2009 Financial Statements

Nestlé
Good Food, Good Life

Consolidated Financial Statements of the Nestlé Group

143rd Financial Statements of Nestlé S.A.

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Principal exchange rates

CHF per		2009	2008	2009	2008
		Year ending rates		Weighted average annual rates	
1 US Dollar	USD	1.031	1.056	1.083	1.084
1 Euro	EUR	1.486	1.488	1.510	1.586
1 Pound Sterling	GBP	1.663	1.527	1.692	1.992
100 Brazilian Reais	BRL	59.220	45.293	54.981	59.516
100 Japanese Yen	JPY	1.119	1.169	1.158	1.068
100 Mexican Pesos	MXN	7.877	7.672	8.029	9.752
1 Canadian Dollar	CAD	0.982	0.868	0.956	1.015
1 Australian Dollar	AUD	0.928	0.731	0.857	0.920
100 Philippine Pesos	PHP	2.231	2.224	2.281	2.438
100 Chinese Yuan Renminbi	CNY	15.101	15.471	15.861	15.575

Consolidated income statement for the year ended 31 December 2009

In millions of CHF	Notes	2009			2008		
		Continuing operations	Discontinued operations (a)	Total	Continuing operations	Discontinued operations (a)	Total
Sales	3	**100 579**	**7 039**	**107 618**	**103 086**	**6 822**	**109 908**
Cost of goods sold		(43 467)	(1 741)	(45 208)	(45 756)	(1 583)	(47 339)
Distribution expenses		(8 237)	(183)	(8 420)	(8 895)	(189)	(9 084)
Marketing and administration expenses		(34 296)	(1 974)	(36 270)	(33 836)	(1 996)	(35 832)
Research and development costs		(1 357)	(664)	(2 021)	(1 359)	(618)	(1 977)
EBIT Earnings Before Interest, Taxes, restructuring and impairments	3	**13 222**	**2 477**	**15 699**	**13 240**	**2 436**	**15 676**
Other income	4	466	43	509	185	9 241	9 426
Other expenses	4	(1 196)	(42)	(1 238)	(2 042)	(82)	(2 124)
Profit before interest and taxes		**12 492**	**2 478**	**14 970**	**11 383**	**11 595**	**22 978**
Financial income	5	123	56	179	43	59	102
Financial expense	5	(777)	(17)	(794)	(1 088)	(159)	(1 247)
Profit before taxes and associates		**11 838**	**2 517**	**14 355**	**10 338**	**11 495**	**21 833**
Taxes	7	(3 087)	(275)	(3 362)	(3 687)	(100)	(3 787)
Share of results of associates	8	800	–	800	1 005	–	1 005
Profit for the year		**9 551**	**2 242**	**11 793**	**7 656**	**11 395**	**19 051**
of which attributable to non-controlling interests		291	1 074	1 365	245	767	1 012
of which attributable to shareholders of the parent (Net profit)		9 260	1 168	10 428	7 411	10 628	18 039
As percentages of sales							
EBIT Earnings Before Interest, Taxes, restructuring and impairments		13.1%	35.2%	14.6%	12.8%	35.7%	14.3%
Profit for the year attributable to shareholders of the parent (Net profit)				9.7%			16.4%
Earnings per share (in CHF)							
Basic earnings per share	9	2.59	0.33	2.92	2.00	2.87	4.87
Fully diluted earnings per share	9	2.58	0.33	2.91	1.99	2.85	4.84

(a) Detailed information related to Alcon discontinued operations is disclosed in Note 25.

Consolidated statement of comprehensive income for the year ended 31 December 2009

In millions of CHF	Notes	2009	2008
Profit for the year recognised in the income statement		**11 793**	**19 051**
Currency retranslations		(217)	(4 997)
Fair value adjustments on available-for-sale financial instruments			
– Unrealised results		182	(358)
– Recognition of realised results in the income statement		(15)	(1)
Fair value adjustments on cash flow hedges			
– Recognised in hedging reserve		196	(409)
– Removed from hedging reserve		269	52
Actuarial gains/(losses) on defined benefit schemes	16	(1 672)	(3 139)
Share of other comprehensive income of associates	8	333	(853)
Taxes	7	90	1 454
Other comprehensive income for the year		**(834)**	**(8 251)**
Total comprehensive income for the year		**10 959**	**10 800**
of which attributable to non-controlling interests		1 247	798
of which attributable to shareholders of the parent		9 712	10 002

Consolidated balance sheet as at 31 December 2009

before appropriations

In millions of CHF	Notes	2009	2008
Assets			
Current assets			
Cash and cash equivalents	19	2 734	5 835
Short-term investments	19	2 585	1 296
Inventories	12	7 734	9 342
Trade and other receivables	10/19	12 309	13 442
Prepayments and accrued income		589	627
Derivative assets	11/19	1 671	1 609
Current income tax assets	19	1 045	889
Assets held for sale	25	11 203	8
Total current assets		**39 870**	**33 048**
Non-current assets			
Property, plant and equipment	13	21 599	21 097
Goodwill	14	27 502	30 637
Intangible assets	15	6 658	6 867
Investments in associates	8	8 693	7 796
Financial assets	19	4 162	3 868
Employee benefits assets	16	230	60
Deferred tax assets	7	2 202	2 842
Total non-current assets		**71 046**	**73 167**
Total assets		**110 916**	**106 215**

In millions of CHF	Notes	2009	2008
Liabilities and equity			
Current liabilities			
Financial liabilities	19	14 438	15 383
Trade and other payables	19	13 033	12 608
Accruals and deferred income		2 779	2 931
Provisions	18	643	417
Derivative liabilities	11/19	1 127	1 477
Current income tax liabilities	19	1 173	824
Liabilities directly associated with assets held for sale	25	2 890	–
Total current liabilities		**36 083**	**33 640**
Non-current liabilities			
Financial liabilities	19	8 966	6 344
Employee benefits liabilities	16	6 249	5 464
Provisions	18	3 222	3 246
Deferred tax liabilities	7	1 404	1 341
Other payables		1 361	1 264
Total non-current liabilities		**21 202**	**17 659**
Total liabilities		**57 285**	**51 299**
Equity	21		
Share capital		365	383
Treasury shares		(8 011)	(9 652)
Translation reserve		(11 175)	(11 103)
Retained earnings and other reserves		67 736	71 146
Total equity attributable to shareholders of the parent		**48 915**	**50 774**
Non-controlling interests		4 716	4 142
Total equity		**53 631**	**54 916**
Total liabilities and equity		**110 916**	**106 215**

Consolidated cash flow statement for the year ended 31 December 2009

In millions of CHF	Notes	2009	2008
Operating activities			
Profit for the year		11 793	19 051
Non-cash items of income and expense	22	3 478	(6 157)
Decrease/(increase) in working capital	22	2 442	(1 787)
Variation of other operating assets and liabilities	22	221	(344)
Operating cash flow (a)		**17 934**	**10 763**
Investing activities			
Capital expenditure	13	(4 641)	(4 869)
Expenditure on intangible assets	15	(400)	(585)
Sale of property, plant and equipment		111	122
Acquisition of businesses	23	(796)	(937)
Disposal of businesses	24	242	10 999
Cash flows with associates		195	266
Other investing cash flows		(110)	(297)
Cash flow from investing activities (a)		**(5 399)**	**4 699**
Financing activities			
Dividend paid to shareholders of the parent	21	(5 047)	(4 573)
Purchase of treasury shares	22	(7 013)	(8 696)
Sale of treasury shares and options exercised		292	639
Cash flows with non-controlling interests		(720)	(367)
Bonds issued	19	3 957	2 803
Bonds repaid	19	(1 744)	(2 244)
Inflows from other non-current financial liabilities		294	374
Outflows from other non-current financial liabilities		(175)	(168)
Inflows/(outflows) from current financial liabilities		(446)	(6 100)
Inflows/(outflows) from short-term investments		(1 759)	1 448
Cash flow from financing activities (a)		**(12 361)**	**(16 884)**
Currency retranslations		(184)	663
Increase/(decrease) in cash and cash equivalents		**(10)**	**(759)**
Cash and cash equivalents at beginning of year		5 835	6 594
Cash and cash equivalents at end of year	22	**5 825**	**5 835**

(a) Detailed information related to Alcon discontinued operations is disclosed in Note 25.

Consolidated statement of changes in equity for the year ended 31 December 2009

In millions of CHF	Share capital	Treasury shares	Translation reserve	Retained earnings and other reserves	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
Equity as at 31 December 2007	393	(8 013)	(6 302)	66 549	52 627	2 149	54 776
Total comprehensive income			(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 non-controlling interests					–	(408)	(408)
Movement of treasury shares (net)		(7 141)		(381)	(7 522)		(7 522)
Changes in non-controlling 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
Total comprehensive income			(72)	9 784	9 712	1 247	10 959
Dividend paid to shareholders of the parent				(5 047)	(5 047)		(5 047)
Dividends paid to non-controlling interests					–	(732)	(732)
Movement of treasury shares (net)		(6 891)		162	(6 729)		(6 729)
Changes in non-controlling interests					–	21	21
Equity compensation plans		142		63	205	38	243
Reduction in share capital	(18)	8 390		(8 372)	–		–
Equity as at 31 December 2009	365	(8 011)	(11 175)	67 736	48 915	4 716	53 631

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 Financial Statements 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, goodwill impairment tests, employee benefits, allowance for doubtful receivables, share-based payments and taxes.

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. Non-controlling interests are shown as a component of equity in the balance sheet and the share of the profit attributable to non-controlling interests is shown as a component of profit for the year 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 in other comprehensive income.

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.

Segment reporting

Operating segments reflect the Group's management structure and the way financial information is regularly reviewed by the Group's chief operating decision maker (CODM), which is defined as the Executive Board.

The Group is focused in two areas of activity, Food and Beverages, and Pharmaceuticals. The Group's Food and Beverages business is managed through three geographic Zones and several Globally Managed Businesses (GMBs). Zones and GMBs, that meet the quantitative threshold of 10% of sales, EBIT or assets, are presented on a stand-alone basis as reportable segments. Other GMBs that do not meet the threshold, like Nestlé Professional, Nespresso, and the food and beverages Joint Ventures, are aggregated and presented in Other Food and Beverages. The Group's pharmaceutical activities are also managed, and presented, separately. Therefore, the Group's reportable operating segments are:

- Zone Europe;
- Zone Americas;
- Zone Asia, Oceania and Africa;
- Nestlé Waters;
- Nestlé Nutrition;
- Other Food and Beverages; and
- Pharma.

As some operating segments represent geographic zones, information by product is also disclosed. The eight product groups that are disclosed represent the highest categories of products that are followed internally.

Finally, the Group provides information attributed to the country of domicile of the Group's parent company (Nestlé S.A. – Switzerland) and to the 10 most important countries in terms of sales.

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 and liabilities are aligned with internal reported information to the CODM. Segment assets comprise property, plant and equipment, intangible assets, goodwill, trade and other receivables, assets held for sale, inventories, prepayments and accrued income as well as specific financial assets associated to the reportable segments (net of taxes). Segment liabilities comprise trade and other payables, liabilities directly associated with assets held for sale, some other payables as well as accruals and deferred income (net of taxes). Eliminations represent inter-company balances between the different segments.

Segment assets by operating segment represent the situation at the end of the year. Assets and liabilities by product 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 amortisation of intangible assets. Impairment of 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; and
- some goodwill and intangible assets.

Non-current assets by geography include property, plant and equipment, intangible assets and goodwill that are attributable to the ten most important countries and the country of domicile of Nestlé S.A.

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. All other expenses, including those in respect of advertising and promotions, are recognised when the Group receives the risks and rewards of ownership of 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. Certain borrowing costs are capitalised as explained under the section on Property, plant and equipment. Others are expensed.

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 or other comprehensive income, in which case it is recognised against equity or other comprehensive income.

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 carried 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 or other comprehensive income. 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 in 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

Financial assets are initially recognised at fair value plus directly attributable transaction costs. However when a financial asset at fair value through profit or loss is recognised, the transaction costs are expensed immediately. 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.

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

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 classes of financial assets: loans; trade, tax 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-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.

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.

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 them until maturity and when 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 they will mature within twelve months after the balance sheet date or beyond.

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. They are split into:

- cash and cash equivalents (cash balances, deposits at sight, time deposits and placements in commercial paper) if their maturities are three months or less at inception;
- short-term investments, if their maturity is more than three months at inception and if they are due within a period of 12 months or less; and
- non-current financial assets otherwise.

Subsequent to initial measurement, available-for-sale assets are stated at fair value with all unrealised gains or losses recognised against other comprehensive income 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.

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 classes of financial liabilities: trade, tax 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. 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 determined 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.

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 adjusted for 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 is recognised in other comprehensive income, 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 in other comprehensive income are included in the measurement cost of the asset or of the liability. Otherwise the gains or losses previously recognised in other comprehensive income are removed 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 other comprehensive income together with gains or losses on the foreign currency translation of the hedged investments and are presented in the hedging reserve in equity. All of these fair value gains or losses are deferred in equity until the investments are sold or otherwise disposed of.

Undesignated derivatives

Undesignated derivatives are comprised of two categories. The first includes derivatives acquired in the frame of risks management policies for which hedge accounting is not applied. 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.

Fair value

The Group determines the fair value of its financial instruments on the basis of the following hierarchy.

i) The fair value of financial instruments quoted in active markets is based on their quoted closing price at the balance sheet date. Examples include commodity derivative assets and liabilities and other financial assets such as investments in equity securities.
ii) The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such 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. For example, the fair value of forward exchange contracts, currency swaps and interest rate swaps is determined by discounting estimated future cash flows using a risk-free interest rate.
iii) The fair value of a small number of instruments are determined on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable input). When fair value 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 limited 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.

Borrowing costs incurred during the course of construction are capitalised if the assets under construction are significant and if their construction requires a substantial period to complete (typically more than one year). The capitalisation rate is determined on the basis of the short term borrowing rate for the period of construction. 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 internally generated or 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. Internally generated intangible assets are capitalised, provided they generate future economic benefits and their costs are clearly identifiable. Borrowing costs incurred during the development of internally generated intangible assets are capitalised if the assets are significant and if their development requires a substantial period to complete (typically more than one year).

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 amortised 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 amortised over the shorter of their contractual or useful economic lives. They comprise mainly management information systems, patents and rights to carry on an activity (e. g. exclusive rights to sell products or to perform a supply activity). Finite life intangible assets are amortised on a straight-line basis assuming a zero residual value: management information systems over a period ranging from 3 to 5 years; and other finite life intangible assets over 5 to 20 years. Useful lives and residual values are reviewed annually.

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

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.

An impairment loss in respect of goodwill is never subsequently reversed.

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 time value of money and the risks specific to the country where the assets are located. The risks specific to the asset are included in the determination of the cash flows.

Assets that suffered an impairment are tested for possible reversal of the impairment at each reporting date if indications exist that impairment losses recognised in prior periods no longer exist or have decreased.

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 income statement of the discontinued operations is presented separately in the Consolidated income statement. Comparative information is restated accordingly. Balance sheet 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.

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.

Post-employment benefits
The liabilities of the Group arising from defined benefit obligations, and the related current service cost, are determined using the projected unit credit method. 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 available in the form of refunds from the plan or reductions in future contributions to the plan. When these criteria are not met, 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 other comprehensive income.

For defined benefit plans, the pension cost charged to the income statement consists of current service cost, interest cost, expected return on plan assets, effects of early retirements, curtailments or settlements, and past service cost. 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.

Dividend

In accordance with Swiss law and the Company's Articles of Association, dividend is treated as an appropriation of profit in the year in which it is ratified at the Annual General Meeting and subsequently paid.

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 2009 onwards:

IFRS 7 amendments – Financial Instruments: Disclosures

The IFRS 7 amendments enhance disclosures about fair value measurements of financial instruments and liquidity risk and require classification of financial instruments in three levels as stated in the accounting policies.

IFRS 8 – Operating segments

IFRS 8 requires separate reporting of segmental information for operating segments. Operating segments reflect the Group's management structure and the way financial information is regularly reviewed by the Group's chief operating decision maker, which is defined as the Executive Board.

The Group is focused in two areas of activity, Food and Beverages, and Pharmaceuticals. The Group's Food and Beverages business is managed through three geographic Zones and several Globally Managed Businesses (GMBs). Zones and GMBs, that meet the quantitative threshold of 10% of sales, EBIT or assets, are presented on a standalone basis as reportable segments. Other GMBs that do not meet the threshold, like Nestlé Professional, Nespresso, and the food and beverages joint ventures, are aggregated and presented in Other Food and Beverages. The Group's pharmaceutical activities are also managed, and presented, separately. Therefore, the Group's reportable operating segments are:

- Zone Europe;
- Zone Americas;
- Zone Asia, Oceania and Africa;
- Nestlé Waters;
- Nestlé Nutrition;
- Other Food and Beverages; and
- Pharma.

Comparative information has been restated, considering that, as from 1 January 2009, Nestlé Professional activities are managed separately from the three geographic Zones and, consequently, disclosed in Other Food and Beverages.

As some operating segments represent geographic zones, information by product is also disclosed. The eight product groups that are disclosed represent the highest categories of products that are followed internally. The water products are now disclosed separately from Powdered and liquid beverages, and the nutrition products from Milk products and Ice cream. Comparative information has been restated accordingly.

