Half-yearly Report
January/June 2003

Nestlé

Good Food, Good Life

Key figures (consolidated)

In millions of CHF (except for per share data)		January/June 2003	January/June 2002
Sales		41 437	44 219
EBITDA [a]		6 415	6 729
as % of sales		15.5%	15.2%
EBITA [b]		5 045	5 280
as % of sales		12.2%	11.9%
Net profit [c]		2 780	5 656
as % of sales		6.7%	12.8%
Expenditure on tangible fixed assets		1 291	1 394
Equity, end June		34 871	34 446
Market capitalisation, end June		108 164	134 620
Per share:			
Net profit [c]	CHF	7.19	14.57
Equity, end June	CHF	90.18	88.76

Principal key figures in USD (illustrative)

Income statement figures translated at average rate, Balance sheet figures at end June rate

In millions of USD (except for per share data)		January/June 2003	January/June 2002
Sales		30 694	27 045
EBITDA [a]		4 752	4 115
EBITA [b]		3 737	3 229
Net profit [c]		2 059	3 459
Equity, end June		25 830	23 118
Market capitalisation, end June		80 121	90 349
Per share:			
Net profit [c]	USD	5.32	8.91
Equity, end June	USD	66.80	59.57

Principal key figures in EUR (illustrative)

Income statement figures translated at average rate, Balance sheet figures at end June rate

In millions of EUR (except for per share data)		January/June 2003	January/June 2002
Sales		27 791	30 081
EBITDA [a]		4 302	4 577
EBITA [b]		3 383	3 592
Net profit [c]		1 864	3 848
Equity, end June		22 497	23 433
Market capitalisation, end June		69 783	91 578
Per share:			
Net profit [c]	EUR	4.82	9.91
Equity, end June	EUR	58.18	60.38

[a] Earnings Before Interest, Taxes, Depreciation and Amortisation of goodwill
[b] Earnings Before Interest, Taxes and Amortisation of goodwill
[c] 2002 includes non recurring items (see page 5).

Overview

Introduction
The first half of 2003 has been a particularly challenging period, and it is pleasing that Nestlé has been able to deliver an improvement in its performance, with its EBITA (earnings before interest, tax and amortisation of goodwill) margin increasing from 11.9% to 12.2%. On a constant currency basis, the EBITA margin would have improved further, to 12.6%.

The business environment was clearly impacted by the developments in Iraq and neighbouring areas, by SARS in Greater China and elsewhere, by the civil unrest in Ivory Coast, as well as by continuing poor economic conditions in many parts of the world.

For Nestlé, in particular, another issue was the continued strength of the Swiss Franc, particularly against the US Dollar. This had a dramatic effect on Nestlé's results, reported in Swiss Francs.

Within the Group the most important strategic event in the first half of 2003 was the completion of the merger of our American ice cream business with Dreyer's Grand Ice Cream Company, completed at the end of June. This transaction has given us leadership in the important American ice cream market.

Nestlé's objective for 2003, stated in the 2002 Letter to Shareholders, was to continue to grow faster than the food industry, whilst also improving its margins and cash flow. The achievement of organic growth of 5.5%, together with an improvement both in margins and cash flow, suggests that the Group has reached the half way stage in 2003 on target to achieve that objective.

Financial Review:
Sales
At constant currencies, sales grew by 6.3%, clearly above market growth and reflecting the strength of our brands in their marketplaces. Nestlé's sales reached CHF 41.4 billion, compared to CHF 44.2 billion in the first half of 2002.
This represents a 6.3% decline in Swiss Francs, resulting from a 12.6% adverse foreign exchange impact, which was partially compensated by strong organic growth of 5.5%, comprising RIG (real internal growth) of 2.1% and pricing of 3.4%. There was a small contribution, of 0.8% from acquisitions, net of divestitures.

Profitability
The EBITA margin increased from 11.9% to 12.2%, representing an EBITA of CHF 5.0 billion. On a constant currency basis, the EBITA margin would have improved further, to 12.6%.

The cost of goods sold showed a continuing, good decline compared to the corresponding period of 2002, both in actual terms and as a percentage of sales. This improvement in the cost of goods sold was the foundation for the improvement in EBITA margin, although some of this reduction was compensated for by relative increases in investment in Marketing & Administration and in Research & Development.

