other industrial property rights	1 029	1 192
	1 267	**1 476**

The write down of trademarks and other industrial property rights in 2008 includes one third of the amount paid in 2007 in respect of Gerber and Novartis Medical Nutrition (CHF 690 million), as well as Gerber North America's Intellectual Property Rights acquired in 2008 (CHF 286 million).

In 2007, trademarks linked to the acquisitions of Gerber and Novartis Medical Nutrition were amortised by one third of the amount paid during the period (CHF 690 million) and Jenny Craig's trademark had been fully amortised (CHF 340 million).

6. Administration and other expenses

In millions of CHF	2008	2007
Salaries and welfare expenses	94	99
Other expenses	151	115
	245	**214**

7. Financial expense

In millions of CHF	2008	2007
Net result on loans from Group companies (see Note 3)	475	277
Other financial expenses	4	168
	479	**445**

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	2008	2007
Cash and cash equivalents	20	373
Marketable securities	803	660
	823	**1 033**

10. Receivables

In millions of CHF	2008	2007
Amounts owed by Group companies (current accounts)	1 886	1 072
Other receivables	67	79
	1 953	**1 151**

11. Financial assets

In millions of CHF	Notes	2008	2007
Participations in Group companies	12	17 714	14 969
Loans to Group companies	13	12 894	15 075
Own shares	14	9 209	6 172
Other investments		81	78
		39 898	**36 294**

12. Participations in Group companies

In millions of CHF	2008	2007
At 1 January	14 969	14 857
Net increase	2 915	388
Write downs	(170)	(276)
At 31 December	**17 714**	**14 969**

The net increase in participations represents in particular additional funding, through capital increases, 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 Financial Statements of the Nestlé Group".

13. Loans to Group companies

In millions of CHF	2008	2007
At 1 January	15 075	16 272
New loans	2 269	4 703
Repayments and write downs	(2 295)	(4 984)
Realised exchange differences	(95)	(17)
Unrealised exchange differences	(2 060)	(899)
At 31 December	**12 894**	**15 075**

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

14. Own shares

In millions of CHF	2008		2007	
	Number	Amount	Number	Amount
Share Buy-Back Programme	165 824 000	7 812	82 940 000	4 405
Management Stock Option Plan	22 326 896	741	27 374 110	908
Restricted Stock Unit Plan	9 443 950	370	10 771 260	422
Future Long-Term Incentive Plans	7 296 360	286	11 164 410	437
	204 891 206	**9 209**	**132 249 780**	**6 172**

The share capital of the Company has been reduced by CHF 10 072 500 through the cancellation of the corresponding number of registered shares purchased as part of the Share Buy-Back Programme. On 30 June 2008, the nominal value of the share was split at a 1:10 ratio. The number of own shares, up to this date, has been restated.

During the year, 100 725 000 shares were cancelled at their cost value of CHF 5279 million, and 183 609 000 shares were purchased as part of the Share Buy-Back Programme for CHF 8685 million.

The Company held 22 326 896 shares to cover management option rights, 9 443 950 shares designated to the Restricted Stock Unit Plan and 7 296 360 shares designated to the future Long-Term Incentive Plans, the former held at exercise price when lower than the acquisition cost and the latter at cost. During the year 10 242 574 shares were delivered as part of the Nestlé Group remuneration plans for a total value of CHF 417 million.

15. Intangible assets

This amount represents the balance of the trademarks and other industrial property rights capitalised value linked with the Gerber and Novartis Medical Nutrition acquisitions. A third of the initial value has been amortised during the period (refer to Note 5).

16. 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 at 31 December 2008 amounted to CHF 24 million (2007: CHF 23 million).

17. Short-term payables

In millions of CHF	2008	2007
Amounts owed to Group companies	5 025	7 344
Other payables	401	300
	5 426	**7 644**

18. Long-term payables

Amounts owed to Group companies represent a long-term loan issued in 1989. The carrying value decreased by CHF 76 million to CHF 160 million as a result of an unrealised exchange difference at the end of 2008.