IAS 1 Revised – Presentation of financial statements
The standard includes non-mandatory changes of the titles of the financial statements. The Group has chosen the option to maintain the existing titles. The standard also introduces a statement of comprehensive income, but allows presenting a two statement approach with a separate income statement and a statement of comprehensive income, which is the option that the Group has chosen.

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 previously elected by the Group. This standard has been applied on assets for which construction or development has started on or after 1 January 2009. The effect on Group financial statements is insignificant.

IFRIC 13 – Consumer loyalty programmes
This interpretation 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 has no material effect on its results. Therefore, no restatement of comparative information is required.

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 has no impact on the Group financial statements as the Group already complies with its requirements.

Improvements and other amendments of IFRS or IFRIC
The Group already complies with the IAS 38 changes whereby expenditure in respect of advertising is recognised upon the delivery of the goods and services. Other improvements or amendments effective in 2009 do not have a material effect on the Group financial statements.

Changes in IFRS that may affect the Group after 31 December 2009

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 non-controlling 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 changes in the non-controlling interests of an acquiree that do not result in a loss of control are accounted for as equity transactions. Moreover, losses applicable to the non-controlling interests are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Amendments to IAS 39 – Financial Instruments: Recognition and Measurement
As part of the annual improvements to IFRS published in April 2009, IAS 39 was amended to require options that are exchanged between a buyer and a seller in a business combination to buy or sell a business at a later date, to be accounted for as derivative financial instruments.

On 7 July 2008, the Group sold 24.8% of Alcon's outstanding capital to Novartis. The agreement further included 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 had 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%. On 4 January 2010, Novartis exercised its call option to acquire the remaining 52% shareholding from Nestlé.

As a result of the amendment to IAS 39, the put option, that gave Nestlé the right to transfer its remaining shareholding and control of Alcon to Novartis, falls within the scope of IAS 39 as from 1 January 2010. The Group has assessed the impact of this and has concluded that the classification and measurement of the Alcon put option as a derivative financial instrument will not have a material impact on the Group figures.

Improvements to IFRS

Several standards have been modified on miscellaneous points and are effective in 2010. They are not expected to have a material effect on the Group's financial statements.

2. Modification of the scope of consolidation

The scope of consolidation is affected by acquisitions and disposals. In 2009, there were no major acquisitions and disposals.

3. Analyses by segment

3.1 Operating segments

2008 (d)

In millions of CHF	Zone Europe	Zone Americas	Zone Asia, Oceania and Africa	Nestlé Waters
Revenues and results				
Sales (e)	25 098	31 357	15 707	9 589
EBIT Earnings Before Interest, Taxes, restructuring and impairments	3 101	5 206	2 590	573
Impairment of assets	(62)	(53)	1	(638)
Restructuring costs	(84)	(45)	(41)	(169)
Net other income/(expenses) excluding restructuring and impairments				
Net financing cost				
Profit before taxes and associates				
Assets				
Segment assets	12 535	17 741	8 124	8 095
Non-segment assets				
Total assets				
of which goodwill and intangible assets	3 076	7 018	1 835	2 245
Other information				
Capital additions	1 228	1 493	767	1 051
of which capital expenditure	885	1 341	656	768
Depreciation and amortisation of segment assets	825	719	421	554

2009

In millions of CHF	Zone Europe	Zone Americas	Zone Asia, Oceania and Africa	Nestlé Waters
Revenues and results				
Sales (e)	22 528	32 168	15 891	9 061
EBIT Earnings Before Interest, Taxes, restructuring and impairments	2 802	5 402	2 658	632
Impairment of assets	(82)	(24)	(10)	(84)
Restructuring costs	(98)	(55)	(31)	24
Net other income/(expenses) excluding restructuring and impairments				
Net financing cost				
Profit before taxes and associates				
Assets				
Segment assets	12 237	18 576	8 546	7 669
Non-segment assets				
Total assets				
of which goodwill and intangible assets	2 891	6 924	1 980	2 041
Other information				
Capital additions	797	1 211	982	578
of which capital expenditure	759	1 092	761	493
Depreciation and amortisation of segment assets	735	809	435	573

(a) Mainly Nespresso, Nestlé Professional and Food and Beverages Joint Ventures managed on a worldwide basis
(b) Refer to the Segment reporting section of the Accounting policies for the definition of unallocated items.
(c) Detailed information related to Alcon discontinued operations is disclosed in Note 25. In 2009, goodwill and intangible assets are included in Assets held for sale in the Balance Sheet.

Nestlé Nutrition	Other Food and Beverages (a)	Unallocated items (b)	Inter-segment eliminations	Total Food and Beverages	Pharma	Total continuing operations	Pharma discontinued operations (c)	Total
10 375	10 238			102 364	722	103 086	6 822	109 908
1 797	1 522	(1 686)		13 103	137	13 240	2 436	15 676
(6)	(1)	–		(759)	–	(759)	(51)	(810)
(18)	(5)	(4)		(366)	(7)	(373)	(29)	(402)
						(725)	9 239	8 514
						(1 045)	(100)	(1 145)
						10 338	11 495	21 833
14 641	4 446	11 915	(1 145)	76 352	678	77 030	6 352	83 382
								22 833
								106 215
9 564	300	9 917		33 955	391	34 346	3 158	37 504
504	365	188		5 596	266	5 862	487	6 349
355	348	188		4 541	10	4 551	318	4 869
217	165	93		2 994	42	3 036	213	3 249
9 963	10 187			99 798	781	100 579	7 039	107 618
1 733	1 603	(1 747)		13 083	139	13 222	2 477	15 699
(4)	(3)	–		(207)	–	(207)	(20)	(227)
(30)	(10)	–		(200)	–	(200)	(22)	(222)
						(323)	43	(280)
						(654)	39	(615)
						11 838	2 517	14 355
15 730	4 981	11 544	(2 026)	77 257	732	77 989	6 784	84 773
								26 143
								110 916
9 665	474	9 761		33 736	424	34 160	3 256	37 416
746	600	269		5 183	90	5 273	614	5 887
579	362	230		4 276	17	4 293	348	4 641
220	218	96		3 086	47	3 133	236	3 369

(d) 2008 comparatives have been restated following first application of IFRS 8 and changes in management responsibility as of 1 January 2009. Globally managed Nestlé Professional activities have been reclassified from the Zones to Other Food and Beverages. The definition of segment assets has been reviewed to be aligned with the internal definition.

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

3.2 Products

In millions of CHF	Powdered and liquid beverages	Water	Milk products and Ice cream	Nutrition
2008 (c)				
Revenues and results				
Sales	18 879	9 595	20 556	10 380
EBIT Earnings Before Interest, Taxes, restructuring and impairments	4 176	575	2 357	1 798
Impairment of assets	(9)	(638)	(62)	(6)
Restructuring costs	(28)	(169)	(60)	(20)
Net other income/(expenses) excluding restructuring and impairments				
Net financing cost				
Profit before taxes and associates				
Assets	9 118	8 363	13 410	15 877
of which goodwill and intangible assets	505	2 308	4 657	9 863
Liabilities	3 725	1 822	3 404	3 123
2009				
Revenues and results				
Sales	19 271	9 066	19 557	9 965
EBIT Earnings Before Interest, Taxes, restructuring and impairments	4 185	633	2 345	1 734
Impairment of assets	(6)	(87)	(52)	(5)
Restructuring costs	(43)	23	(72)	(30)
Net other income/(expenses) excluding restructuring and impairments				
Net financing cost				
Profit before taxes and associates				
Assets	8 891	8 252	13 258	15 711
of which goodwill and intangible assets	490	2 236	4 613	9 790
Liabilities	3 446	1 940	3 344	2 785

(a) Refer to the Segment reporting section of the Accounting policies for the definition of unallocated items.
(b) Detailed information related to Alcon discontinued operations is disclosed in Note 25.
(c) 2008 comparatives have been restated following first application of IFRS 8. Definition of assets and liabilities by product has been reviewed to be aligned with the internal definition. Moreover, the water products are now disclosed separately from Powdered and liquid beverages, and the nutrition products from Milk products and Ice cream. The figures between Operating segments and Products are slightly different due to the fact that some water and nutrition products are also sold by operating segments other than Nestlé Waters and Nestlé Nutrition.

3.3 Customers

There is no single customer amounting to 10% or more of Group's revenues.

Prepared dishes and cooking aids	Confectionery	PetCare	Unallocated items (a) and intra-group eliminations	**Total Food and Beverages**	Pharmaceutical products	**Total continuing operations**	Pharma discontinued operations (b)	**Total**
18 117	12 370	12 467		**102 364**	722	**103 086**	6 822	**109 908**
2 302	1 619	1 962	(1 686)	**13 103**	137	**13 240**	2 436	**15 676**
(23)	(1)	(20)	–	**(759)**	–	**(759)**	(51)	**(810)**
(49)	(22)	(18)	–	**(366)**	(7)	**(373)**	(29)	**(402)**
						(725)	9 239	**8 514**
						(1 045)	(100)	**(1 145)**
						10 338	11 495	**21 833**
10 548	6 146	15 120	301	**78 883**	702	**79 585**	6 612	**86 197**
3 796	899	10 452	2 427	**34 907**	398	**35 305**	3 252	**38 557**
3 003	2 391	1 740	(3 000)	**16 208**	164	**16 372**	1 032	**17 404**
17 205	11 796	12 938		**99 798**	781	**100 579**	7 039	**107 618**
2 226	1 599	2 108	(1 747)	**13 083**	139	**13 222**	2 477	**15 699**
(10)	(23)	(24)	–	**(207)**	–	**(207)**	(20)	**(227)**
(35)	(33)	(10)	–	**(200)**	–	**(200)**	(22)	**(222)**
						(323)	43	**(280)**
						(654)	39	**(615)**
						11 838	2 517	**14 355**
10 127	6 073	14 933	818	**78 063**	704	**78 767**	6 733	**85 500**
3 683	888	10 280	2 417	**34 397**	398	**34 795**	3 264	**38 059**
2 867	2 210	1 604	(2 554)	**15 642**	157	**15 799**	1 073	**16 872**

3.4 Geography

In millions of CHF	2009		2008	
	Sales	Non-current assets (a)	Sales	Non-current assets (a)
USA	30 698	14 732	29 922	15 571
France	8 055	2 070	8 558	2 073
Germany	5 805	1 574	6 511	1 662
Brazil	5 787	1 239	5 668	850
Italy	3 886	1 231	4 440	1 316
United Kingdom	3 730	836	4 140	785
Mexico	3 121	616	3 569	560
Spain	2 789	772	3 039	853
Greater China Region	2 514	515	2 230	493
Japan	2 465	381	2 275	439
Switzerland (b)	2 046	2 185	2 066	1 885
Rest of the world and unallocated items	36 722	29 608	37 490	32 114
Total	**107 618**	**55 759**	**109 908**	**58 601**

(a) Relate to property, plant and equipment, intangible assets and goodwill.
(b) Country of domicile of Nestlé S.A.

4. Net other income/(expenses)

In millions of CHF	Notes	2009	2008 (a)
Profit on disposal of property, plant and equipment		26	24
Profit on disposal of businesses	24	109	47
Other		331	114
Other income		**466**	**185**
Loss on disposal of property, plant and equipment		(57)	(6)
Loss on disposal of businesses	24	(28)	(82)
Restructuring costs		(200)	(373)
Impairment of property, plant and equipment	13	(170)	(248)
Impairment of goodwill	14	(37)	(510)
Impairment of intangible assets	15	–	(1)
Other (b)		(704)	(822)
Other expenses		**(1 196)**	**(2 042)**
Net other income/(expenses) of continuing operations		**(730)**	**(1 857)**
Net other income/(expenses) of discountinued operations (c)		1	9 159
Total net other income/(expenses)		**(729)**	**7 302**

(a) 2008 comparatives have been restated to disclose the discontinued operations separately from the continuing operations.
(b) It relates, for both in 2008 and 2009, to numerous separate legal cases (of which Brazil labour, civil, tax litigations represent the largest individual item) and others that are individually not significant.
(c) Detailed information related to Alcon discontinued operations is disclosed in Note 25.

5. Net financing cost

In millions of CHF	2009	2008 [a]
Interest income	83	43
Gains on investments at fair value to income statement	40	–
Financial income	**123**	**43**
Interest expense	(745)	(1 047)
Losses on investments at fair value to income statement	–	(27)
Unwind of the discount on provisions	(32)	(14)
Financial expense	**(777)**	**(1 088)**
Net financing cost of continuing operations	**(654)**	**(1 045)**
Net financing cost of discountinued operations [b]	39	(100)
Total net financing cost	**(615)**	**(1 145)**

(a) 2008 comparatives have been restated to disclose the discontinued operations separately from the continuing operations.
(b) Losses in 2008 are mainly related to fair value losses in trading securities.

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	2009	2008
Depreciation of property, plant and equipment	2 713	2 625
Amortisation of intangible assets	656	624
Salaries and welfare expenses	16 333	16 129
Operating lease charges	627	630
Exchange differences	(89)	283

7. Taxes

7.1 Taxes recognised in the income statement

In millions of CHF	2009	2008 (a)
Components of taxes		
Current taxes (b)	2 772	3 279
Deferred taxes	236	(1 009)
Taxes reclassified to other comprehensive income	87	1 417
Taxes reclassified to equity	(8)	–
Taxes on continuing operations	**3 087**	**3 687**
Taxes on discontinued operations	275	100
Total taxes	**3 362**	**3 787**

Reconciliation of taxes		
Expected tax expense at weighted average applicable tax rate	2 789	3 142
Tax effect of non-deductible or non-taxable items	(168)	(105)
Prior years' taxes	(17)	68
Transfers to unrecognised deferred tax assets	58	61
Transfers from unrecognised deferred tax assets	(44)	(14)
Changes in tax rates	(1)	(2)
Withholding taxes levied on transfers of income	340	347
Other, incl. taxes on capital	130	190
Taxes on continuing operations	**3 087**	**3 687**

(a) 2008 comparatives have been restated to disclose the discontinued operations separately from the continuing operations.
(b) Current taxes related to prior years represent a tax income of CHF 45 million (2008: CHF 71 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.

7.2 Taxes recognised in other comprehensive income

In millions of CHF	2009	2008
Tax effects relating to		
Currency retranslations	(131)	321
Fair value adjustments on available-for-sale financial instruments	(43)	62
Fair value adjustments on cash flow hedges	(178)	127
Actuarial gains/(losses) on defined benefit schemes	442	944
	90	**1 454**

7.3 Reconciliation of deferred taxes by type 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
At 1 January 2008	(891)	(1 057)	1 422	891	278	23	**666**
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**
Currency retranslations	23	10	(5)	15	(5)	2	**40**
Deferred tax (expense)/income	(217)	(238)	452	6	8	(240)	**(229)**
Reclassified as held for sale	35	4	(388)	(80)	(20)	(65)	**(514)**
Modification of the scope of consolidation	2	(7)	(1)	1	–	5	**–**
At 31 December 2009	**(1 068)**	**(1 089)**	**1 965**	**822**	**307**	**(139)**	**798**

In millions of CHF	2009	2008
Reflected in the balance sheet as follows:		
Deferred tax assets	2 202	2 842
Deferred tax liabilities	(1 404)	(1 341)
Net assets	**798**	**1 501**

7.4 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	2009	2008
Within one year	48	80
Between one and five years	298	343
More than five years	1 279	1 080
	1 625	**1 503**

At 31 December 2009, the unrecognised deferred tax assets amount to CHF 478 million (2008: CHF 450 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 2009, these earnings amount to CHF 20.8 billion (2008: CHF 17.4 billion). They could be subject to withholding and other taxes on remittance.

8. Associates

In millions of CHF	2009	2008
At 1 January	7 796	8 936
Currency retranslations	(56)	(986)
Investments	197	116
Share of results	800	1 005
Dividends received	(392)	(382)
Share of other comprehensive income	333	(853)
Modification of the scope of consolidation	15	(40)
At 31 December	**8 693**	**7 796**
of which L'Oréal	7 737	7 009

8.1 L'Oréal

The Group holds 178 381 021 shares in L'Oréal, representing a 30.5% participation in its equity after consideration of its own shares (2008: 178 381 021 shares representing a 30.6% participation). At 31 December 2009, the market value of the shares held amounts to CHF 20 673 million (2008: CHF 16 537 million).

8.2 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	2009	2008
Total current assets	9 582	10 640
Total non-current assets	26 729	25 130
Total assets	**36 311**	**35 770**
Total current liabilities	8 838	11 791
Total non-current liabilities	6 518	5 714
Total liabilities	**15 356**	**17 505**
Total equity	**20 955**	**18 265**
Total sales	**28 071**	**29 718**
Total results	**2 675**	**3 155**

9. Earnings per share

	2009	2008
Basic earnings per share (in CHF)	2.92	4.87
Net profit (in millions of CHF)	10 428	18 039
Weighted average number of shares outstanding	3 571 967 017	3 704 613 573

Fully diluted earnings per share (in CHF)	2.91	4.84
Net profit, net of effects of dilutive potential ordinary shares (in millions of CHF)	10 428	18 044
Weighted average number of shares outstanding, net of effects of dilutive potential ordinary shares	3 583 542 138	3 725 018 002

Reconciliation of net profit (in millions of CHF)		
Net profit used to calculate basic earnings per share	10 428	18 039
Elimination of interest expense, net of taxes, related to the Turbo Zero Equity-Link issued with warrants on Nestlé S.A. shares	–	5
Net profit used to calculate diluted earnings per share	10 428	18 044

Reconciliation of weighted average number of shares outstanding		
Weighted average number of shares outstanding used to calculate basic earnings per share	3 571 967 017	3 704 613 573
Adjustment for assumed exercise of warrants, where dilutive	–	4 182 623
Adjustment for share-based payment schemes, where dilutive	11 575 121	16 221 806
Weighted average number of shares outstanding used to calculate diluted earnings per share	3 583 542 138	3 725 018 002

10. Trade and other receivables

10.1 By type

In millions of CHF	2009	2008
Trade receivables	9 425	10 552
Other receivables	2 884	2 890
	12 309	**13 442**

The five major customers represent 9% (2008: 9%) of trade and other receivables, none of them exceeding 4% (2008: 3%).