Our Target 2004+ efficiency programme, which is focused on operational excellence within manufacturing, contributed to the improvement in Cost of goods sold. Also Project FitNes, aiming at more efficient administrative structures, continued to move forward on schedule. Both are on target in terms of their related costs and promise significant benefits by year end 2006.
The GLOBE project continues to progress well, and within the original timetable and budget, after the successful implementation in 2002 in three pilot markets/regions where Nestlé has 22 factories and sales of CHF 2.9 billion.

The net profit and earnings per share comparisons between 2002 and 2003 have to be seen in the light of the gains in 2002, which resulted from the IPO of Alcon and disposal of FIS, and totalled over CHF 4.5 billion, as well as by restructuring costs and the impairments of goodwill and assets in 2002, which totalled CHF 2.1 billion.

Our net financing cost fell from CHF 427 million in 2002 to CHF 191 million in 2003, reflecting continuing lower interest rates, as well as the positive benefit of the management of our debt and liquidities, one factor being that the majority of debt is held in US Dollars. The share of profit attributable to minority interests was unchanged from 2002, mainly due to the adverse impact of exchange rates, whilst our share of results of associates rose slightly.

Financial position

Nestlé's financial position remains exceptionally healthy. Cash flow from operations increased from CHF 2.8 billion to CHF 3.1 billion, despite the fall in reported Swiss Franc sales.

Capital expenditure as a percentage of sales remained at about the same level as in the corresponding period of 2002. Cash expenditures on acquisitions was CHF 1.3 billion, and these included Powwow, the European Home and Office Delivery Water group, as well as the Ice cream activities of Mövenpick, also in Europe.

Net indebtedness rose from CHF 15.0 billion at the year end 2002 to CHF 21.1 billion. This was mainly due to the end of June merger with Dreyer's and acquisition of Powwow, which together amounted to CHF 4.0 billion. In the case of Dreyer's we considered the option scheme aiming at the repurchase of all outstanding shares in 2006 or 2007 as long-term debt. Thus the ratio of net debt to equity rose from 42% at the year end, 2002, to 59%.

Business review

It is pleasing to be able to report an improved EBITA performance in each of the three geographic zones, as well as at Nestlé Waters. This reflects the focus on improving financial performance within Nestlé. That the RIG is lower in general than has been the case in recent years is evidence that the Nestlé markets have been focused on improving the profitability of their operations. There is evidence of that, too, in the relatively strong organic growth, as Nestlé has been able to maintain or improve margins by passing on the increased raw material costs in products such as chocolate, as well as other inflation related increases.

Zone Europe continued its recent trend of improvement, with its EBITA margin increasing from 11.0% to 11.8%. There was a good performance by the more mature markets of Western Europe, reflecting the benefits of management action to streamline operations, as well as to realise cost and efficiency opportunities not only within individual markets but also across the Zone. This performance is evidence also of the Zone beginning to achieve a return on the restructuring charges taken in 2002.

In Zone Americas, the Latin American markets, where growth is elusive in the current economic environment, focused on protecting their margins. The performance in North America was resilient also. Overall, the Zone's EBITA margin increased from 13.4% to 13.7%.

Zone Asia, Oceania and Africa was the Zone that was most impacted by those events highlighted at the start of this report. Despite the significant disruption experienced in a number of countries, the Zone succeeded on building on the good performance of 2002 to move the margin forward from 17.3% to 17.7%.

Nestlé Waters also achieved an increase in margin, from 9.4% to 9.6%. This was despite tougher market conditions in the US, where Nestlé is the market leader, and was achieved due to good growth in Europe, as well as continued progress in emerging markets.

The Other activities recorded a slightly reduced margin, from 19.5% to 19.2%, reflecting the changing sales mix within this business grouping which resulted from the particularly strong sales performance of the relatively low margin Trinks distribution business. Alcon also continued to perform very well, reporting good progress in sales and profitability.

The good performance of the Product categories reflects the margin improvements across the Zones. Milk products, nutrition and ice cream, Prepared dishes and cooking aids, and Petcare all improved their EBITA margins, whilst Beverages dipped slightly. The margins in Chocolate, confectionery and biscuits reflect the seasonality of that business. The decline in the reported sales and profitability of most of these categories reflects the impact of foreign exchange fluctuations on our Swiss Franc reported sales and profitability.

Outlook

After a challenging start to the year, we expect a more favourable trading environment in the second half. If so, the initiatives taken in the first half to ensure that Nestlé's competitive position is maintained even despite tougher trading conditions should leave the Group competitively placed for the remainder of the year.