19. Provisions

In millions of CHF					2008	2007
	Uninsured risks	Exchange risks	Swiss & foreign taxes	Other	Total	Total
At 1 January	475	–	171	91	**737**	942
Provisions made in the period	–	–	63	56	**119**	155
Amounts used	–	–	(101)	(61)	**(162)**	(360)
Unused amounts reversed	–	–	(38)	–	**(38)**	–
At 31 December	**475**	**–**	**95**	**86**	**656**	**737**

20. Share capital

The share capital of the Company has been reduced by CHF 10 072 500 through the cancellation of the corresponding number of registered shares purchased as part of the Share Buy-Back Programme. On 30 June 2008, the nominal value of the share was split at a 1:10 ratio. As a result, the share capital of Nestlé S.A. is now structured as follows:

	2008	2007
Number of registered shares of nominal value CHF 0.10 each	3 830 000 000	393 072 500
In millions of CHF	383	393

According to article 5 of the Company's Articles of Association, no person or entity shall be registered with voting rights for more than 5% of the share capital as recorded in the commercial register. This limitation on registration also applies to persons who hold some or all of their shares through nominees pursuant to this article. In addition, article 11 provides that no person may exercise, directly or indirectly, voting rights, with respect to own shares or shares represented by proxy, in excess of 5% of the share capital as recorded in the commercial register.

At 31 December 2008, the share register showed 120 323 registered shareholders. If unprocessed applications for registration and the indirect holders of shares under American Depositary 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, 5% or more of the share capital, other than Group companies holding together 5.6% of the Nestlé S.A. share capital as at 31 December 2008.

Conditional share capital

According to the Articles of Association, the share capital may be increased in an amount not to exceed CHF 10 000 000 (ten million of Swiss francs) by issuing up to 100 000 000 registered shares with a nominal value of CHF 0.10 each, which shall be fully paid up, through the exercise of conversion rights and/or option rights granted in connection with the issuance by Nestlé S.A. or one of its subsidiaries of newly or already issued convertible debentures, debentures with option rights or other financial market instruments.

Concerning the share capital in general, refer also to the Corporate Governance Report.

21. Changes in equity

In millions of CHF	Share capital	General reserve [a]	Reserve for own shares [a][b]	Special reserve	Retained earnings	Total
At 1 January 2008	393	1 842	7 839	12 799	8 421	**31 294**
Cancellation of 100 725 000 shares (ex Share Buy-Back Programme)	(10)	10	(5 279)			**(5 279)**
Transfer to the special reserve				3 000	(3 000)	–
Profit for the year					16 160	**16 160**
Dividend for 2007					(4 573)	**(4 573)**
Movement of own shares			7 243	(7 243)		–
Dividend on own shares held on the payment date of 2007 dividend				117	(117)	–
At 31 December 2008	**383**	**1 852**	**9 803**	**8 673**	**16 891**	**37 602**

[a] The general reserve and the reserve for own shares constitute the legal reserves.
[b] Refer to Note 22.

22. Reserve for own shares

At 31 December 2007, the reserve for own shares amounting to CHF 7839 million represented the cost of 49 309 780 shares earmarked to cover the Nestlé Group remuneration plans, 17 030 590 shares to cover warrants attached to a bond issue of an affiliated company and 18 727 050 shares held for trading purposes. Another 82 940 000 shares were purchased as part of the Share Buy-Back Programme.

On 30 June 2008, the nominal value of the share was split at a 1:10 ratio. The number of own shares, up to this date, has been restated.

During the year, an additional 183 609 000 shares have been acquired at a cost of CHF 8685 million for the Share Buy-Back Programme and 100 725 000 shares were cancelled. A total of 10 242 574 shares have been delivered to the beneficiaries of the Nestlé Group remuneration plans and 16 880 580 shares exchanged against warrants up to maturity of the bond issue. The balance of 150 010 shares for unexercised warrants were sold on the market. In addition, 200 000 shares have been acquired at a cost of CHF 10 million for trading purposes and 9 575 506 shares have been sold for a total amount of CHF 445 million.

Another Group company holds 9 501 554 Nestlé S.A. shares. The total of own shares of 214 392 760 held by all Group companies at 31 December 2008 represents 5.6% of the Nestlé S.A. share capital (168 007 420 own shares held at 31 December 2007, representing 4.3% of the Nestlé S.A. share capital).

23. Contingencies

At 31 December 2008, the total of the guarantees is mainly for credit facilities granted to Group companies and Commercial Paper Programmes, together with the buy-back agreements relating to notes issued, amounted to CHF 17 474 million (2007: CHF 21 763 million).

24. Risk assessment

Nestlé Management considers that the risks for Nestlé S.A. are the same as the ones identified at Group level, as the holding is an ultimate aggregation of all the entities of the Group.

Therefore, we refer to the Nestlé Group Enterprise Risk Management Framework (ERM) described in the Note 29 of the Consolidated Financial Statements.