10.2 Past due and impaired receivables

In millions of CHF	2009	2008
Not past due	10 554	11 060
Past due 1–30 days	916	1 363
Past due 31–60 days	341	370
Past due 61–90 days	130	242
Past due 91–120 days	134	144
Past due more than 120 days	685	707
Allowance for doubtful receivables	(451)	(444)
	12 309	**13 442**

10.3 Allowance for doubtful receivables

In millions of CHF	2009	2008
At 1 January	444	506
Currency retranslations	4	(73)
Allowance made during the year	139	151
Amounts used and reversal of unused amounts	(93)	(141)
Reclassified as held for sale	(43)	–
Modification of the scope of consolidation	–	1
At 31 December	**451**	**444**

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			2009			2008
	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	11 348	182	60	11 241	529	225
Interest rate forwards, futures and swaps	1 942	100	–	1 854	127	–
Interest rate and currency swaps	4 042	448	28	3 380	252	223
Cash flow hedges						
Currency forwards, futures and swaps	3 362	40	26	4 573	139	202
Currency options	55	2	1	227	19	8
Interest rate forwards, futures and swaps	3 057	9	128	4 194	–	245
Commodity futures	1 594	115	21	1 941	94	193
Commodity options	164	4	3	67	2	9
Hedges of net investments in foreign operations (currency forwards, futures and swaps)	2 515	–	41	4 059	128	19
Undesignated derivatives						
Currency forwards, futures, swaps and options	1 806	28	24	60	6	11
Interest rate and currency swaps	1 984	742	744	2 716	281	287
Interest rate forwards, futures, swaps and options	1 001	–	50	3 561	30	50
Commodity futures and options	30	1	1	51	2	5
	32 900	**1 671**	**1 127**	**37 924**	**1 609**	**1 477**

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	2009	2008
on hedged items	(537)	105
on hedging instruments	511	(92)

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

12. Inventories

In millions of CHF	2009	2008
Raw materials, work in progress and sundry supplies	3 175	3 708
Finished goods	4 741	5 901
Allowance for write-down at net realisable value	(182)	(267)
	7 734	**9 342**

Inventories amounting to CHF 156 million (2008: CHF 143 million) are pledged as security for financial liabilities.

13. Property, plant and equipment

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.

In millions of CHF					2009
	Land and buildings	Machinery and equipment	Tools, furniture and other equipment	Vehicles	Total
Gross value					
At 1 January	13 105	24 711	7 510	865	**46 191**
Currency retranslations	120	408	139	(5)	**662**
Capital expenditure [a]	914	2 519	1 094	114	**4 641**
Disposals	(167)	(914)	(457)	(71)	**(1 609)**
Reclassified as held for sale	(977)	(1 047)	(555)	(23)	**(2 602)**
Modification of the scope of consolidation	(64)	(115)	(14)	(4)	**(197)**
At 31 December	**12 931**	**25 562**	**7 717**	**876**	**47 086**
Accumulated depreciation and impairments					
At 1 January	(5 012)	(14 321)	(5 288)	(473)	**(25 094)**
Currency retranslations	(52)	(268)	(103)	2	**(421)**
Depreciation	(376)	(1 372)	(859)	(106)	**(2 713)**
Impairments	(38)	(127)	(5)	–	**(170)**
Disposals	114	791	457	71	**1 433**
Reclassified as held for sale	309	592	388	9	**1 298**
Modification of the scope of consolidation	41	109	26	4	**180**
At 31 December	**(5 014)**	**(14 596)**	**(5 384)**	**(493)**	**(25 487)**
Net at 31 December	**7 917**	**10 966**	**2 333**	**383**	**21 599**

(a) Including borrowing costs.

At 31 December 2009, property, plant and equipment include CHF 775 million of assets under construction. Net property, plant and equipment held under finance leases amount to CHF 262 million. Net property, plant and equipment of CHF 101 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 2009, the Group was committed to expenditure amounting to CHF 605 million (2008: CHF 449 million).

14. Goodwill

In millions of CHF	Notes	2009	2008
Gross value			
At 1 January		32 746	35 142
Currency retranslations		(464)	(2 784)
Goodwill from acquisitions	23	407	515
Disposals		(362)	(127)
Reclassified as held for sale	25	(3 045)	–
At 31 December		**29 282**	**32 746**
Accumulated impairments			
At 1 January		(2 109)	(1 719)
Currency retranslations		(21)	123
Impairments		(57)	(561)
Disposals		309	48
Reclassified as held for sale	25	98	–
At 31 December		**(1 780)**	**(2 109)**
Net at 31 December		**27 502**	**30 637**

Yearly impairment tests

Goodwill impairment reviews have been conducted for more than 200 goodwill items allocated to some 50 Cash Generating Units (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 2009. For the purpose of the tests, they have been allocated to the following CGUs: PetCare by geographical zone, Infant Nutrition and Ice Cream USA.

PetCare

The goodwill related to the 2001 acquisition of Ralston Purina was previously allocated for impairment tests purpose to a CGU corresponding to the product category PetCare on a worldwide basis.

Following the adoption of IFRS 8 – Operating Segments, and the subsequent amendment of IAS 36 – Impairment of assets, a CGU for goodwill impairment test cannot be larger than an operating segment. Consequently, the CGU for the Ralston Purina goodwill impairment test has been revised in 2009 and is now split into three distinct CGUs corresponding to the three operating segments that are covering geographically the PetCare business: Zone Europe, Zone Americas and Zone Asia, Oceania and Africa.

As at 31 December, the carrying amounts of the PetCare goodwill and intangible assets with indefinite useful life, expressed in various currencies, represent an equivalent of:

In millions of CHF	2009			2008		
	Total	of which Zone Europe	of which Zone Americas	Total	of which Zone Europe	of which Zone Americas
Goodwill	**9 714**	2 058	7 585	9 888	2 064	7 767
Intangible assets with indefinite useful life	**29**	–	–	29	–	–
	9 743	**2 058**	**7 585**	9 917	2 064	7 767

For each CGU, 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 pre-tax weighted average rate, 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.

For the two main CGUs, PetCare Zone Europe and PetCare Zone Americas, the assumptions, based on past experiences and current initiatives, were the following:

	Zone Europe	Zone Americas
Pre-tax weighted average discount rate	6.9%	7.2%
Annual sales growth over the first ten-year period	between 3 and 4%	between 4 and 4.5%
EBIT margin evolution	steady improvement in a range of 20–50 basis points per year	improvement in a range of 0–20 basis point per year

Assumptions used in the calculations are consistent with the expected long-term average growth rate of the PetCare businesses in the zones concerned. The EBIT margin evolution is consistent with sales growth and portfolio rationalisation.

The key sensitivity for the impairment tests is the growth in sales and EBIT margin. For Zone Americas and Zone Europe, 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 tests.

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 2009, the carrying amounts, expressed in various currencies, represent an equivalent of CHF 3883 million (2008: CHF 3963 million) for the goodwill and CHF 1372 million (2008: CHF 1405 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 pre-tax weighted average rate of 7.5%, 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 1.9 and 5.5% for North America and between 4.2 and 4.6% 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 0–60 basis points per year.

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 2009, the carrying amounts, expressed in USD, represent an equivalent of CHF 3023 million (2008: CHF 3096 million) for the goodwill and CHF 74 million (2008: CHF 76 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 pre-tax weighted average rate of 6.9%, 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 2.9 and 5.1% over the first ten-year period;
– EBIT margin evolution: steadily improving margin over the period, in a range of 80–210 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 2018 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					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 amortisation and impairments					
At 1 January	(234)	(569)	(1 737)	**(2 540)**	(1 373)
Currency retranslations	10	25	230	**265**	198
Amortisation	(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).

In millions of CHF					2009
	Brands and intellectual property rights	Operating rights and others	Management information systems	Total	of which internally generated
Gross value					
At 1 January	4 495	1 359	3 867	**9 721**	3 431
of which indefinite useful life	3 948	–	–	**3 948**	–
Currency retranslations	(27)	(23)	73	**23**	77
Expenditure	26	130	244	**400**	200
Disposals	(9)	(4)	(23)	**(36)**	(2)
Reclassified as held for sale	(110)	(528)	(114)	**(752)**	–
Modification of the scope of consolidation	287	25	(13)	**299**	(10)
At 31 December	**4 662**	**959**	**4 034**	**9 655**	**3 696**
of which indefinite useful life [(a)]	4 100	–	–	**4 100**	–
Accumulated amortisation and impairments					
At 1 January	(248)	(636)	(1 970)	**(2 854)**	(1 643)
Currency retranslations	3	17	(45)	**(25)**	(51)
Amortisation	(32)	(100)	(524)	**(656)**	(500)
Disposals	5	4	11	**20**	–
Reclassified as held for sale	16	355	72	**443**	–
Modification of the scope of consolidation	–	72	3	**75**	4
At 31 December	**(256)**	**(288)**	**(2 453)**	**(2 997)**	**(2 190)**
Net at 31 December	**4 406**	**671**	**1 581**	**6 658**	**1 506**

(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 2009, the Group was committed to expenditure amounting to CHF 61 million (2008: CHF 54 million).

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.

Post-employment medical benefits and other employee benefits

Group companies, principally in the Americas, 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			2009	2008	2007	2006	2005
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Total	Total	Total	Total
Present value of funded obligations	21 863	143	**22 006**	19 139	23 098	23 468	22 863
Fair value of plan assets	(19 443)	(102)	**(19 545)**	(17 228)	(24 849)	(23 819)	(21 814)
Excess of liabilities/(assets) over funded obligations	2 420	41	**2 461**	1 911	(1 751)	(351)	1 049
Present value of unfunded obligations	608	1 726	**2 334**	2 337	2 693	2 627	2 656
Unrecognised past service cost of non-vested benefits	(19)	1	**(18)**	7	5	(5)	7
Unrecognised assets	62	–	**62**	91	1 171	1 390	886
Defined benefits net liabilities/(assets)	**3 071**	**1 768**	**4 839**	4 346	2 118	3 661	4 598
Liabilities from defined contribution plans and non-current deferred compensation			**1 081**	960	1 369	1 294	982
Liabilities from cash-settled share-based transactions (a)			**99**	98	165	117	98
Net liabilities			**6 019**	5 404	3 652	5 072	5 678
Reflected in the balance sheet as follows:							
Employee benefits assets			**(230)**	(60)	(1 513)	(343)	(69)
Employee benefits liabilities			**6 249**	5 464	5 165	5 415	5 747
Net liabilities			**6 019**	5 404	3 652	5 072	5 678

(a) The intrinsic value of liabilities from cash-settled share-based transactions that are vested amounts to CHF 29 million (2008: 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		2009				2008
	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	(17 009)	(219)	**(17 228)**	(24 572)	(277)	**(24 849)**
Currency retranslations	(514)	8	**(506)**	2 912	26	**2 938**
Expected return on plan assets	(1 147)	(16)	**(1 163)**	(1 507)	(18)	**(1 525)**
Employees' contributions	(120)	–	**(120)**	(115)	–	**(115)**
Employer contributions	(1 019)	(57)	**(1 076)**	(518)	(32)	**(550)**
Actuarial (gains)/losses	(718)	(26)	**(744)**	5 658	61	**5 719**
Benefits paid on funded defined benefit schemes	1 101	25	**1 126**	1 181	20	**1 201**
Reclassified as held for sale	114	182	**296**	–	–	–
Modification of the scope of consolidation	–	–	**–**	(16)	–	**(16)**
Transfer (from)/to defined contribution plans	(131)	1	**(130)**	(32)	1	**(31)**
At 31 December	**(19 443)**	**(102)**	**(19 545)**	**(17 009)**	**(219)**	**(17 228)**

The plan assets include property occupied by affiliated companies with a fair value of CHF 16 million (2008: CHF 19 million) and assets loaned to affiliated companies with a fair value of CHF 48 million (2008: CHF 33 million).

The actual return on plan assets is positive in 2009 by CHF 1907 million (2008: negative by CHF 4194 million).

The Group expects to contribute CHF 587 million to its funded defined benefit schemes in 2010.

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

At 31 December	2009	2008
Equities	41%	38%
Bonds	30%	27%
Real estate property	6%	7%
Alternative investments	19%	23%
Cash/Deposits	4%	5%

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	2009 Defined benefit retirement plans	2009 Post-employment medical benefits and other benefits	2009 Total	2008 Defined benefit retirement plans	2008 Post-employment medical benefits and other benefits	2008 Total
At 1 January	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**
Currency retranslations	537	21	**558**	(3 132)	(185)	**(3 317)**
Current service cost	609	84	**693**	621	77	**698**
Interest cost	1 092	125	**1 217**	1 140	108	**1 248**
Early retirements, curtailments and settlements	(32)	(46)	**(78)**	(5)	(1)	**(6)**
Past service cost of vested benefits	34	1	**35**	8	(3)	**5**
Past service cost of non-vested benefits	17	4	**21**	–	–	**–**
Actuarial (gains)/losses	2 131	318	**2 449**	(1 576)	10	**(1 566)**
Benefits paid on funded defined benefit schemes	(1 101)	(25)	**(1 126)**	(1 181)	(20)	**(1 201)**
Benefits paid on unfunded defined benefit schemes	(66)	(127)	**(193)**	(69)	(98)	**(167)**
Reclassified as held for sale	(554)	(285)	**(839)**	–	–	**–**
Modification of the scope of consolidation	–	–	**–**	(5)	2	**(3)**
Transfer from/(to) defined contribution plans	130	(3)	**127**	33	(39)	**(6)**
At 31 December	**22 471**	**1 869**	**24 340**	**19 674**	**1 802**	**21 476**
of which funded defined benefit schemes	21 863	143	**22 006**	18 723	416	**19 139**
of which unfunded defined benefit schemes	608	1 726	**2 334**	951	1 386	**2 337**

16.4 Actuarial gains/(losses) of defined benefit schemes recognised in other comprehensive income

In millions of CHF	2009 Defined benefit retirement plans	2009 Post-employment medical benefits and other benefits	2009 Total	2008 Total	2007 Total	2006 Total	2005 Total
Experience adjustments on plan assets	718	26	**744**	(5 719)	421	1 027	1 522
Experience adjustments on plan liabilities	(17)	(286)	**(303)**	95	(297)	21	16
Change of assumptions on plan liabilities	(2 114)	(32)	**(2 146)**	1 471	955	(65)	(1 133)
Transfer from/(to) unrecognised assets	33	–	**33**	1 014	(806)	(521)	(427)
Actuarial gains/(losses) on defined benefit schemes	**(1 380)**	**(292)**	**(1 672)**	**(3 139)**	**273**	**462**	**(22)**

At 31 December 2009, the net cumulative actuarial losses on defined benefit schemes recognised in equity amount to CHF 6019 million (2008: CHF 4261 million).

16.5 Expenses recognised in the income statement

In millions of CHF	2009			2008		
	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	609	84	**693**	621	77	698
Employee contributions	(120)	–	**(120)**	(115)	–	(115)
Interest cost	1 092	125	**1 217**	1 140	108	1 248
Expected return on plan assets	(1 147)	(16)	**(1 163)**	(1 507)	(18)	(1 525)
Early retirements, curtailments and settlements	(32)	(46)	**(78)**	(5)	(1)	(6)
Past service cost of vested benefits	34	1	**35**	8	(3)	5
Past service cost of non-vested benefits	(3)	3	**–**	–	–	–
Total defined benefit expenses	**433**	**151**	**584**	142	163	305
Total defined contribution expenses			**357**			356

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

16.6 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	2009	2008
Discount rates		
Europe	4.3%	5.0%
Americas	6.3%	6.3%
Asia, Oceania and Africa	5.4%	4.6%
Expected long-term rates of return on plan assets		
Europe	6.4%	5.7%
Americas	8.4%	8.6%
Asia, Oceania and Africa	7.1%	6.3%
Expected rates of salary increases		
Europe	3.3%	3.2%
Americas	2.9%	3.0%
Asia, Oceania and Africa	3.7%	3.0%
Expected rates of pension adjustments		
Europe	2.0%	1.9%
Americas	0.2%	0.2%
Asia, Oceania and Africa	2.0%	1.6%
Medical cost trend rates		
Americas	7.0%	6.4%

16.7 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		2009	2008	2009	2008
Switzerland	LPP 2000	18.2	18.1	21.6	21.5
United Kingdom	PNA00, medium cohort	20.8	20.7	23.1	23.0
United States	RP–2000	18.9	18.9	20.9	20.8
Germany	Heubeck Richttafeln 1998	21.3	21.3	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.