In any event, and setting aside the impact of currency movements, Nestlé would expect to deliver an improvement in EBITA margin and cash flow, compared with 2002, whilst also delivering good organic growth.

Consolidated income statement for the period ended 30th June 2003

In millions of CHF	Notes	January/June 2003	January/June 2002
Sales to customers	2	**41 437**	44 219
Cost of goods sold		**(17 607)**	(19 172)
Distribution expenses		**(3 323)**	(3 574)
Marketing and administration expenses		**(14 901)**	(15 618)
Research and development costs		**(561)**	(575)
EBITA [(a)]		**5 045**	5 280
Net other income (expenses)		**(150)**	3 160
Amortisation and impairment of goodwill		**(727)**	(1 354)
Profit before interest and taxes		**4 168**	7 086
Net financing cost	3	**(191)**	(427)
Profit before taxes		**3 977**	6 659
Taxes		**(1 301)**	(1 069)
Net profit of consolidated companies		**2 676**	5 590
Share of profit attributable to minority interests		**(190)**	(193)
Share of results of associates	4	**294**	259
Net profit		**2 780**	5 656
As percentages of sales			
EBITA [(a)]		**12.2%**	11.9%
Net profit		**6.7%**	12.8%
Earnings per share			
(in CHF)			
Basic earnings per share		**7.19**	14.57
Fully diluted earnings per share		**7.11**	14.30

[(a)] Earnings Before Interest, Taxes and Amortisation of goodwill

Consolidated balance sheet as at 30th June 2003

In millions of CHF	Notes	**30th June 2003**	31st December 2002	30th June 2002
Assets				
Current assets				
Liquid assets				
Cash and cash equivalents		**5 963**	6 338	7 085
Other liquid assets		**6 872**	7 953	5 775
		12 835	14 291	12 860
Trade and other receivables		**13 647**	12 666	13 645
Inventories		**8 038**	6 794	7 989
Derivative assets		**758**	959	764
Prepayments and accrued income		**567**	632	565
Total current assets		**35 845**	35 342	35 823
Non-current assets				
Property, plant and equipment				
Gross value		**42 837**	40 797	43 016
Accumulated depreciation		**(25 231)**	(23 772)	(25 627)
		17 606	17 025	17 389
Investments in associates		**2 668**	2 561	2 568
Deferred tax assets		**1 396**	1 519	1 705
Financial assets		**2 888**	2 862	2 820
Employee benefit assets		**1 079**	1 083	1 143
Goodwill		**29 653**	25 718	24 075
Intangible assets		**1 379**	1 242	1 019
Total non-current assets		**56 669**	52 010	50 719
Total assets		**92 514**	87 352	86 542

In millions of CHF	Notes	**30th June 2003**	31st December 2002	30th June 2002
Liabilities, minority interests and equity				
Current liabilities				
Trade and other payables		**10 093**	9 932	9 731
Financial liabilities		**18 189**	18 702	18 712
Tax payable		**735**	825	1 029
Derivative liabilities		**698**	384	310
Accruals and deferred income		**3 839**	3 894	3 675
Total current liabilities		**33 554**	33 737	33 457
Non-current liabilities				
Financial liabilities	5	**15 725**	10 548	10 311
Employee benefit liabilities		**3 385**	3 147	3 651
Deferred tax liabilities		**677**	492	628
Tax payable		**18**	15	14
Other payables		**255**	400	345
Provisions		**3 143**	3 381	2 950
Total non-current liabilities		**23 203**	17 983	17 899
Total liabilities		**56 757**	51 720	51 356
Minority interests		**886**	813	740
Equity				
Share capital		**404**	404	404
Share premium and reserves				
Share premium		**5 926**	5 926	5 926
Reserve for treasury shares		**2 776**	2 830	2 512
Translation reserve		**(3 771)**	(4 070)	(2 485)
Retained earnings		**31 993**	32 307	30 738
		36 924	36 993	36 691
		37 328	37 397	37 095
Less:				
Treasury shares		**(2 457)**	(2 578)	(2 649)
Total equity		**34 871**	34 819	34 446
Total liabilities, minority interests and equity		**92 514**	87 352	86 542