25. Additional information requested by the Swiss Code of Obligations on remuneration

Annual remuneration of members of the Board of Directors

	Cash in CHF [a]	Number of shares [b]	Discounted value of shares in CHF [c]	Total remuneration
				2008
Peter Brabeck-Letmathe, Chairman [d]	see details below			**13 945 163**
Paul Bulcke, Chief Executive Officer [d]				
Andreas Koopmann, 1st Vice Chairman	275 000	5 140	231 706	**506 706**
Rolf Hänggi, 2nd Vice Chairman	350 000	6 620	298 423	**648 423**
Edward George (Lord George)	275 000	5 140	231 706	**506 706**
Kaspar Villiger	255 000	4 740	213 674	**468 674**
Daniel Borel	205 000	3 760	169 497	**374 497**
Jean-Pierre Meyers	205 000	3 760	169 497	**374 497**
André Kudelski	205 000	3 760	169 497	**374 497**
Carolina Müller-Möhl	155 000	2 770	124 869	**279 869**
Günter Blobel	155 000	2 770	124 869	**279 869**
Jean-René Fourtou	175 000	3 160	142 450	**317 450**
Steven George Hoch	175 000	3 160	142 450	**317 450**
Naïna Lal Kidwai [e]	155 000 [e]	2 770 [e]	124 869 [e]	**279 869** [e]
Beat Hess	155 000	2 770	124 869	**279 869**
Total for 2008	**2 740 000**	**50 320**	**2 268 376**	**18 953 539**
Total for 2007	3 045 000	58 750	2 525 486	5 570 486

[a] The cash amount includes the expense allowance of CHF 15 000.
[b] After share split 1:10 on June 30, 2008.
[c] Nestlé S.A. shares received as part of the Board membership and the Committee fees are valued at the ex-dividend closing price of the Nestlé S.A. share at the dividend payment's date, discounted by 11% to account for the blocking restriction of two years.
[d] The Chairman and the Chief Executive Officer receive no Board membership or Committee fees.
[e] Naïna Lal Kidwai has waived her compensation (cash fees and shares) other than the expense allowance of CHF 15 000, as per requirements of the Reserve Bank of India. Nestlé S.A. has decided instead to make a contribution to charity.

Peter Brabeck-Letmathe acted as Chairman and CEO up to 12 April 2008 and then as an active non-executive Chairman for the rest of the year. As such, he is entitled to a salary, a Short-Term Bonus payable in Nestlé S.A. shares, which are blocked for three years, and Long-Term Incentives in the form of stock options. His total compensation for 2008 was:

	Number	Value (in CHF)
Salary		2 116 667
Short-term Bonus (discounted value of shares)	109 671	3 732 138
Restricted Stock Units (fair value at grant)	16 000	772 800
Management Stock Options (Black-Scholes value at grant)	400 000	3 124 000
Total compensation 2008		**9 745 605**
Other benefits [a]		4 199 558
Total		**13 945 163**

Up to April 2008, the Company also made a contribution of CHF 175 980 towards future pensions benefits in line with Nestlé's Pension Benefit Policy (CHF 1 252 600 in 2007).

[a] Includes long-service retirement awards in line with the Company's policy and a special share award granted by the Board of Directors, in February 2008.

Loans to members of the Board of Directors

There are no loans outstanding to executive and non-executive members of the Board of Directors or closely related parties.

Additional fees and remunerations of the Board of Directors

There are no additional fees or remunerations paid by Nestlé S.A. or one of its Group companies, directly or indirectly, to members of the governing body or closely related parties.

Compensations for former members of the Board of Directors

There is no compensation conferred during 2008 on former members of the Board of Directors who gave up their function during the year preceding the year under review or earlier.

Shares and stock options ownership of the non-executive members of the Board of Directors and closely related parties as at 31 December 2008

	Number of shares held [a]	Number of options held [b]
Peter Brabeck-Letmathe, Chairman [c]	1 315 884	3 606 143
Andreas Koopmann, 1st Vice Chairman	52 700	–
Rolf Hänggi, 2nd Vice Chairman	51 840	–
Edward George (Lord George)	38 000	–
Kaspar Villiger	42 840	–
Daniel Borel	166 270	–
Jean-Pierre Meyers	1 415 110	–
André Kudelski	37 610	–
Carolina Müller-Möhl	20 440	–
Günter Blobel	18 580	–
Jean-René Fourtou	10 750	–
Steven George Hoch	150 290	–
Naïna Lal Kidwai	3 790	–
Beat Hess	3 390	–
Total as at 31 December 2008	**3 322 494**	**3 606 143**
Total as at 31 December 2007	2 141 760	–

[a] Including blocked shares.
[b] The subscription ratio is one option for one Nestlé S.A. shares.
[c] In 2007, the shares and stock options' ownership of Peter Brabeck-Letmathe was reported under the Executive Board's section.