16.8 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 144 million and increase the aggregate of current service cost and interest cost by CHF 16 million.

A one percentage point decrease in assumed medical cost trend rates would decrease the defined benefit obligations by CHF 116 million and decrease the aggregate of current service cost and interest cost by CHF 13 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	2009	2008
Equity-settled share-based payment costs	232	250
Cash-settled share-based payment costs	60	(14)
Total share-based payment costs	**292**	236

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.

	2009	2008
	Number of options	Number of options
Outstanding at 1 January	22 326 896	27 374 110
of which vested and exercisable	19 408 146	24 579 360
New rights	2 145 200	979 000
Rights exercised [(a)]	(9 107 546)	(5 740 284)
Rights forfeited	(10 000)	(285 930)
Outstanding at 31 December	**15 354 550**	**22 326 896**
of which vested and exercisable at 31 December	11 255 350	19 408 146
additional options vesting in 2010	1 055 000	964 750

(a) Average exercise price: CHF 32.07 (2008: CHF 33.77); average share price at exercise date: CHF 43.04 (2008: CHF 48.16)

Main features of the MSOP are the following:

							2009	2008
Grant date	Expiring on	Exercise price in CHF	Expected volatility	Risk-free interest rate	Expected dividend yield	Fair value at grant in CHF	Number of options outstanding	Number of options outstanding
01.03.2002	28.02.2009	36.73					–	3 187 589
01.02.2003	31.01.2010	27.86	27.16%	1.78%	2.25%	5.74	1 335 182	5 249 972
01.10.2003	30.09.2010	30.86	20.58%	2.11%	2.30%	4.93	106 750	107 750
01.02.2004	31.01.2011	32.91	19.41%	2.05%	2.11%	5.05	8 127 368	10 129 035
01.10.2004	30.09.2011	28.94	20.83%	2.09%	2.50%	4.52	113 300	125 800
01.02.2005	31.01.2012	30.92	20.13%	1.84%	2.29%	4.39	608 000	608 000
01.02.2006	31.01.2013	37.95	19.00%	2.20%	2.11%	5.29	964 750	964 750
01.02.2007	31.01.2014	44.50	16.78%	2.72%	2.54%	6.76	1 055 000	1 055 000
01.02.2008	31.01.2015	47.38	23.84%	2.65%	2.65%	7.81	899 000	899 000
01.02.2009	31.01.2016	40.53	19.22%	1.72%	3.04%	4.85	2 145 200	–
							15 354 550	22 326 896

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).

	2009	2008
	Number of RSU	Number of RSU
Outstanding at 1 January	9 443 950	10 771 260
of which vested	–	41 470
New RSU	4 045 944	3 182 660
RSU settled (a)	(3 438 032)	(4 279 570)
RSU forfeited	(120 440)	(230 400)
Outstanding at 31 December	**9 931 422**	**9 443 950**
of which considered cash-settled	347 792	411 960

(a) Average price at vesting date: CHF 40.44 (2008: CHF 49.72)

Main features of the RSUP are the following:

					2009	2008
Grant date	Restricted until	Risk-free interest rate	Expected dividend yield	Fair value at grant in CHF	Number of RSU outstanding	Number of RSU outstanding
01.02.2006	31.01.2009	2.10%	2.13%	37.47	–	3 026 200
01.10.2006	30.09.2009	2.40%	2.15%	43.93	–	44 900
01.02.2007	31.01.2010	2.71%	2.15%	46.39	3 032 960	3 259 330
01.10.2007	30.09.2010	3.02%	2.00%	53.90	46 450	49 180
01.02.2008	31.01.2011	2.65%	2.65%	48.30	2 856 620	3 019 330
01.10.2008	30.09.2011	2.80%	2.80%	48.20	40 840	45 010
01.02.2009	31.01.2012	1.18%	3.04%	37.93	3 930 042	–
01.10.2009	30.09.2012	1.14%	3.17%	41.47	24 510	–
					9 931 422	**9 443 950**

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

17.3 Performance Share Unit Plan (PSUP)

As from 2009, members of the Executive Board are awarded Performance Share Units (PSUs) that each gives the right to receive freely disposable Nestlé S.A. shares (accounted for as equity-settled share-based payment transactions) at the end of a three-year restriction period. Upon vesting, the number of shares delivered ranges from 50% to 200% of the initial grant and is determined by the degree by which the performance measure of the PSUP has been met. The performance measure is the relative Total Shareholder Return of the Nestlé S.A. share compared to the Dow Jones 600 Food & Beverage Index.

In 2009, members of the Executive Board were awarded 178 300 PSUs, with a fair value of CHF 41.72 per unit. PSUs fair value was estimated at the grant date using a Monte Carlo simulation approach. The assumptions incorporated into the valuation model were a risk-free interest rate of 1.18% and an expected dividend yield of 3.04%. No PSUs forfeited or vested during the year ended 31 December 2009.

17.4 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.

17.5 Alcon Incentive Plan

Under the amended 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 (PSUs) and certain cash-settled liability awards.

The total number of Alcon shares that may be issued with respect to such awards shall not exceed 40 million Alcon shares. The number of shares that may be delivered pursuant to exercise or after a lapse of a restriction period may not exceed 10% of the total number of shares issued and outstanding at that time. Alcon intends to satisfy all equity award granted prior to 31 December 2003 and after 31 December 2007 with the issuance of new shares from conditional capital authorised for the amended 2002 Alcon Incentive Plan.

The Board of Directors of Alcon has authorised the acquisition on the open market of Alcon shares to, among other things, satisfy the share-based awards requirements granted under the amended 2002 Alcon Incentive Plan.

Alcon stock options and SSARs

	2009 Number of options	2008 Number of options	2009 Number of SSARs	2008 Number of SSARs
Outstanding at 1 January	6 330 583	8 223 509	3 628 998	2 697 311
of which vested and exercisable	5 818 693	4 977 306	10 113	3 852
New rights	230 639	168 504	1 929 513	1 025 030
Rights exercised (a)	(905 696)	(2 041 871)	(119 821)	–
Rights forfeited	(18 681)	(14 368)	(75 812)	(93 343)
Rights expired	(3 703)	(5 191)	(17 858)	–
Outstanding at 31 December	**5 633 142**	**6 330 583**	**5 345 020**	**3 628 998**
of which vested and exercisable at 31 December	5 079 193	5 818 693	1 105 364	10 113
additional awards scheduled to vest in 2010	182 625	159 158	1 335 951	1 232 532

(a) Weighted average options exercise price: USD 60.36 (2008: USD 61.32); weighted average share price at options exercise date: USD 136.17 (2008: USD 154.82). Weighted average SSARs exercise price: USD 122.49 (2008: none); weighted average share price at SSARs exercice date: USD 153.42 (2008: none)

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

Main features of Alcon SSARs 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	2009 Number of SSARs outstanding	2008 Number of SSARs outstanding
08.02.2006	08.02.2016	122.90	6.11	33.00%	4.56%	1.00%	41.51	1 080 130	1 216 524
Various 2006	Various 2016	100.49	6.41	33.00%	5.07%	1.00%	36.53	12 850	15 050
12.02.2007	12.02.2017	130.58	7.12	31.00%	4.80%	1.50%	40.37	1 316 717	1 346 973
Various 2007	Various 2017	135.18	7.53	31.00%	4.40%	1.50%	40.82	20 221	21 402
11.02.2008	11.02.2018	147.54	8.11	29.50%	2.67%	1.50%	38.39	982 226	1 006 283
Various 2008	Various 2018	148.17	8.30	29.50%	2.80%	1.50%	38.92	22 766	22 766
17.02.2009	17.02.2019	87.09	9.13	31.50%	1.65%	3.00%	18.83	1 878 263	–
Various 2009	Various 2019	97.14	9.34	31.50%	2.10%	3.00%	21.69	31 847	–
								5 345 020	3 628 998

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	2009 Number of options outstanding	2008 Number of options outstanding
21.03.2002	21.03.2012	33.00	2.22	33.00%	4.75%	1.00%	10.03	383 735	483 134
18.02.2003	18.02.2013	36.39	3.13	33.00%	2.92%	1.00%	10.06	1 040 849	1 251 633
Various 2003	Various 2013	47.00	3.52	33.00%	2.92%	1.00%	13.01	13 000	13 000
11.02.2004	11.02.2014	63.32	4.11	33.00%	2.99%	1.00%	19.59	1 557 404	1 811 022
Various 2004	Various 2014	77.19	4.70	33.00%	3.20%	1.00%	39.39	58 000	58 000
09.02.2005	09.02.2015	79.00	5.11	33.00%	3.60%	1.00%	25.48	1 861 181	2 187 067
Various 2005	Various 2015	95.89	5.28	33.00%	3.87%	1.00%	32.62	29 922	33 922
08.02.2006	08.02.2016	122.90	6.11	33.00%	4.56%	1.00%	42.54	146 771	162 483
12.02.2007	12.02.2017	130.56	7.10	31.00%	4.80%	1.50%	40.37	184 060	189 942
11.02.2008	11.02.2018	147.54	8.11	29.50%	2.67%	1.50%	22.34	134 833	140 255
03.04.2008	03.04.2018	144.87	8.25	29.50%	2.75%	1.50%	37.90	125	125
17.02.2009	17.02.2019	87.09	9.13	31.50%	1.65%	3.00%	18.83	213 364	–
03.04.2009	03.04.2019	90.31	9.25	31.50%	1.87%	3.00%	19.83	9 898	–
								5 633 142	6 330 583

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.

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. Shares are issued at the grant price of stock options upon exercise.

Alcon Restricted shares and Restricted Share Units (RSUs)

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

	2009 Number of Restricted shares	2008 Number of Restricted shares	2009 Number of RSUs	2008 Number of RSUs
Outstanding at 1 January	302 182	344 242	325 949	51 486
New granted (a)	–	–	442 632	291 992
Settled (b)	(171 704)	(24 438)	(52 201)	(7 313)
Forfeited	(5 420)	(17 622)	(22 598)	(10 216)
Outstanding at 31 December	**125 058**	302 182	**693 782**	325 949

(a) Weighted average fair value of Restricted shares at grant date: none (2008: none); weighted average fair value of RSUs at grant date: USD 88.56 (2008: USD 147.29)
(b) Weighted average price of Restricted shares at vesting date: USD 123.56 (2008: USD 158.44); weighted average price of RSUs at vesting date: USD 136.08 (2008: USD 154.02)

Alcon Performance Share Units (PSUs)

PSUs fair value is estimated at the grant date assuming that the target performance will be achieved and using a Monte Carlo valuation. PSUs are recognised over the required service period.

	2009	2008
	Number of PSUs	Number of PSUs
Outstanding at 1 January	35 802	–
New granted (a)	46 564	36 633
Forfeited	(1 211)	(831)
Outstanding at 31 December	**81 155**	35 802

(a) Weighted average fair value of shares at grant date: USD 86.39 (2008: USD 151.83)

18. Provisions and contingencies

18.1 Provisions

In millions of CHF

	Restructuring	Environmental	Litigation	Other	Total
At 1 January 2008	1 007	39	1 999	271	**3 316**
Currency retranslations	(88)	(2)	(175)	(33)	**(298)**
Provisions made during the year (a)	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
of which expected to be settled within 12 months					417
Currency retranslations	5	(1)	17	19	**40**
Provisions made during the year (a)	168	4	507	227	**906**
Amounts used	(243)	(4)	(37)	(113)	**(397)**
Unused amounts reversed	(49)	–	(196)	(26)	**(271)**
Reclassified as held for sale	(9)	–	(101)	–	**(110)**
Modification of the scope of consolidation	–	–	20	14	**34**
At 31 December 2009	**730**	**30**	**2 694**	**411**	**3 865**
of which expected to be settled within 12 months					**643**

(a) Including discounting of provisions

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).

Litigation

Litigation provisions have been set up to cover tax, legal and administrative proceedings that arise in the ordinary course of the business. These provisions cover numerous separate cases whose detailed disclosure could be detrimental to the Group interests. The Group does not believe that any of these litigation proceedings will have a material adverse impact on its financial position. The timing of outflows is uncertain as it depends upon the outcome of the proceedings. In that instance, these provisions are 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 year 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 1175 million (2008: CHF 644 million) representing potential litigations of CHF 1138 million (2008: CHF 590 million) and other items of CHF 37 million (2008: CHF 54 million). The increase in 2009 is mainly explained by the impact of foreign currencies and by additional potential labour, civil and tax litigation risks in Latin America.

Contingent assets for litigation claims in favour of the Group amount to a maximum potential recoverable of CHF 234 million (2008: CHF: 296 million).

19. Financial assets and liabilities
19.1 By class

In millions of CHF	2009	2008
Liquid assets (a)	5 319	7 131
Trade and other receivables	12 309	13 442
Current income tax assets	1 045	889
Financial assets – non-current	4 162	3 868
Derivative assets	1 671	1 609
Total financial assets	**24 506**	**26 939**
Trade and other payables	(13 033)	(12 608)
Current income tax liabilities	(1 173)	(824)
Financial liabilities – current	(14 438)	(15 383)
Financial liabilities – non-current	(8 966)	(6 344)
Other payables	(1 361)	(1 264)
Derivative liabilities	(1 127)	(1 477)
Total financial liabilities	**(40 098)**	**(37 900)**
Net financial position	**(15 592)**	**(10 961)**

(a) Liquid assets are composed of cash and cash equivalents and short-term investments. They are detailed in the following classes: cash at bank and in hand, commercial paper, time deposits, trading portfolios and other short-term financial assets.

19.2 By category

In millions of CHF	2009	2008
Loans and receivables (a)	13 933	14 932
Held for trading	502	854
Derivative assets (b)	1 671	1 609
Available-for-sale assets (excl. cash at bank and in hand)	6 904	7 689
Cash at bank and in hand	1 496	1 855
Total financial assets	**24 506**	**26 939**
Financial liabilities (a)	(38 971)	(36 423)
Derivative liabilities (b)	(1 127)	(1 477)
Total financial liabilities	**(40 098)**	**(37 900)**
Net financial position	**(15 592)**	**(10 961)**
of which at fair value (c)	7 950	8 675

(a) Carrying amount of these instruments is a reasonable approximation of their fair value. For bonds, see section 19.4.
(b) Include derivatives classified as undesignated derivatives (refer to Note 11).
(c) Comprise the following instruments: held for trading, derivative assets, available-for-sale assets and derivative liabilities.

The Group does not apply the fair value option.

19.3 Fair value hierarchy of financial instruments

In millions of CHF	2009	2008
Trading portfolios	502	854
Commodity derivative assets	120	98
Other financial assets [(a)]	1 155	1 258
Commodity derivative liabilities	(25)	(207)
Prices quoted in active markets (Level 1)	**1 752**	**2 003**
Commercial paper	2 277	1 026
Time deposits	872	3 213
Currency and interest derivative assets	1 551	1 511
Other financial assets [(b)]	1 877	1 635
Currency and interest derivative liabilities	(1 102)	(1 270)
Valuation techniques based on observable market data (Level 2)	**5 475**	**6 115**
Other financial assets	723	557
Valuation techniques based on unobservable input (Level 3)	**723**	**557**
Total financial instruments at fair value	**7 950**	**8 675**

(a) Mostly consist of investments in equities.
(b) Mostly consist of investments in bonds.

There have been no significant transfers between the different hierarchy levels in 2009.

19.4 Bonds

In millions of CHF						2009	2008
Issuer	Face value in millions	Coupon	Effective interest rate	Year of issue/ maturity	Comments	Carrying amount	
Nestlé Holdings, Inc., USA	EUR 250	2.13%	2.97%	2005–2009		–	367
	AUD 300	5.50%	5.68%	2005–2009		–	223
	GBP 200	5.13%	5.38%	2006–2009		–	313
	USD 300	4.38%	4.49%	2005–2009		–	321
	AUD 300	6.00%	6.36%	2006–2010	(a)(b)	277	225
	CHF 625	2.75%	2.69%	2007–2010	(c)	626	620
	HUF 10000	6.88%	7.20%	2007–2010	(a)	54	53
	NOK 1500	4.75%	5.16%	2007–2010	(a)(d)	267	230
	NZD 100	8.25%	8.53%	2008–2010	(a)	75	62
	AUD 600	7.25%	7.63%	2008–2011	(e)	560	451
	CHF 300	2.25%	2.30%	2008–2011	(f)	299	296
	NOK 1000	5.00%	5.55%	2008–2011	(f)	178	152
	USD 750	4.00%	3.87%	2008–2011	(a)	799	822
	USD 500	4.75%	4.90%	2007–2011	(a)	533	537
	CHF 675	3.00%	2.86%	2007–2012	(g)	701	700
	AUD 350	6.00%	6.24%	2009–2013	(f)	321	–
	CHF 450	2.50%	2.57%	2006–2013	(a)	468	454
	USD 275	2.00%	2.26%	2009–2013	(h)	282	–
	CHF 250	2.63%	2.66%	2007–2018	(a)	259	245
Nestlé Purina PetCare Company, USA	USD 83	9.25%	5.90%	1989–2009		–	90
	USD 48	7.75%	6.25%	1995–2015		53	54
	USD 63	9.30%	6.46%	1991–2021		80	83
	USD 79	8.63%	6.46%	1992–2022		96	99
	USD 44	8.13%	6.47%	1993–2023		52	53
	USD 51	7.88%	6.45%	1995–2025		60	62
Nestlé Finance International Ltd, Luxembourg	HUF 25000	7.00%	7.00%	2004–2009		–	138
(formerly Nestlé Finance-France S.A., France)	EUR 100	3.50%	3.52%	2006–2009		–	149
	CHF 1075	1.25%	1.40%	2009–2012	(i)	1 077	–
	CHF 1200	2.00%	2.04%	2009–2013	(j)	1 198	–
	CHF 425	2.00%	2.03%	2009–2014	(j)	424	–
	CHF 275	2.13%	2.13%	2009–2014	(j)	275	–
	CHF 350	2.13%	2.20%	2009–2015	(j)	349	–
Other bonds						9	19
Total						**9 372**	**6 818**
of which due within one year						1 300	1 607
of which due after one year						8 072	5 211

The fair value of bonds amounts to CHF 9532 million (2008: CHF 6910 million). Most of the bonds are hedged by currency and/or interest derivatives. The fair value of these derivatives is shown under derivative assets for CHF 603 million (2008: CHF 377 million) and under derivative liabilities for CHF 28 million (2008: CHF 223 million).