Consolidated cash flow statement for the period ended 30th June 2003

In millions of CHF		January/June 2003		January/June 2002
Operating activities				
Net profit of consolidated companies	**2 676**		5 590	
Depreciation of property, plant and equipment	**1 252**		1 365	
Impairment of property, plant and equipment	**–**		1 006	
Amortisation of goodwill	**727**		721	
Impairment of goodwill	**–**		633	
Depreciation of intangible assets	**119**		83	
Impairment of intangible assets	**–**		16	
Increase/(decrease) in provisions and deferred taxes	**(14)**		(321)	
Decrease/(increase) in working capital	**(1 863)**		(1 354)	
Other movements [(a)]	**183**		(4 982)	
Operating cash flow		**3 080**		2 757
Investing activities				
Capital expenditure	**(1 291)**		(1 394)	
Expenditure on intangible assets	**(269)**		(232)	
Sale of property, plant and equipment	**77**		140	
Acquisitions [(b)]	**(1 327)**		(1 462)	
Disposals [(a)]	**14**		4 218	
Income from associates	**153**		148	
Other movements	**8**		327	
Cash flow from investing activities		**(2 635)**		1 745

[(a)] For 2002, mainly reversal of profits on the partial IPO of Alcon, Inc. and on the disposal of FIS. The cash proceeds are included in cash inflow on "Disposals".

[(b)] Excluding the CHF 3.4 billion payable for the Dreyer's acquisition recorded under non-current financial liabilities

In millions of CHF		January/June 2003		January/June 2002
Financing activities				
Dividend for the previous year	**(2 705)**		(2 484)	
Purchase of treasury shares	**(249)**		(214)	
Sale of treasury shares and options	**298**		318	
Premium on warrants issued (repaid)	**(0)**		–	
Movements with minority interests	**(113)**		(104)	
Bonds issued	**2 014**		2 564	
Bonds repaid	**(40)**		(1 748)	
Increase/(decrease) in other medium/ long term financial liabilities	**(61)**		(42)	
Increase/(decrease) in short term financial liabilities	**(1 255)**		(4 496)	
Decrease/(increase) in marketable securities and other liquid assets	**439**		4 345	
Decrease/(increase) in short term investments	**760**		(1 978)	
Other movements	**–**		(181)	
Cash flow from financing activities		**(912)**		(4 020)
Translation differences on flows		**80**		(773)
Increase/(decrease) in cash and cash equivalents		**(387)**		(291)
Cash and cash equivalents at beginning of year	**6 338**		7 617	
Effects of exchange rate changes on opening balance	**12**		(241)	
Cash and cash equivalents retranslated at beginning of year		**6 350**		7 376
Cash and cash equivalents at end of period		**5 963**		7 085

Consolidated statement of changes in equity

In millions of CHF	Share premium	Reserve for treasury shares	Translation reserve	Retained earnings	**Total reserves**	Share capital	Less: Treasury shares	**Total equity**
Equity as at 31st December 2001	5 926	2 588	12	27 517	**36 043**	404	(2 794)	**33 653**
Gains and losses								
Net profit				5 656	**5 656**			**5 656**
Currency retranslation			(2 497)		**(2 497)**			**(2 497)**
Taxes on equity items				10	**10**			**10**
Fair value adjustments of available-for-sale financial instruments								
– Unrealised results				(6)	**(6)**			**(6)**
– Recognition of realised results in the income statement				(3)	**(3)**			**(3)**
Fair value adjustments of cash flow hedges and of hedges of net investments in foreign entities								
– Unrealised results				133	**133**			**133**
– Recognition of realised results in the income statement				(121)	**(121)**			**(121)**
Total gains and losses			(2 497)	5 670	**3 173**			**3 173**
Distributions to and transactions with shareholders								
Dividend for the previous year				(2 484)	**(2 484)**			**(2 484)**
Movement of treasury shares (net)		(76)		76	**–**		76	**76**
Result on options and treasury shares held for trading purposes				(40)	**(40)**		69	**29**
Total distributions to and transactions with shareholders		(76)		(2 448)	**(2 524)**		145	**(2 379)**
Equity as at 30th June 2002	5 926	2 512	(2 485)	30 738	**36 691**	404	(2 649)	**34 446**