Annual remuneration of members of the Executive Board

The total remuneration of members of the Executive Board amounts to CHF 36 220 962 for the year 2008 (CHF 49 620 852 for the year 2007, including the remuneration of Peter Brabeck-Letmathe as Chairman and CEO). Remuneration principles are described in Appendix 1 of the Corporate Governance Report.

The Company also made contributions of CHF 4 901 953 toward future pension benefits of the Executive Board members in line with Nestlé's Pension Benefit Policy (CHF 5 146 990 in 2007).

Highest total compensation for a member of the Executive Board

In 2008, the highest total compensation for a member of the Executive Board was conferred to Paul Bulcke, Executive Vice President for Zone Americas up to 12 April 2008 and CEO since then.

		2008
	Number	Value (in CHF)
Annual Base Salary		1 800 000
Short-term Bonus (cash)		1 977 150
Short-term Bonus (discounted value of Nestlé S.A. shares)	35 000	1 191 050
Restricted Stock Units (fair value at grant)	32 000	1 545 600
Management Stock Options (Black-Scholes value at grant)	185 000	1 444 850
Other benefits		28 380
Total		**7 987 030**

The Company also made a contribution of CHF 731 962 towards future pension benefits in line with Nestlé's Pension Benefits Policy.

Loans to members of the Executive Board

On 31 December 2008, there were no loans outstanding to any member of the Executive Board or closely related parties.

Additional fees and remunerations of the Executive Board

There are no additional fees or remunerations paid by Nestlé S.A. or one of its Group companies, directly or indirectly, to members of the Executive Board or closely related parties.

Compensations for former members of the Executive Board

A total of CHF 192 200 was conferred during 2008 on two former members of the Executive Board who gave up their function during the year preceding the year under review or earlier (CHF 96 637 to one member in 2007).

Shares and stock options ownership of members of the Executive Board and closely related parties as at 31 December 2008

	Number of shares held [a]	Number of options held [b]
Paul Bulcke, Chief Executive Officer	67 810	435 000
Francisco Castañer	84 430	305 000
Werner Bauer	110 495	378 000
Frits Van Dijk	52 630	405 000
Luis Cantarell	19 160	252 000
José Lopez	8 200	72 000
John J. Harris	430	32 000
Richard T. Laube	102 070	119 000
James Singh	7 000	42 000
Laurent Freixe [c]	5 200	–
Marc Caira	100	74 750
David P. Frick	2 080	–
Total as at 31 December 2008	**459 605**	**2 114 750**
Total as at 31 December 2007 [d]	1 155 610	5 481 750

[a] Including shares subject to a three year blocking period.
[b] The subscription ratio is one option for one Nestlé S.A. shares.
[c] As from 1 November 2008.
[d] Including shares and stock options ownership of Peter Brabeck-Letmathe.

Proposed appropriation of profit

In CHF	2008	2007
Retained earnings		
Balance brought forward	730 608 258	1 230 199 215
Profit for the year	16 160 468 011	7 191 297 148
	16 891 076 269	**8 421 496 363**
We propose the following appropriations:		
Transfer to the special reserve	11 000 000 000	3 000 000 000
Dividend for 2008, CHF 1.40 per share on 3 662 222 000 shares [(a)] (2007: CHF 12.20 on 384 499 025 shares) [(b)]	5 127 110 800	4 690 888 105
	16 127 110 800	**7 690 888 105**
Balance to be carried forward	**763 965 469**	**730 608 258**

[(a)] Depending on the number of shares issued as of the dividend record date. Own shares held by the Nestlé Group are not entitled to dividends, consequently the dividend on those shares still held on 28 April 2009 will be transferred to the special reserve.
[(b)] The amount of CHF 117 413 093, representing the dividend on 9 624 024 own shares held at the date of the dividend payment, has been transferred to the special reserve.

Provided that the proposal of the Board of Directors is approved, the gross dividend will amount to CHF 1.40 per share. After deduction of the Swiss withholding tax of 35%, a net amount of CHF 0.91 per share will be payable as from 29 April 2009 to all shareholders on record on 28 April 2009, by bank transfer to the shareholders account, in accordance with their instructions.

The Board of Directors

Cham and Vevey, 18 February 2009

Report of the Statutory auditor

to the General Meeting of Nestlé S.A.

As Statutory auditor we have audited the accounting records and the financial statements (income statement, balance sheet and notes to the annual accounts on pages 104 to 120) of Nestlé S.A. for the year ended 31 December 2008.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accounting records and the financial statements for the year ended 31 December 2008 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation.

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

KPMG Klynveld Peat Marwick Goerdeler SA

Mark Baillache
Licensed Audit Expert
Auditor in Charge

Stéphane Gard
Licensed Audit Expert

Zurich, 18 February 2009

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