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

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

(c) 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 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 currency swap that creates a liability at floating rates in the currency of the issuer.

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

(e) 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 currency swap that creates a liability at floating rates in the currency of the issuer.

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

(g) This bond is composed of:
- CHF 200 million issued in 2007 subject to an interest rate and 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 currency swap that creates a liability at floating rates in the currency of the issuer.

(h) This bond is composed of:
- USD 150 million issued in 2009; and
- USD 125 million issued in 2009 subject to an interest rate swap that creates a liability at floating rates in the currency of the issuer.

(i) This bond is composed of:
- CHF 525 million issued in 2009 subject to interest rate and currency swaps that create a liability at floating rates in the currency of the issuer; and
- CHF 550 million issued in 2009 subject to currency swaps that hedge the CHF face value exposure.

(j) Subject to currency swaps that hedge the CHF face value exposure.

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 a 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.

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	2009	2008
Investment grade A and above	9 523	10 977
Investment grade BBB+, BBB and BBB–	632	449
Non-investment grade (BB+ and below)	188	231
Not rated	230	350
	10 573	**12 007**

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 6.5 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 amount to EUR 9.7 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 (2008)
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
Financial assets (excl. currency derivatives)	**21 573**	**407**	**339**	**2 364**	**24 683**	**25 585**
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)
Financial liabilities (excl. currency derivatives)	**(29 526)**	**(3 472)**	**(4 351)**	**(1 382)**	**(38 731)**	**(36 925)**
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)
Currency derivative assets and liabilities	**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.

In millions of CHF						2009
	In the first year	In the second year	In the third to the fifth year	After the fifth year	Contractual amount	Carrying amount
Cash at bank and in hand	1 496	–	–	–	1 496	1 496
Commercial paper	2 277	–	–	–	2 277	2 277
Time deposits	872	–	–	–	872	872
Trade, tax and other receivables	13 354	–	–	–	13 354	13 354
Trading portfolios	502	–	–	–	502	502
Non-currency derivative assets	118	101	1	9	229	229
Other financial assets	172	369	196	2 670	3 407	3 407
	18 791	470	197	2 679	22 137	22 137
Financial investments without contractual maturities						927
Financial assets (excl. currency derivatives)	**18 791**	**470**	**197**	**2 679**	**22 137**	**23 064**
Trade, tax and other payables	(14 206)	(1 124)	(2)	(235)	(15 567)	(15 567)
Commercial paper (a)	(10 249)	–	–	–	(10 249)	(10 245)
Bonds (a)	(1 611)	(2 714)	(5 098)	(1 120)	(10 543)	(9 372)
Non-currency derivative liabilities	(78)	(23)	(65)	(37)	(203)	(203)
Other financial liabilities	(3 235)	(630)	(223)	(297)	(4 385)	(3 787)
Financial liabilities (excl. currency derivatives)	**(29 379)**	**(4 491)**	**(5 388)**	**(1 689)**	**(40 947)**	**(39 174)**
Gross amount receivable from currency derivatives	22 143	1 076	1 616	314	25 149	25 112
Gross amount payable from currency derivatives	(21 909)	(1 032)	(1 444)	(249)	(24 634)	(24 594)
Currency derivative assets and liabilities	**234**	**44**	**172**	**65**	**515**	**518**
Net financial position	**(10 354)**	**(3 977)**	**(5 019)**	**1 055**	**(18 295)**	**(15 592)**
of which cash flow hedges (b)						
Derivative assets	160	1	–	9	–	170
Derivative liabilities	(97)	–	(58)	(24)	–	(179)

(a) Commercial paper (liabilities) of CHF 8972 million and bonds of CHF 804 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.

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

Transaction exposure arises because affiliated companies undertake transactions in foreign currencies.

In millions of CHF							2008
	CHF	EUR	USD	GBP	AUD	Other	Total
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**
Financial assets (excl. currency derivatives)	2 765	5 562	9 841	846	226	6 345	25 585
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)**
Financial liabilities (excl. currency derivatives)	(3 789)	(6 673)	(16 264)	(1 020)	(1 191)	(7 988)	(36 925)
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)**
Currency derivative assets and liabilities	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.

In millions of CHF							2009
	CHF	EUR	USD	GBP	AUD	Other	Total
Liquid assets [(a)]	1 134	525	2 237	324	7	1 092	**5 319**
Trade, tax and other receivables	415	3 861	3 076	386	197	5 419	**13 354**
Non-current financial assets	787	271	2 751	–	1	352	**4 162**
Non-currency derivative assets	4	–	204	16	–	5	**229**
Financial assets (excl. currency derivatives)	**2 340**	**4 657**	**8 268**	**726**	**205**	**6 868**	**23 064**
Trade, tax and other payables	(1 640)	(4 272)	(3 928)	(420)	(291)	(5 016)	**(15 567)**
Commercial paper	–	(200)	(9 392)	(151)	–	(502)	**(10 245)**
Bonds	(5 674)	–	(1 959)	–	(1 159)	(580)	**(9 372)**
Non-currency derivative liabilities	–	(37)	(147)	(13)	–	(6)	**(203)**
Other financial liabilities	(28)	(739)	(325)	(42)	(84)	(2 569)	**(3 787)**
Financial liabilities (excl. currency derivatives)	**(7 342)**	**(5 248)**	**(15 751)**	**(626)**	**(1 534)**	**(8 673)**	**(39 174)**
Gross amount receivable from currency derivatives	9 363	1 452	8 648	642	1 944	3 063	**25 112**
Gross amount payable from currency derivatives	(952)	(12 406)	(7 267)	(345)	(789)	(2 835)	**(24 594)**
Currency derivative assets and liabilities	**8 411**	**(10 954)**	**1 381**	**297**	**1 155**	**228**	**518**
Net financial position	**3 409**	**(11 545)**	**(6 102)**	**397**	**(174)**	**(1 577)**	**(15 592)**

(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 (excluding derivatives)

				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%

				2009
	USD	CHF	EUR	GBP
Liquid assets	0.32%	0.28%	0.57%	–
Financial liabilities (excl. bonds [(a)])	0.48%	–	0.82%	0.53%

(a) Interest rates of bonds are disclosed in Note 19.

Interest structure of non-current financial liabilities

In millions of CHF	2009	2008
Financial liabilities at fixed rates	8 523	5 507
Financial liabilities at variable rates	443	837
	8 966	6 344

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	2009	2008
Foreign currency	6	9
Interest rate	24	19
Foreign currency and interest rate combined	24	14

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	2009	2008
Commodity price	15	16

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 defined in Note 19.

The operating cash flow-to-net financial debt ratio highlights the ability of a business to repay its debts. As at 31 December 2009, the ratio was 99.2% (2008: 73.7%).

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 3 650 000 000 registered shares with a nominal value of CHF 0.10 each (2008: 3 830 000 000 registered shares with a nominal value of CHF 0.10 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 Programme launched in 2007. The cancellation of shares was approved at the Annual General Meetings of 10 April 2008 and 23 April 2009. In 2008, the share capital was reduced by 100 725 000 shares (restated following 1-for-10 share split effective on 30 June 2008) from CHF 393 million to CHF 383 million. In 2009, the share capital was further reduced by 180 000 000 shares from CHF 383 million to CHF 365 million.

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	2009	2008
Purpose of holding			
Trading		9 501 554	9 501 554
Share Buy-Back Programme		142 065 000	165 824 000
Management option rights	17	15 354 550	22 326 896
Restricted Stock Units	17	9 931 422	9 443 950
Performance Stock Units	17	178 300	–
Freely available for future Long-Term Incentive Plans		970 777	7 296 360
		178 001 603	**214 392 760**

At 31 December 2009, the treasury shares held by the Group represent 4.9% of the share capital (2008: 5.6%). Their market value amounts to CHF 8936 million (2008: CHF 8919 million).

21.4 Number of shares outstanding

	Shares issued	Treasury shares	Outstanding shares
At 1 January 2008	3 930 725 000	(168 007 420)	**3 762 717 580**
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**
Purchase of treasury shares		(156 241 000)	**(156 241 000)**
Treasury shares delivered in respect of options exercised		9 107 546	**9 107 546**
Treasury shares delivered in respect of equity compensation plans		3 524 611	**3 524 611**
Treasury shares cancelled	(180 000 000)	180 000 000	–
At 31 December 2009	**3 650 000 000**	**(178 001 603)**	**3 471 998 397**

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 2009, the reserve is positive of CHF 241 million (2008: positive of CHF 79 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 2009, the reserve is positive of CHF 82 million (2008: negative of CHF 378 million).

21.7 Non-controlling interests

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

21.8 Dividend

The dividend related to 2008 was paid on 29 April 2009 in conformity with the decision taken at the Annual General Meeting on 23 April 2009. Shareholders approved the proposed dividend of CHF 1.40 per share, resulting in a total dividend of CHF 5047 million.

Dividend payable is not accounted for until it has been ratified at the Annual General Meeting. At the meeting on 15 April 2010, a dividend of CHF 1.60 per share will be proposed, resulting in a total dividend of CHF 5608 million. For further details, refer to the Financial Statements of Nestlé S.A.

The Financial Statements for the year ended 31 December 2009 do not reflect this proposed distribution, which will be treated as an appropriation of profit in the year ending 31 December 2010.

22. Cash flow statement

22.1 Non-cash items of income and expense

In millions of CHF	2009	2008
Share of results of associates	(800)	(1 005)
Depreciation of property, plant and equipment	2 713	2 625
Impairment of property, plant and equipment	170	248
Impairment of goodwill	57	561
Amortisation of intangible assets	656	624
Impairment of intangible assets	–	1
Net result on disposal of businesses	(105)	(9 252)
Net result on disposal of assets	(71)	186
Non-cash items in financial assets and liabilities	315	(759)
Deferred taxes	229	(1 090)
Taxes in other comprehensive income and equity	82	1 454
Equity compensation plans	232	250
	3 478	**(6 157)**

22.2 Decrease/(increase) in working capital

In millions of CHF	2009	2008
Inventories	1 099	(1 523)
Trade receivables	(83)	13
Trade payables	444	78
Other current assets	(487)	(870)
Other current liabilities	1 469	515
	2 442	**(1 787)**

22.3 Variation of other operating assets and liabilities

In millions of CHF	2009	2008
Variation of employee benefits assets and liabilities	(607)	(824)
Variation of provisions	238	638
Other	590	(158)
	221	**(344)**

22.4 Purchase of treasury shares

In 2009, the Group invested CHF 7.0 billion on its Share Buy-Back Programme (2008: CHF 8.7 billion).

22.5 Cash and cash equivalents at end of year

In millions of CHF	2009	2008
Cash at bank and in hand	1 496	1 855
Time deposits [(a)]	842	3 174
Commercial paper [(a)]	396	806
	2 734	5 835
Cash and cash equivalents classified as held for sale	3 091	–
	5 825	5 835

(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	2009	2008
Interest paid	(566)	(1 138)
Interest received	97	231
Taxes paid	(2 758)	(3 207)
Dividends paid	(5 779)	(4 981)
Dividends received	400	399

23. Acquisition of businesses

In millions of CHF	2009	2008
Property, plant and equipment	54	137
Intangible assets	385	243
Other assets	150	53
Non-controlling interests	–	(2)
Purchase of non-controlling interests in existing participations	3	23
Financial liabilities	(5)	(21)
Employee benefits, deferred taxes and provisions	(90)	(55)
Other liabilities	(48)	(54)
Fair value of net assets acquired	**449**	**324**
Goodwill	407	515
Total acquisition cost	**856**	**839**
Cash and cash equivalents acquired	(5)	(37)
Consideration payable	(214)	(21)
Payment of consideration payable on prior years acquisitions	159	156
Cash outflow on acquisitions	**796**	**937**

Since the valuation of the assets and liabilities of businesses acquired during the year 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	2009	2008
Property, plant and equipment	71	92
Goodwill and intangible assets	64	84
Other assets	52	176
Non-controlling interests (a)	12	1 554
Financial liabilities	–	(61)
Employee benefits, deferred taxes and provisions	(7)	(5)
Other liabilities	(55)	(102)
Net assets disposed of	**137**	**1 738**
Profit/(loss) on current year disposals (a)	105	9 252
Total disposal consideration	**242**	**10 990**
Cash and cash equivalents disposed of	(2)	(20)
Consideration receivable	(27)	(5)
Receipt of consideration receivable on prior years disposals	29	34
Cash inflow on disposals	**242**	**10 999**

(a) For 2008, refer to Note 25.

25. Discontinued operations – 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 non-controlling interests of CHF 1537 million.

The agreement further included 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, Nestle had 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%.

On 4 January 2010, Novartis exercised its call option to acquire the remaining 52% shareholding from Nestlé at a price of USD 181.– per share. The transaction is now pending regulatory approval which can be expected during the course of 2010.

As IFRS 5 criteria were met on 31 December 2009, Alcon's related assets and liabilities are classified as a disposal group in Assets held for sale and Liabilities directly associated with assets held for sale. Moreover, Alcon operations are disclosed as discontinued operations in the 2009 Consolidated Financial Statements. The results of Alcon discontinued operations are disclosed separately in the income statement.

The main elements of the cash flow of the Alcon discontinued operations are as follows:

In millions of CHF	2009	2008
Cash flow from discontinued operations		
Operating cash flow	2 623	2 196
Cash flow from investing activities	(532)	(376)
Cash flow from financing activities	(1 384)	(1 426)

The assets held for sale and liabilities directly associated with assets held for sale related to the Alcon discontinued operation are the following:

In millions of CHF	2009
Cash, cash equivalents and short-term investments	3 585
Inventories	645
Trade and other receivables	1 447
Property, plant and equipment	1 300
Goodwill and intangible assets	3 256
Other assets	959
Assets held for sale	**11 192**
Financial liabilities	(676)
Trade and other payables	(580)
Employee benefits and provisions	(686)
Other liabilities	(948)
Liabilities directly associated with assets held for sale	**(2 890)**
Net assets held for sale from discontinued operations	**8 302**

The cumulative income or expense recognised in other comprehensive income related to Alcon discontinued operations is as follows:

In millions of CHF	2009
Currency retranslations, net of taxes	(858)
Fair value adjustments on available-for-sale financial instruments, net of taxes	16
Actuarial gains/(losses) on defined benefit schemes, net of taxes	(66)
Cumulative income or expense recognised in other comprehensive income	**(908)**

26. Lease commitments

26.1 Operating leases

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

In millions of CHF	2009	2008
	Minimum lease payments	
	Future value	
Within one year	583	609
In the second year	460	487
In the third to the fifth year inclusive	834	918
After the fifth year	575	524
	2 452	**2 538**

26.2 Finance leases

In millions of CHF	2009		2008	
	Minimum lease payments			
	Present value	Future value	Present value	Future value
Within one year	71	75	65	67
In the second year	58	68	54	64
In the third to the fifth year inclusive	120	169	101	139
After the fifth year	80	182	74	181
	329	**494**	**294**	**451**

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

27. Transactions with related parties

27.1 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), equity compensation (MSOP, RSUP and PSUP) 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 the payment of the bonus. These shares are subject to a three-year blocking period.

In millions of CHF	2009	2008
Board of Directors (a)		
Chairman's compensation	9	14
Other Board members		
Remuneration – cash	2	3
Shares	2	2
Executive Board (a)		
Remuneration – cash	14	14
Bonus – cash	8	8
Bonus – shares	8	3
Equity compensation plans (b)	11	11
Pension	2	5

(a) Refer to Note 25 of the Financial Statements of Nestlé S.A. for the detailed disclosures, regarding the remunerations of the Board of Directors and the Executive Board, that are required by Swiss law.
(b) Equity compensation plans are equity-settled share-based payment transactions whose cost is recognised over the vesting period as required by IFRS 2.

27.2 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.

27.3 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. 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 2009 for those activities amounted to CHF 12.6 million (2008: CHF 14 million). The assets under direct management represented an amount of CHF 8.3 billion at 31 December 2009 (2008: CHF 6.5 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 4.7 billion), amounted to CHF 9.4 billion at 31 December 2009 (2008: CHF 8 billion).