In millions of CHF	Share premium	Reserve for treasury shares	Translation reserve	Retained earnings	**Total reserves**	Share capital	Less: Treasury shares	**Total equity**
Equity as								
at 31st December 2002	5 926	2 830	(4 070)	32 307	**36 993**	404	(2 578)	**34 819**
Gains and losses								
Net profit				2 780	**2 780**			**2 780**
Currency retranslation			299		**299**			**299**
Taxes on equity items				54	**54**			**54**
Fair value adjustments								
of available-for-sale								
financial instruments								
– Unrealised results				(38)	**(38)**			**(38)**
– Recognition of realised results								
in the income statement				(9)	**(9)**			**(9)**
Fair value adjustments								
of cash flow hedges and								
of hedges of net investments								
in foreign entities								
– Unrealised results				(369)	**(369)**			**(369)**
– Recognition of realised results								
in the income statement				(9)	**(9)**			**(9)**
Total gains and losses			299	2 409	**2 708**			**2 708**
Distributions to and								
transactions with shareholders								
Dividend for the previous year				(2 705)	**(2 705)**			**(2 705)**
Movement of treasury shares (net)		(54)		54	**–**		54	**54**
Result on options and treasury								
shares held for trading purposes				(72)	**(72)**		67	**(5)**
Premium on warrants issued [a]				(0)	**(0)**			**(0)**
Total distributions to and								
transactions with shareholders		(54)		(2 723)	**(2 777)**		121	**(2 656)**
Equity as at 30th June 2003	5 926	2 776	(3 771)	31 993	**36 924**	404	(2 457)	**34 871**

[a] Partial redemption of the Turbo Zero Equity-Link issue

Annex

Accounting policies

The unaudited interim financial statements comply with the recognition criteria and the measurement methods of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with those of the Standing Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB.

The accounting conventions and accounting policies are the same as those applied in the 2002 Consolidated accounts.

As stated in its 2002 year-end report, the Group has enhanced the presentation of its income statement to separately present EBITA (Earnings Before Interest, Taxes and Amortisation of goodwill). The comparative figures have been restated accordingly.

Modification of the scope of consolidation

During the interim period, the scope of consolidation has been affected by acquisitions and disposals. The principal businesses are detailed below.

Fully consolidated
Newly included:
Dreyer's, USA, Ice Cream business, 100% (June)
Powwow, Europe, Home and Office Delivery water business, 100% (June)
Mövenpick, Switzerland, Ice Cream business, 100% (March)

Proportionally consolidated
Joint Venture:
DPA, Latin America, some Milk products businesses have been transferred to a Joint Venture (50%) with Fonterra (January)

Notes

1. Seasonality

The business of the Group does not present pronounced cyclical patterns, seasonal evolutions in some countries or product groups being compensated within the Group.

2. Segmental information

By management responsibility and geographic area

Sales and EBITA

	January/June		January/June	
In millions of CHF	**2003**	2002	**2003**	2002
	Sales		EBITA	
Zone Europe	**14 130**	13 808	**1 668**	1 522
Zone Americas	**12 354**	14 513	**1 698**	1 940
Zone Asia, Oceania and Africa	**6 834**	7 495	**1 210**	1 300
Nestlé Waters	**3 948**	3 935	**379**	371
Other activities [(a)]	**4 171**	4 468	**801**	872
	41 437	44 219	**5 756**	6 005
Unallocated items [(b)]			**(711)**	(725)
EBITA			**5 045**	5 280

[(a)] Mainly Pharmaceutical products, Joint Ventures and "Trinks" (Germany)
[(b)] Mainly corporate expenses as well as research and development costs

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

Impairment of assets and Restructuring costs

In millions of CHF	January/June 2003	2002	January/June 2003	2002
	Impairment of assets		Restructuring costs	
Zone Europe	**–**	1 177	**45**	226
Zone Americas	**–**	191	**51**	156
Zone Asia, Oceania and Africa	**–**	177	**28**	13
Nestlé Waters	**–**	110	**62**	–
Other activities	**–**	–	**1**	–
	–	1 655	**187**	396

By product group

Sales and EBITA

In millions of CHF	January/June 2003	2002	January/June 2003	2002
	Sales		EBITA	
Beverages	**11 195**	11 652	**1 924**	2 058
Milk products, nutrition and ice cream	**11 031**	12 075	**1 351**	1 427
Prepared dishes and cooking aids	**7 573**	7 592	**877**	834
Petcare	**4 674**	5 407	**641**	661
Chocolate, confectionery and biscuits	**4 415**	4 788	**272**	316
Pharmaceutical products	**2 549**	2 705	**691**	709
	41 437	44 219	**5 756**	6 005
Unallocated items [a]			**(711)**	(725)
EBITA			**5 045**	5 280