Furthermore, throughout 2009, no director had a personal interest in any transaction of significance for the business of the Group.

28. Joint ventures

In millions of CHF	2009	2008
Share of assets and liabilities consolidated in the balance sheet		
Total current assets	805	862
Total non-current assets	1 178	1 058
Total current liabilities	1 309	1 263
Total non-current liabilities	195	149
Share of income and expenses consolidated in the income statement		
Total sales	2 775	2 820
Total expenses	(2 491)	(2 528)

29. Guarantees

The Group has not given significant guarantees to third parties.

30. 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.

31. Events after the balance sheet date

On 4 January 2010, the Group announced its intention to launch an additional Share Buy-Back Programme of CHF 10 billion commencing in 2010 for two years, once the existing programme launched in 2007 has been completed.

On 5 January 2010, the Group announced the acquisition of Kraft Food's frozen pizza business in the US and Canada for USD 3.7 billion in cash. The frozen pizza business will enhance Nestlé's frozen food activities in North America, where the Group has already established a leadership in prepared dishes and hand-held product categories. The estimated sales 2009 of this business amount to USD 2.1 billion with an estimated EBIT of USD 279 million. The transaction is expected to be completed in 2010 as well as the major part of valuation of assets and liabilities of this business acquisition.

At 18 February 2010, 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.

32. Group companies

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

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, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes on pages 44 to 113) of the Nestlé Group for the year ended 31 December 2009.

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 as well as 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 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (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 S.A.

Mark Baillache
Licensed Audit Expert
Auditor in charge

Stéphane Gard
Licensed Audit Expert

Geneva, 18 February 2010

Financial information – 5 year review

In millions of CHF (except for per share data and personnel)	2009		2008	
Results				
Sales	107 618		109 908	
EBIT Earnings Before Interest, Taxes, restructuring and impairments	15 699		15 676	
as % of sales	*14.6%*		*14.3%*	
Taxes	3 362		3 787	
Profit for the year attributable to shareholders of the parent (Net profit)	10 428		18 039	
as % of sales	*9.7%*		*16.4%*	
Total amount of dividend	5 608	(b)	5 047	
Depreciation of property, plant and equipment	2 713		2 625	
Balance sheet and Cash flow statement				
Current assets	39 870		33 048	
of which liquid assets	5 319		7 131	
Non-current assets	71 046		73 167	
Total assets	110 916		106 215	
Current liabilities	36 083		33 640	
Non-current liabilities	21 202		17 659	
Equity attributable to shareholders of the parent	48 915		50 774	
Non-controlling interests	4 716		4 142	
Net financial debt	18 085		14 596	
Operating cash flow	17 934		10 763	
as % of net financial debt	*99.2%*		*73.7%*	
Free cash flow (d)	12 369		5 033	
Capital expenditure	4 641		4 869	
as % of sales	*4.3%*		*4.4%*	
Data per share (e)				
Weighted average number of shares outstanding	3 571 967 017		3 704 613 573	
Total basic earnings per share	2.92		4.87	(f)
Equity attributable to shareholders of the parent	13.69		13.71	
Dividend	1.60	(b)	1.40	
Pay-out ratio based on Total basic earnings per share	54.8%	(b)	28.8%	
Stock prices (high)	51.25		52.95	
Stock prices (low)	35.04		38.02	
Yield (g)	3.1/4.6	(b)	2.6/3.7	
Market capitalisation	**174 294**		150 409	
Number of personnel (in thousands)	**278**		283	

(a) 2005 comparatives restated following the 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) As proposed by the Board of Directors of Nestlé S.A.
(c) 2007 comparatives have been restated following first application of IFRIC 14.
(d) Operating cash flow less capital expenditure, disposal of tangible assets, purchase and disposal of intangible assets, movements with associates as well as with non-controlling interests.

2007		2006	2005 (a)	
				Results
107 552		98 458	91 115	Sales
15 024		13 302	11 876	EBIT Earnings Before Interest, Taxes, restructuring and impairments
14.0%		*13.5%*	*13.0%*	*as % of sales*
3 416		3 293	2 647	Taxes
10 649		9 197	8 081	Profit for the year attributable to shareholders of the parent (Net profit)
9.9%		*9.3%*	*8.9%*	*as % of sales*
4 573		4 004	3 471	Total amount of dividend
2 620		2 581	2 382	Depreciation of property, plant and equipment
				Balance sheet and Cash flow statement
35 770		35 305	41 765	Current assets
9 496		11 475	17 393	of which liquid assets
79 591	(c)	66 500	60 953	Non-current assets
115 361	(c)	101 805	102 718	Total assets
43 326		32 479	35 854	Current liabilities
17 259	(c)	16 478	17 796	Non-current liabilities
52 627	(c)	50 991	47 498	Equity attributable to shareholders of the parent
2 149		1 857	1 570	Non-controlling interests
21 174		10 971	9 725	Net financial debt
13 439		11 676	10 205	Operating cash flow
63.5%		*106.4%*	*104.9%*	*as % of net financial debt*
8 231		7 018	6 557	Free cash flow (d)
4 971		4 200	3 375	Capital expenditure
4.6%		*4.3%*	*3.7%*	*as % of sales*
				Data per share (e)
3 828 809 470		3 848 010 890	3 888 125 640	Weighted average number of shares outstanding
2.78		2.39	2.08	Total basic earnings per share
13.75	(c)	13.25	12.22	Equity attributable to shareholders of the parent
1.22		1.04	0.90	Dividend
43.9%		43.5%	43.3%	Pay-out ratio based on Total basic earnings per share
55.35		44.83	40.43	Stock prices (high)
42.65		35.50	29.83	Stock prices (low)
2.2/2.9		2.3/2.9	2.2/3.0	Yield (g)
195 661		**166 152**	**152 576**	**Market capitalisation**
276		**265**	**250**	**Number of personnel** (in thousands)

(e) 2007 and prior years comparatives have been restated following 1-for-10 share split effective on 30 June 2008.
(f) Impacted by the profit on disposal of 24.8% of Alcon outstanding capital.
(g) Calculated on the basis of the dividend for the year concerned, which is paid in the following year, and on high/low stock prices.

Companies of the Nestlé Group

Operating and financial companies

Principal affiliated and associated companies [(a)] 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) 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
Europe					
Austria					
Alcon Ophthalmika GmbH*		Wien	52.1%	EUR	36 336
C.P.A. Cereal Partners Handelsgesellschaft M.B.H. & Co. OHG	1)	Wien	50%	EUR	145 346
Nespresso Österreich GmbH & Co. OHG		Wien	100%	EUR	35 000
Nestlé Austria Holding GmbH	◊	Wien	100%	EUR	7 270 000
Nestlé Österreich GmbH		Wien	100%	EUR	3 000 000
Schöller Lebensmittel GmbH		Wien	100%	EUR	7 231 000
Belgium					
Centre de Coordination Nestlé S.A.	◊	Bruxelles	100%	EUR	3 298 971 818
Davigel Belgilux S.A.		Bruxelles	100%	EUR	1 487 361
N.V. Alcon Coordination Center*	◊	Puurs	52.1%	EUR	415 000 000
Nespresso Belgique S.A.		Bruxelles	100%	EUR	550 000
Nestlé Belgilux S.A.		Bruxelles	100%	EUR	8 924 200
Nestlé Catering Services N.V.		Bruxelles	100%	EUR	10 535 500
Nestlé Waters Benelux S.A.		Etalle	100%	EUR	19 924 000
S.A. Alcon-Couvreur N.V.*		Puurs	52.1%	EUR	4 491 831

	Companies		City	% capital shareholdings	Currency	Capital
Bosnia and Herzegovina						
	Nestlé Adriatic B&H d.o.o.		Sarajevo	100%	BAM	2 000
	Nestlé Ice Cream B&H d.o.o. Bijeljina		Bijeljina	100%	BAM	2 432 357
Bulgaria						
	Alcon Bulgaria EOOD*		Sofia	52.1%	BGN	850 000
	Nestlé Bulgaria A.D.		Sofia	100%	BGN	8 786 941
	Nestlé Ice Cream Bulgaria S.A.		Sofia	75.8%	BGN	37 524 118
Croatia						
	Nestlé Adriatic doo		Zagreb	100%	HRK	14 685 500
Czech Republic						
	Alcon Pharmaceuticals (Czech Republic) s.r.o.*		Praha	52.1%	CZK	31 000 000
	Cereal Partners Czech Republic	1)	Praha	50%	CZK	23 100 000
	Nestlé Cesko s.r.o.		Praha	100%	CZK	1 154 000 000
Denmark						
	Alcon Danmark A/S*		Rodovre	52.1%	DKK	500 000
	Hjem-IS A/S		Kolding	100%	DKK	15 000 000
	Nestlé Danmark A/S		Copenhagen	100%	DKK	42 000 000
Finland						
	Alcon Finland Oy*		Vantaa	52.1%	EUR	84 094
	Kotijäätelö Oy		Helsinki	100%	EUR	500 000
	Suomen Nestlé Oy		Helsinki	100%	EUR	10 000 000
France						
	Cereal Partners France SNC	1)	Noisiel	50%	EUR	3 000 000
	Davigel S.A.S.		Dieppe	100%	EUR	7 681 250
	Eau Minérale Naturelle de Plancoët «Source Sassay» S.A.S.		Plancoët	100%	EUR	430 028
	Galderma International S.A.S.°	1)	Courbevoie	50%	EUR	931 905
	Herta S.A.S.		Noisiel	100%	EUR	12 908 610
	Houdebine S.A.S.		Pontivy	50%	EUR	726 000
Δ	L'Oréal S.A.°	2)	Paris	30.5%	EUR	119 794 482
	Listed on the Paris stock exchange, market capitalisation EUR 46.7 billion, quotation code (ISIN) FR0000120321					
	Laboratoires Alcon S.A.*		Rueil-Malmaison	52.1%	EUR	12 579 102
	Laboratoires Galderma S.A.S.°	1)	Alby-sur-Chéran	50%	EUR	14 015 000
	Laboratoires Innéov SNC°	1)	Asnières	50%	EUR	500 000
	Lactalis Nestlé Produits Frais S.A.S.	2)	Laval	40%	EUR	69 208 832
	Nespresso France S.A.S.		Paris	100%	EUR	1 360 000
	Nestlé Clinical Nutrition France S.A.S.		Noisiel	100%	EUR	57 943 072
	Nestlé Entreprises S.A.S.	◊	Noisiel	100%	EUR	739 559 392
	Nestlé France S.A.S.		Noisiel	100%	EUR	129 130 560

Companies		City	% capital shareholdings	Currency	Capital
France (continued)					
Nestlé Grand Froid S.A.		Noisiel	100%	EUR	6 674 000
Nestlé HomeCare S.A.S.		Noisiel	100%	EUR	1 077 860
Nestlé Purina PetCare France S.A.S.		Rueil-Malmaison	100%	EUR	21 091 872
Nestlé Waters Direct France S.A.S.		Rungis	100%	EUR	8 864 000
Nestlé Waters France S.A.S.	◊	Issy-les-Moulineaux	100%	EUR	44 856 149
Nestlé Waters Marketing & Distribution		Issy-les-Moulineaux	100%	EUR	26 740 940
Nestlé Waters S.A.S.	◊	Issy-les-Moulineaux	100%	EUR	154 893 080
Nestlé Waters Supply Centre		Issy-les-Moulineaux	100%	EUR	2 577 000
Nestlé Waters Supply Est		Issy-les-Moulineaux	100%	EUR	17 539 660
Nestlé Waters Supply Sud		Issy-les-Moulineaux	100%	EUR	8 130 105
Protéika S.A.S. – Laboratoire de Diététique Médicale		La Baule-Escoublac	100%	EUR	5 000 000
S.A. des Eaux Minérales de Ribeauvillé		Ribeauvillé	100%	EUR	846 595
Schöller Glaces et Desserts S.A.S.		Vitry-sur-Seine	100%	EUR	104 400
Seltea S.A.S.		Credin Rohan	50%	EUR	230 000
Société de Bouchages Emballages Conditionnement Moderne	2)	Lavardac	50%	EUR	10 200 000
Société des Produits Alimentaires de Caudry		Noisiel	100%	EUR	1 440 000
Société Française des Eaux Régionales	◊	Issy-les-Moulineaux	100%	EUR	1 490 098
Société Immobilière de Noisiel	◊	Noisiel	100%	EUR	22 753 550
Société Industrielle de Transformation de Produits Agricoles «SITPA» S.A.S.		Dijon	100%	EUR	9 718 000
Germany					
Alcon Pharma GmbH*		Freiburg/Breisgau	52.1%	EUR	511 292
Alois Dallmayr Kaffee OHG	2)	München	25%	EUR	10 250 000
C.P.D. Cereal Partners Deutschland GmbH & Co. OHG	1)	Frankfurt am Main	50%	EUR	511 292
Distributa Gesellschaft für Lebensmittel-Logistik mbH		Wildau	94%	EUR	515 000
Erlenbacher Backwaren GmbH		Gross-Gerau	100%	EUR	2 582 024
Galderma Laboratorium GmbH°	1)	Düsseldorf	50%	EUR	15 619 000
Herta GmbH		Herten	100%	EUR	51 129
Inneov Deutshland GmbH°	1)	Bruchsal	50%	EUR	25 000
Nespresso Deutschland GmbH		Düsseldorf	100%	EUR	25 000
Nestlé Deutschland AG		Frankfurt am Main	100%	EUR	214 266 628
Nestlé Pensionsfond AG	◊	Biessenhofen	100%	EUR	3 000 000
Nestlé Purina PetCare Deutschland GmbH		Euskirchen	100%	EUR	30 000
Nestlé Schöller GmbH & Co. KG		Nürnberg	100%	EUR	60 000 000
Nestlé Schöller Produktions GmbH		Nürnberg	100%	EUR	30 000
Nestlé Unternehmungen Deutschland GmbH	◊	Frankfurt am Main	100%	EUR	1 000 000
Nestlé Versorgungskasse GmbH	◊	Frankfurt am Main	100%	EUR	60 000
Nestlé Waters Deutschland AG		Mainz	100%	EUR	10 566 000
Nestlé Waters Direct Deutschland GmbH		Neuss	100%	EUR	31 000
PowerBar Europe GmbH		München	100%	EUR	25 000
Schöller Holding GmbH & Co. KG	◊	Nürnberg	100%	EUR	167 669 861
Trinks GmbH	2)	Goslar	25%	EUR	2 360 000

Companies		City	% capital shareholdings	Currency	Capital
Germany (continued)					
Trinks Süd GmbH	2)	München	25%	EUR	260 000
Wagner Tiefkühlprodukte GmbH		Nonnweiler	49%	EUR	511 292
Nestlé acquired control in 2005, further 25% acquired effective 1st January 2010					
WaveLight AG*		Erlangen	52.1%	EUR	6 608 506
WCO Kinderkost GmbH Conow		Conow	100%	EUR	26 000
Greece					
Alcon Laboratories Hellas Commercial and Industrial S.A.*		Maroussi	52.1%	EUR	1 657 189
C.P. Hellas E.E.I.G.	1)	Maroussi	50%	EUR	146 735
Makan Food Trade S.A.		Koropi	100%	EUR	1 246 400
Nestlé Hellas Ice Cream S.A.		Tavros-Attica	100%	EUR	12 655 458
Nestlé Hellas S.A.		Maroussi	100%	EUR	18 656 726
Nestle Waters Direct Hellas Ydata S.A.		Nea Chalkidona-Attika	100%	EUR	2 435 709
Hungary					
Alcon Hungary Pharmaceuticals Trading LLC*		Budapest	52.1%	HUF	75 000 000
Cereal Partners Hungária Kft.	1)	Budapest	50%	HUF	22 000 000
Kékkúti Ásvànyvíz Rt.		Budapest	100%	HUF	3 238 326 000
Nestlé Hungária Kft.		Budapest	100%	HUF	6 000 000 000
Italy					
Alcon Italia S.p.A.*		Milano	52.1%	EUR	1 300 000
Belté Italiana S.p.A.		Milano	99.6%	EUR	1 911 400
Fastlog S.p.A.		Milano	99.6%	EUR	154 935
Galderma Italia S.p.A.°	1)	Milano	50%	EUR	112 000
Koiné S.p.A.		Madone (Bergamo)	50.8%	EUR	258 230
Nespresso Italiana S.p.A.		Milano	100%	EUR	250 000
Nestlé Italiana S.p.A.		Milano	100%	EUR	25 582 492
Nestlé Vera s.r.l.		Santo Stefano Quisquina (Agrigento)	99.6%	EUR	5 000 000
Sanpellegrino S.p.A.		Milano	99.6%	EUR	58 742 145
Kazakhstan					
Nestle Food Kazakhstan LLP		Almaty	100%	KZT	91 900
Lithuania					
UAB "Nestlé Baltics"		Vilnius	100%	LTL	110 000
Luxemburg					
Balkan Ice Cream Holding S.A.	◊	Luxemburg	100%	EUR	52 425 000
Compagnie Financière du Haut-Rhin	◊	Luxemburg	100%	EUR	105 200 000
Nespresso Luxembourg Sàrl		Luxemburg	100%	EUR	12 525
Nestlé Finance International	◊	Luxemburg	100%	EUR	440 000
NTC-Europe S.A.	◊	Luxemburg	100%	EUR	3 565 000

Companies		City	% capital shareholdings	Currency	Capital
Macedonia					
Nestlé Adriatik Makedonija d.o.o.e.l.		Skopje-Karpos	100%	MKD	306 700
Nestlé Ice Cream A.D. Skopje		Skopje	100%	MKD	100 301 200
Malta					
Nestlé Malta Ltd		Lija	100%	EUR	116 469
Netherlands					
Alcon Nederland B.V.*		Gorinchem	52.1%	EUR	18 151
East Springs International N.V.	◊	Amsterdam	100%	EUR	25 370 000
Nespresso Nederland B.V.		Amsterdam	100%	EUR	680 670
Nestlé Nederland B.V.		Amsterdam	100%	EUR	11 346 000
Nestlé Waters Direct Netherlands B.V.		Zoetermeer	100%	EUR	1 606 430
Norway					
A/S Nestlé Norge		Oslo	100%	NOK	81 250 000
Alcon Norge A/S*		Oslo	52.1%	NOK	100 000
Hjem-IS A/S		Oslo	100%	NOK	2 250 000
Poland					
Alcon Polska Sp. Z o.o.*		Warszawa	52.1%	PLN	750 000
Alima-Gerber S.A.		Warszawa	100%	PLN	57 075 370
Cereal Partners Poland Torun-Pacific Sp. Z o.o.	1)	Torun	50%	PLN	14 572 838
Galderma Polska Sp. Z o.o.°	1)	Warszawa	50%	PLN	50 000
Nestlé Polska S.A.		Warszawa	100%	PLN	50 000 000
Nestlé Waters Polska S.A.		Warszawa	100%	PLN	46 100 000
Portugal					
Alcon Portugal-Produtos e Equipamentos Oftalmologicos, Ltda.*		Paço d'Arcos	52.1%	EUR	4 500 000
Cereal Associados Portugal A.E.I.E.	1)	Oeiras	50%	EUR	99 760
Nestlé Portugal S.A.		Linda-a-Velha	100%	EUR	30 000 000
Nestlé Waters Direct Portugal – Comérico e Distribuicao de Produtos Alimentares S.A.		S. João da Talha	100%	EUR	1 000 000
Prolacto-Lacticinios de Sao Miguel S.A.		Ponta Delgada	100%	EUR	700 000
Republic of Ireland					
Alcon Lab. Ireland Limited*		Cork	52.1%	EUR	541 251
Nestlé (Ireland) Ltd		Dublin	100%	EUR	3 530 600
Republic of Serbia					
Nestlé Adriatic Foods doo		Beograd	100%	RSD	431 092 196
Nestlé Ice Cream Srbija A.D. Beograd		Beograd	100%	RSD	2 097 324 193

Companies		City	% capital shareholdings	Currency	Capital
Romania					
Alcon Romania S.R.L.*		Bucharest	52.1%	RON	10 791 189
Nestlé Ice Cream Romania S.R.L.		Clinceni	100%	RON	49 547 943
Nestlé Romania S.R.L.		Bucharest	100%	RON	30 783 700
Russia					
Alcon Farmacevtika LLC*		Moscow	52.1%	RUB	44 055 000
Cereal Partners Russia LLC	1)	Moscow	50%	RUR	20 420 000
Nestlé Food LLC		Moscow	100%	RUB	568 507 372
Nestlé Kuban LLC		Timashevsk	100%	RUB	48 675
Nestle Rossiya LLC		Moscow	100%	RUB	668 380 776
Nestlé Watercoolers Service LLC		Moscow	100%	RUB	20 372 926
OJSC "Confectionery Union Rossiya"		Samara	100%	RUB	49 350 000
OJSC Confectionery Firm "Altai"		Barnaul	100%	RUB	167 000
Schöller Eiscrem GmbH		Moscow	100%	RUB	750 217
Slovak Republic					
Cereal Partners Slovak Republic s.r.o	1)	Prievidza	50%	EUR	16 597
Nestlé Slovensko s.r.o.		Prievidza	100%	EUR	13 277 568
Spain					
Alcon Cusi S.A.*		El Masnou (Barcelona)	52.1%	EUR	11 599 783
Aquarel Iberica S.A.		Barcelona	100%	EUR	300 505
Cereal Partners España A.E.I.E.	1)	Esplugues de Llobregat (Barcelona)	50%	EUR	120 202
Davigel España S.A.		Sant Just Desvern (Barcelona)	100%	EUR	984 000
Helados y Postres S.A.		Vitoria	100%	EUR	140 563 200
Innéov España S.A.°	1)	Madrid	50%	EUR	120 000
Laboratorios Galderma S.A.°	1)	Madrid	50%	EUR	432 480
Nestlé España S.A.		Esplugues de Llobregat (Barcelona)	100%	EUR	100 000 000
Nestle HealthCare Nutrition, S.A.		Esplugues de Llobregat (Barcelona)	100%	EUR	300 000
Nestlé PetCare España S.A.		Castellbisbal (Barcelona)	100%	EUR	12 000 000
Nestlé Waters España S.A.		Barcelona	100%	EUR	14 700 000
Productos del Café S.A.		Reus (Tarragona)	100%	EUR	6 600 000
Sweden					
Alcon Sverige AB*		Bromma	52.1%	SEK	100 000
Galderma Nordic AB°	1)	Bromma	50%	SEK	40 910 000
Hemglass AB		Strängnäs	100%	SEK	14 000 000
Jede AB		Mariestad	100%	SEK	7 000 000
Kaffeknappen AB		Stockholm	100%	SEK	100 000
Nestlé Sverige AB		Helsingborg	100%	SEK	20 000 000

	Companies		City	% capital shareholdings	Currency	Capital
Switzerland						
	Alcon Credit Corporation*	◊	Hünenberg	52.1%	CHF	1 000 000
∆	Alcon Inc.*	◊	Hünenberg	52.1%	CHF	60 803 258
	Listed on the New York stock exchange, market capitalisation USD 49.2 billion, quotation code (ISIN) CH0013826497					
	Alcon Pharmaceuticals Ltd*		Fribourg	52.1%	CHF	200 000
	Beverage Partners Worldwide (Europe) A.G.	1)	Urdorf	50%	CHF	2 000 000
	Beverage Partners Worldwide S.A.	1) ◊	Urdorf	50%	CHF	14 000 000
	CPW Operations Sàrl	1)	Prilly	50%	CHF	20 000
	Emaro S.A.	◊	Romanel-sur-Lausanne	100%	CHF	300 000
	Entreprises Maggi S.A.	◊	Cham	100%	CHF	100 000
	Galderma Pharma S.A.°	1) ◊	Lausanne	50%	CHF	48 900 000
	Galderma S.A.°	1)	Cham	50%	CHF	100 000
	Intercona Re A.G.	◊	Cham	100%	CHF	35 000 000
	Life Ventures S.A.	◊	La Tour-de-Peilz	100%	CHF	30 000 000
	Nestlé Business Services S.A.	◊	Bussigny-près-Lausanne	100%	CHF	100 000
	Nestlé Finance S.A.	◊	Cham	100%	CHF	30 000 000
	Nestlé International Travel Retail S.A.		Châtel-St-Denis	100%	CHF	3 514 000
	Nestlé Nespresso S.A.		Paudex	100%	CHF	2 000 000
	Nestlé Suisse S.A.		Vevey	100%	CHF	250 000
	Nestlé Super Premium S.A.		Lausanne	100%	CHF	1 000 000
	Nestlé Waters (Suisse) S.A.		Henniez	100%	CHF	5 000 000
	Nestrade S.A.		La Tour-de-Peilz	100%	CHF	6 500 000
	NTC-Latin America S.A.	◊	Cham	100%	CHF	500 000
	Nutrition-Wellness Venture A.G.	◊	Zürich	100%	CHF	100 000
	Rive-Reine S.A.	◊	La Tour-de-Peilz	100%	CHF	2 000 000
	S.I. En Bergère Vevey S.A.	◊	Vevey	100%	CHF	19 500 000
	Société des Produits Nestlé S.A.		Vevey	100%	CHF	54 750 000
	Sofinol S.A.		Manno	100%	CHF	3 000 000
Turkey						
	Alcon Laboratuvarlari Ticaret A.S.*		Istanbul	52.1%	TRY	25 169 000
	Cereal Partners Gida Ticaret Limited Sirketi	1)	Istanbul	50%	TRY	20 000
	Erikli Dagitim Ve Pazarlama A.S.		Bursa	60%	TRY	3 849 975
	Erikli Su Ve Mesrubat Sanayi Ticaret A.S.		Bursa	60%	TRY	12 700 000
	Nestlé Turkiye Gida Sanayi A.S.		Istanbul	100%	TRY	35 000 000
	Nestlé Waters Gida Ve Mesrubat Sanayi Ticaret A.S.		Bursa	55%	TRY	8 000 000
Ukraine						
	JSC “Lviv Confectionery Firm Svitoch”		Lviv	96.9%	UAH	88 111 060
	LLC Nestlé Ukraine		Kyiv	100%	USD	150 000
	OJSC Volynholding		Torchyn	90.5%	UAH	100 000

Companies		City	% capital shareholdings	Currency	Capital
United Kingdom					
Alcon Laboratories (UK) Ltd*		Hemel Hempstead	52.1%	GBP	3 100 000
Cereal Partners UK	1)	Welwyn Garden	50%	GBP	0
Galderma (UK) Ltd°	1)	Watford	50%	GBP	1 500 000
Nespresso UK Ltd		Croydon	100%	GBP	275 000
Nestec York Ltd		York	100%	GBP	500 000
Nestlé Holdings (UK) PLC	◊	Croydon	100%	GBP	77 940 000
Nestlé Purina PetCare (UK) Ltd		New Malden	100%	GBP	24 000 000
Nestlé UK Ltd		Croydon	100%	GBP	130 000 000
Nestlé Waters (UK) Holdings Ltd	◊	Croydon	100%	GBP	6 500 002
Nestle Waters UK Ltd		Croydon	100%	GBP	14 000 640
Raw Products Ltd		Croydon	100%	GBP	200 000
Schöller Ice-Cream Ltd		Guildford	100%	GBP	1 584 626

	Companies	City	% capital shareholdings	Currency	Capital
Africa					
Angola					
	Nestlé Angola Lda	Luanda	99%	AOA	24 000 000
Burkina Faso					
	Nestlé Burkina Faso	Ouagadougou	100%	XOF	50 000 000
Cameroon					
	Nestlé Cameroun	Douala	100%	XAF	650 000 000
Côte d'Ivoire					
∆	Nestlé Côte d'Ivoire	Abidjan	86.5%	XOF	5 517 600 000
	Listed on the Abidjan stock exchange, market capitalisation XOF 65.2 billion, quotation code (ISIN) CI0000000029				
Egypt					
	Nestlé Egypt S.A.E.	Cairo	100%	EGP	80 722 000
	Nestlé Waters Egypt S.A.E.	Cairo	99.7%	EGP	81 500 000
Gabon					
	Nestlé Gabon	Libreville	90%	XAF	344 000 000
Ghana					
	Nestlé Central & West Africa Ltd	Accra	100%	USD	50 000
	Nestlé Ghana Ltd	Accra	76%	GHS	100 000
Guinea					
	Nestlé Guinée S.A.	Conakry	99%	GNF	3 424 000 000
Kenya					
	Nestle Equatorial African Region (EPZ) Limited	Nairobi	100%	KES	24 000 000
	Nestlé Kenya Ltd	Nairobi	100%	KES	67 145 000
Mauritius					
	Nestlé's Products (Mauritius) Ltd	Port Louis	100%	BSD	71 500
	Nestlé SEA Trading Ltd	Port Louis	100%	USD	100
Morocco					
	Nestlé Maghreb S.A.	Casablanca	100%	MAD	300 000
	Nestlé Maroc S.A.	El Jadida	94.5%	MAD	156 933 000
Mozambique					
	Nestlé Mozambique Limitada	Maputo	100%	MZM	4 000
Niger					
	Nestlé Niger	Niamey	80%	XOF	50 000 000

	Companies	City	% capital shareholdings	Currency	Capital
Nigeria					
Δ	Nestlé Nigeria PLC	Ilupeju-Lagos	62.3%	NGN	330 273 438
	Listed on the Lagos stock exchange, market capitalisation NGN 158.2 billion, quotation code (ISIN) NG00000NSTL3				
Senegal					
	Nestlé Sénégal	Dakar	100%	XOF	1 620 000 000
South Africa					
	Alcon Laboratories (South Africa) (Pty) Ltd*	Randburg	52.1%	ZAR	201 820
	Cereal Partners South Africa	1) Randburg	50%	ZAR	2 031 000
	Nestlé (South Africa) (Pty) Ltd	Randburg	100%	ZAR	53 400 000
Togo					
	Nestlé Togo Sau	Lome	100%	XOF	50 000 000
Tunisia					
	Nestlé Tunisie	Tunis	99.5%	TND	8 438 280
Zimbabwe					
	Nestlé Zimbabwe (Pvt) Ltd	Harare	100%	ZWD	7 000 000

Companies		City	% capital shareholdings	Currency	Capital
Americas					
Argentina					
Alcon Laboratorios Argentina S.A.*		Buenos Aires	52.1%	ARS	3 912 580
Dairy Partners Americas Argentina S.A.	1)	Buenos Aires	50%	ARS	98 800
Dairy Partners Americas Manufacturing Argentina S.A.	1)	Buenos Aires	50%	ARS	272 500
Eco de Los Andes S.A.		Buenos Aires	50.9%	ARS	92 524 285
Nestlé Argentina S.A.		Buenos Aires	99.7%	ARS	9 000 000
Nestlé Waters Argentina		Buenos Aires	100%	ARS	6 420 838
Union Sancor C.U.L./DPAA Union Transitoria de Empresas	2)	Buenos Aires	25%	ARS	1 000 000
Barbados					
Lacven Corporation	1) ◊	Barbados	50%	USD	65 179 195
Bermuda					
Centram Holdings Ltd	◊	Hamilton	100%	USD	12 000
DPA Manufacturing Holding Ltda	1) ◊	Hamilton	50%	USD	23 639 630
Trinity River Insurance Co. Ltd*	◊	Hamilton	52.1%	USD	370 000
Trinity River International Investments (Bermuda) Ltd*	◊	Hamilton	52.1%	USD	12 000
Bolivia					
Nestlé Bolivia S.A.		Santa Cruz de la Sierra	100%	BOB	191 900
Brazil					
Alcon Laboratorios do Brasil Ltda*		São Paulo	52.1%	BRL	7 729 167
ASB-Bebidas e Alimentos Ltda		São Paulo	100%	BRL	1 000
Chocolates Garoto S.A.		Vila Velha-ES	100%	BRL	161 450 000
CPW Brasil Ltda	1)	Cacapava/São Paulo	50%	BRL	7 885 520
Dairy Partners Americas Brasil Ltda	1)	São Paulo	50%	BRL	27 606 368
Dairy Partners Americas Manufacturing Brasil Ltda	1)	São Paulo	50%	BRL	39 468 974
Dairy Partners Americas Nordeste – Produtos Alimentícios Ltda	1)	Feira de Santana	50%	BRL	100 000
Galderma Brasil Limitada°	1)	São Paulo	50%	BRL	19 741 602
INNEOV Brasil Nutricosmeticos Ltda°	1)	Duque de Caxias	50%	BRL	25 000
Nestec BDG Alimentos e Bebidas Ltda		São Paulo	100%	BRL	1 000
Nestlé Brasil Ltda		São Paulo	100%	BRL	450 093 396
Nestlé Nordeste Alimentos e Bebidas Ltda		Feira de Santana	100%	BRL	12 713 641
Nestle Sul Alimentos e Bebidas Ltda		Carazinho	100%	BRL	100 000
Nestlé Waters Brasil – Bebidas e Alimentos Ltda		São Paulo	100%	BRL	87 248 341
Ralston Purina do Brasil Ltda		Ribeirão Preto	100%	BRL	79 473 771
Socopal Soc Coml de Corretagem de Seguros e Part. Ltda		São Paulo	100%	BRL	2 155 600
Canada					
Alcon Canada Inc.*		Mississauga (Ontario)	52.1%	CAD	5 002 500
Galderma Canada Inc.°	1)	Thornhill (Ontario)	50%	CAD	100