[a] Mainly corporate expenses as well as research and development costs

Impairment of assets and Restructuring costs

In millions of CHF	January/June 2003	2002	January/June 2003	2002
	Impairment of assets		Restructuring costs	
Beverages	**–**	155	**86**	45
Milk products, nutrition and ice cream	**–**	529	**56**	111
Prepared dishes and cooking aids	**–**	152	**16**	69
Petcare	**–**	693	**1**	130
Chocolate, confectionery and biscuits	**–**	126	**28**	41
Pharmaceutical products	**–**	–	**–**	–
	–	1 655	**187**	396

3. Net financing cost

In millions of CHF	**January/June 2003**	January/June 2002
Interest income	**421**	432
Interest expense	**(612)**	(859)
	(191)	(427)

4. Share of results of associates

This item includes mainly our share of the estimated results of L'Oréal.

5. Bonds

The following bonds have been issued, repaid or partially repaid during the period January/June 2003:

Face value in millions	Interest rates Nominal	Interest rates Effective	Year of issue/ maturity		**January/June 2003** In millions of CHF
New issues					
Nestlé Holdings, Inc., USA					
NOK 2000	5.25%	4.70%	2003-2007	Subject to an interest rate and currency swap that creates an USD liability at floating rates.	**383**
USD 250	3.00%	3.00%	2003-2009	Step-up fixed rate callable medium term note. Currently a related swap synthetically creates a liability at floating rates. However the note issuer sold an option to the swap issuer giving him the right to terminate the swap early, annually starting 31 March 2005. Further, the note's coupon rate increases on March 31, as follows: 2003: 3%, 2005: 3.25%, 2007: 3.75%, 2008: 4%. The current swap takes into consideration this rate step-up, and, if not terminated by the swap issuer prior to its maturity in 2009, would continuously synthetically create a liability at floating rates.	**337**

Face value in millions	Interest rates Nominal	Effective	Year of issue/ maturity		January/June 2003 In millions of CHF
Nestlé Australia Ltd, Australia					
AUD 100	4.75%	4.47%	2003-2005	Increasing the AUD 300 millions bond 2002 issue to AUD 400 millions. The entire issue is subject to an interest rate swap that creates a liability at floating rates.	**93**
Nestlé Finance France S.A., France					
EUR 175	2.56%	2.56%	2003-2006	Uridashi issue sold to retail investors in Japan. Subject to an interest rate swap that creates a liability at floating rates.	**267**
EUR 500	3.375%	3.55%	2003-2008	Subject to an interest rate swap that creates a liability at floating rates.	**773**
Nestlé (Thai) Ltd, Thailand					
THB 5000	2.16%	2.16%	2003-2008		**161**
Total new issues					**2 014**
Full repayments					
Other Bonds					**39**
Partial repayment					
Nestlé Holdings, Inc., USA					
USD 1	0.00%	6.15%	2001-2008	100 units of the Turbo Zero Equity-Linked issue were put for cash by a holder on the put date at the prescribed price as per the terms and condition of the issue.	**1**
Total repayments					**40**

6. Dividends

The Company pays only one dividend in each financial year and does not pay interim dividends.
The following dividend related to 2002 has been paid on 9th April 2003 in conformity with the decision taken at the Ordinary General Meeting on 3rd April 2003.

Dividend per share	CHF	7.–
resulting in a total dividend of [a]	CHF	2 704 820 174

[a] On 386 402 882 shares with right to dividend

7. Events after the Balance Sheet date

After the date of the closing the Group had no subsequent adjusting events that warrant a modification of the values of assets and liabilities.

8. Contingent liabilities

Three law suits are filed as proposed class actions alleging that Nestlé Waters North America Inc. engaged in unfair competition concerning the "Poland Spring" water. Nestlé Waters North America Inc. considers the allegations to be without merit and intends to contest the case vigorously.

Principal exchange rates

CHF per	1 USD	1 EUR	1 GBP	100 JPY
Average January/June 2003	1.35	1.49	2.17	1.14
Average January/June 2002	1.64	1.47	2.36	1.26
Rates for end June 2003	1.35	1.55	2.24	1.13
Rates for end December 2002	1.39	1.46	2.23	1.17
Rates for end June 2002	1.49	1.47	2.27	1.25

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