Companies		City	% capital shareholdings	Currency	Capital
Canada (continued)					
Galderma Production Canada Inc.°	1)	Baie D'Urfé (Québec)	50%	CAD	100
Jenny Craig Weight Loss Centres (Canada) Company		Halifax (Nova Scotia)	100%	CAD	10 000
Nestlé Canada Inc.		Toronto (Ontario)	100%	CAD	29 478 000
Nestlé Capital Canada Ltd	◊	Toronto (Ontario)	100%	CAD	1 010
Nestlé Globe Inc.		Toronto (Ontario)	100%	CAD	106 000 100
Vitality Foodservice Canada Inc.		Surrey (British Columbia)	100%	CAD	5 999 999
Chile					
Aguas CCU – Nestlé Chile S.A.	2)	Santiago de Chile	49.9%	CLP	49 906 543 143
Alcon Laboratorios Chile Ltda.*		Santiago de Chile	52.1%	CLP	2 021 238 071
Cereales CPW Chile Ltda.	1)	Santiago de Chile	50%	CLP	3 026 156 114
Comercializadora de Productos Nestlé S.A. (CPN)		Santiago de Chile	100%	CLP	1 000 000
Gerber Chile S.A.		Santiago de Chile	100%	CLP	3 959 016 618
Nestlé Chile S.A.		Santiago de Chile	99.5%	CLP	11 832 926 051
Colombia					
Comestibles La Rosa S.A.		Bogotá	100%	COP	126 397 400
Dairy Partners Americas Manufacturing Colombia Ltda.	1)	Bogotá	50%	COP	200 000 000
Laboratorios Alcon de Colombia, S.A.*		Bogotá	52.1%	COP	20 872 000
Nestlé de Colombia S.A.		Bogotá	100%	COP	1 291 305 400
Nestlé Purina PetCare de Colombia S.A.		Bogotá	100%	COP	17 030 000 000
Costa Rica					
Compañía Nestlé Costa Rica S.A.		Barreal de Heredia	100%	CRC	18 000 000
Gerber Ingredients, Sociedad Anónima		San José	100%	CRC	10 000
Cuba					
Coralac S.A.		La Habana	60%	USD	6 350 000
Los Portales S.A.		La Habana	50%	USD	24 110 000
Dominican Republic					
Nestlé Dominicana S.A.		Santo Domingo	97.6%	DOP	48 500 000
Silsa Dominicana S.A		Santo Domingo	100%	DOP	10 000
El Salvador					
Nestlé El Salvador S.A. de C.V.		San Salvador	100%	SVC	39 000 000
Ecuador					
Ecuajugos S.A.	1)	Quito	50%	USD	232 000
Industrial Surindu S.A.		Quito	100%	USD	32 216 012
Nestlé Ecuador S.A.		Quito	100%	USD	1 776 760

Companies		City	% capital shareholdings	Currency	Capital
Guatemala					
Nestlé Guatemala S.A.		Mixco	100%	GTQ	23 460 600
Honduras					
Nestlé Hondureña S.A.		Tegucigalpa	100%	PAB	200 000
Jamaica					
Nestlé Jamaica Ltd		Kingston	100%	JMD	49 200 000
Mexico					
Alcon Laboratorios, S.A. de C.V.*		México, D.F.	52.1%	MXN	5 915 300
Cereal Partners México, S.A. de C.V.	1)	México, D.F.	50%	MXN	500 000
CPW México S. de R.L. de C.V.	1)	México, D.F.	50%	MXN	43 138 000
Fundación Purina, S.C.	◊	México, D.F.	100%	MXN	200 000
Galderma México S.A. de C.V.°	1)	México, D.F.	50%	MXN	2 385 000
Manantiales La Asunción S.A.P.I. de C.V.		México, D.F.	51%	MXN	990 827 492
Marcas Nestlé, S.A. de C.V.		México, D.F.	100%	MXN	500 050 000
Nescalín, S.A. de C.V.	◊	México, D.F.	100%	MXN	445 826 740
Nestlé México S.A. de C.V.		México, D.F.	100%	MXN	606 532 730
Nestle Servicios Corporativos, S.A. de C.V.		México, D.F.	100%	MXN	170 100 000
Productos Gerber, S.A. de C.V.		México, D.F.	100%	MXN	5 252 440
Ralston Purina Holdings México, S.A. de C.V.	◊	México, D.F.	100%	MXN	60 283 210
Ralston Purina México S.A. de C.V.		México, D.F.	100%	MXN	9 257 112
Waters Partners Services México, S.A.P.I. de C.V.		México, D.F.	51%	MXN	620 000
Nicaragua					
Compãnia Centroaméricana de Productos Lácteos, S.A.		Matagalpa	92.4%	NIO	10 294 900
Nestlé Nicaragua, S.A.		Managua	100%	USD	150 000
Panama					
Alcon Centroamérica, S.A.*		Panamá City	52.1%	USD	1 000
Food Products (Holdings), S.A.	◊	Panamá City	100%	PAB	286 000
Lacteos de Centroamérica, S.A.		Panamá City	100%	USD	1 500 000
Nestlé Panamá, S.A.		Panamá City	100%	PAB	17 500 000
Unilac, Inc.	◊	Panamá City	100%	USD	750 000
Paraguay					
Nestlé Paraguay S.A.		Asunción	100%	PYG	100 000 000
Peru					
Alcon Pharmaceutical del Perú, S.A.*		Lima	52.1%	PEN	3 261 865
Nestlé Marcas Perú S.A.C.		Lima	100%	PEN	1 000
Nestlé Perú, S.A.		Lima	97.9%	PEN	120 676 240

Companies		City	% capital shareholdings	Currency	Capital
Puerto Rico					
Alcon (Puerto Rico), Inc.*		Cataño	52.1%	USD	100
Nestlé Puerto Rico, Inc.		Cataño	100%	USD	13 285 000
Payco Foods Corporation		Bayamon	100%	USD	9 260 000
SWIRL Corporation		Guaynabo	100%	USD	17 999 445
Trinidad and Tobago					
Nestlé Caribbean, Inc.		Valsayn	100%	USD	100 000
Nestlé Trinidad and Tobago Ltd		Valsayn	100%	TTD	35 540 000
United States					
Alcon Capital Corporation*	◊	Wilmington (Delaware)	52.1%	USD	1 000
Alcon Holdings, Inc.*	◊	Wilmington (Delaware)	52.1%	USD	10
Alcon Laboratories, Inc.*		Wilmington (Delaware)	52.1%	USD	1 000
Alcon RefractiveHorizons, LLC*	◊	Wilmington (Delaware)	52.1%	USD	10
Beverage Partners Worldwide (North America)	1)	Wilmington (Delaware)	50%	USD	0
Checkerboard Holding Company, Inc.	◊	Wilmington (Delaware)	100%	USD	1 001
Dreyer’s Grand Ice Cream Holdings, Inc.		Oakland (California)	100%	USD	10
Dreyer’s Grand Ice Cream, Inc.		Oakland (California)	100%	USD	1
Falcon Pharmaceuticals, Ltd*		Wilmington (Delaware)	52.1%	USD	10
Galderma Laboratories, Inc.°	1)	Fort Worth (Texas)	50%	USD	981
Gerber Life Insurance Company		New York	100%	USD	148 500 000
Gerber Products Company		Freemont (Michigan)	100%	USD	1 000
Jenny Craig Holdings, Inc.	◊	Carlsbad (California)	100%	USD	0
Jenny Craig, Inc.	◊	Carlsbad (California)	100%	USD	0
Jenny Craig Operations, Inc.		Carlsbad (California)	100%	USD	0
Jenny Craig Weight Loss Centres, Inc.	◊	Carlsbad (California)	100%	USD	2
Nespresso USA, Inc.		Wilmington (Delaware)	100%	USD	1 000
Nestlé Capital Corporation	◊	Glendale (California)	100%	USD	1 000 000
Nestlé Holdings, Inc.	◊	Norwalk (Connecticut)	100%	USD	100 000
Nestlé Prepared Foods Company		Solon (Ohio)	100%	USD	476 760
Nestlé Purina PetCare Company		St. Louis (Missouri)	100%	USD	1 000
Nestlé Transportation Company	◊	Glendale (California)	100%	USD	100
Nestlé USA, Inc.		Glendale (California)	100%	USD	1 000
Nestlé Waters North America Holdings, Inc.	◊	Greenwich (Connecticut)	100%	USD	10 000 000
Nestlé Waters North America, Inc.		Wilmington (Delaware)	100%	USD	10 700 000
The Haagen-Dazs Shoppe Company, Inc.	◊	Minneapolis (Minnesota)	100%	USD	0
The Stouffer Corporation	◊	Solon (Ohio)	100%	USD	0
TSC Holdings, Inc.	◊	Glendale (California)	100%	USD	100 000
Vitality Foodservice Holding Corp.	◊	Dover (Delaware)	100%	USD	58 865
Vitality Foodservice, Inc.		Dover (Delaware)	100%	USD	1 240
Uruguay					
Nestlé del Uruguay S.A.		Montevideo	100%	UYU	200 000

Companies		City	% capital shareholdings	Currency	Capital
Venezuela					
Alcon Pharmaceutical, C.A.*		Caracas	52.1%	VEF	2 366
Cadipro Milk Products, C.A.		Caracas	100%	VEF	9 505 123
Corporacíon Inlaca, C.A.	1)	Caracas	50%	VEF	6 584 590
Laboratorios Galderma Venezuela, S.A.°	1)	Caracas	50%	VEF	5 000
Nestlé Venezuela, S.A.		Caracas	100%	VEF	516 590
Novartis Nutrition de Venezuela, S.A.		Caracas	100%	VEF	1 125 024

	Companies		City	% capital shareholdings	Currency	Capital
Asia						
Bahrain						
	Nestlé Bahrain Trading WLL		Manama	49%	BHD	200 000
Bangladesh						
	Nestlé Bangladesh Ltd		Dhaka	100%	BDT	100 000 000
Greater China Region						
	Alcon (China) Ophthalmic Product Co., Ltd*		Beijing	52.1%	USD	2 164 635
	Alcon Hong Kong Limited*		Hong Kong	52.1%	HKD	77 000
	Alcon Pharmaceuticals Taiwan Limited*		Taipei	52.1%	CHF	50 000
	Beverage Partners Worldwide (Pacific) Limited	1)	Hong Kong	50%	HKD	1 000 000
	Galderma Hong Kong°	1)	Hong Kong	50%	HKD	10 000
	Guangzhou Refrigerated Foods Limited		Guangzhou	96.4%	CNY	122 000 000
	Nestlé (China) Limited		Beijing	100%	CNY	250 000 000
	Nestlé Dairy Farm Guangzhou Limited		Guangzhou	95%	CNY	268 000 000
	Nestlé Dongguan Limited		Dongguan	100%	CNY	472 000 000
	Nestlé Hong Kong Limited		Hong Kong	100%	HKD	250 000 000
	Nestlé Hulunbeir Limited		Erguna	100%	CNY	55 000 000
	Nestlé Purina PetCare Tianjin Limited		Tianjin	100%	CNY	40 000 000
	Nestlé Qingdao Limited		Qingdao	100%	CNY	640 000 000
	Nestlé Shanghai Limited		Shanghai	95%	CNY	200 000 000
	Nestlé Shuangcheng Limited		Shuangcheng	97%	CNY	435 000 000
	Nestlé Sources Shanghai Limited		Shanghai	100%	CNY	211 000 000
	Nestlé Taiwan Limited		Taipei	100%	TWD	100 000 000
	Nestlé Tianjin Limited		Tianjin	100%	CNY	785 000 000
	Shanghai Fuller Foods Co. Limited		Shanghai	100%	CNY	384 000 000
	Shanghai Nestlé Product Services Limited		Shanghai	97%	CNY	83 000 000
	Shanghai Totole First Food Limited		Shanghai	80%	CNY	72 000 000
	Shanghai Totole Food Limited		Shanghai	80%	USD	7 800 000
	Sichuan Haoji Food Co. Limited		Chengdu	80%	CNY	80 000 000
India						
	Alcon Laboratories (India) Private Limited*		Bangalore	52.1%	INR	1 129 953 380
	Galderma India PvT Ltd°	1)	Mumbai	50%	INR	24 156 000
Δ	Nestlé India Ltd		New Delhi	61.9%	INR	964 157 160
	Listed on the Mumbai stock exchange, market capitalisation INR 245.7 billion, quotation code (ISIN) INE239A01016					
	Speciality Foods India Pvt Ltd		New Delhi	100%	INR	140 000 000
Indonesia						
	P.T. Cereal Partners Indonesia	1)	Jakarta	50%	IDR	956 500 000
	P.T. Nestlé Indofood Citarasa Indonesia	1)	Jakarta	50%	IDR	50 000 000 000
	P.T. Nestlé Indonesia		Jakarta	90.2%	IDR	60 000 000 000

	Companies	City	% capital shareholdings	Currency	Capital
Iran					
	Nestlé Iran Private Joint Stock Company	Tehran	89.7%	IRR	358 538 000 000
Israel					
	Nespresso Israel Ltd	Tel-Aviv	100%	ILS	1 000
Δ	OSEM Investments Ltd	Shoham	53.8%	ILS	110 644 444
	Listed on the Tel-Aviv stock exchange, market capitalisation ILS 5.9 billion, quotation code (ISIN) IL0003040149				
Japan					
	Alcon Japan Ltd*	Tokyo	52.1%	JPY	500 000 000
	Galderma K.K.°	1) Tokyo	50%	JPY	10 000 000
	Nestlé Confectionery Ltd	Kobe	100%	JPY	10 000 000
	Nestlé Japan Ltd	Ibaraki	100%	JPY	20 000 000 000
	Nestlé Manufacturing Ltd	Kobe	100%	JPY	10 000 000
	Nestlé Nespresso K.K.	Kobe	100%	JPY	10 000 000
	Nestlé Nutrition K.K.	Kobe	100%	JPY	100 000 000
	Nestlé Purina PetCare Ltd	Kobe	100%	JPY	20 000 000
Jordan					
	Ghadeer Mineral Water Co. Ltd	Amman	75%	JOD	1 785 000
	Nestlé Jordan Trading Co. Ltd	Amman	87%	JOD	410 000
Kuwait					
	Nestlé Kuwait General Trading Co. W.L.L.	Safat	49%	KWD	300 000
Lebanon					
	Société des Eaux Minérales Libanaises S.A.L.	Hazmieh	100%	LBP	1 610 000 000
	Société pour l'Exportation des Produits Nestlé S.A.	Beyrouth	100%	CHF	1 750 000
	SOHAT Distribution S.A.L.	Hazmieh	100%	LBP	160 000 000
Malaysia					
	Alcon Laboratories (Malaysia) Sdn. Bhd.*	Kuala Lumpur	52.1%	MYR	190 000
	Cereal Partners (Malaysia) Sdn. Bhd.	1) Petaling Jaya	50%	MYR	1 025 000
	Nestlé Asean (Malaysia) Sdn. Bhd.	Petaling Jaya	72.6%	MYR	42 000 000
Δ	Nestlé (Malaysia) Bhd.	Petaling Jaya	72.6%	MYR	234 500 000
	Listed on the Kuala Lumpur stock exchange, market capitalisation MYR 7.5 billion, quotation code (ISIN) MYL4707OO005				
	Nestlé Manufacturing (Malaysia) Sdn. Bhd.	Petaling Jaya	72.6%	MYR	132 500 000
	Nestlé Products Sdn. Bhd.	Petaling Jaya	72.6%	MYR	25 000 000
	Purina PetCare (Malaysia) Sdn. Bhd.	Petaling Jaya	100%	MYR	1 100 000
Oman					
	Nestlé Oman Trading LLC	Muscat	49%	OMR	300 000

	Companies		City	% capital shareholdings	Currency	Capital
Pakistan						
Δ	Nestlé Pakistan Ltd		Lahore	59%	PKR	453 496 000
	Listed on the Karachi and the Lahore stock exchanges, market capitalisation PKR 54.4 billion, quotation code (ISIN) PK0025101012					
Philippines						
	Alcon Laboratories (Philippines), Inc.*		Manila	52.1%	PHP	16 526 000
	CPW Philippines, Inc.	1)	Makati City	50%	PHP	7 500 000
	Nestlé Philippines, Inc.		Makati City	100%	PHP	2 300 927 200
	Penpro, Inc.		Makati City	40%	PHP	630 000 000
Qatar						
	Al Manhal Qatar		Doha	51%	QAR	5 500 000
	Nestlé Qatar Trading LLC		Doha	49%	QAR	1 680 000
Republic of Korea						
	Alcon Korea Ltd*		Seoul	52.1%	KRW	33 800 000 000
	Galderma Korea Ltd°	1)	Seoul	50%	KRW	500 000 000
	Nestlé Korea Ltd		Seoul	100%	KRW	21 141 560 000
	Pulmuone Waters Co. Ltd		Seoul	51%	KRW	6 778 760 000
Saudi Arabia						
	Al Anhar Water Factory Co. Ltd		Jeddah	64%	SAR	7 500 000
	Al Manhal Water Factory Co. Ltd		Riyadh	64%	SAR	7 000 000
	Nestle Water Factory Co. Ltd		Riyadh	64%	SAR	15 000 000
	Saudi Food Industries Co. Ltd		Jeddah	51%	SAR	51 000 000
	SHAS Company for Water Services Ltd		Riyadh	92.5%	SAR	13 500 000
	Springs Water Factory Co. Ltd		Dammam	64%	SAR	5 000 000
Singapore						
	Alcon Pte Ltd*		Singapore	52.1%	SGD	164 000
	Galderma South East Asia Ltd°	1)	Singapore	50%	SGD	1 387 000
	Nestlé Singapore (Pte) Ltd		Singapore	100%	SGD	1 000 000
	Nestlé TC Asia Pacific Pte. Ltd	◊	Singapore	100%	JPY	10 000 000 000
Sri Lanka						
Δ	Nestlé Lanka PLC		Colombo	90.8%	LKR	537 254 630
	Listed on the Colombo stock exchange, market capitalisation LKR 22 billion, quotation code (ISIN) LK0128N00005					
Syria						
	Nestlé Syria Ltd		Damascus	100%	SYP	800 000 000
	Société pour l'Exportation des Produits Nestlé S.A.		Damascus	100%	CHF	1 750 000

Companies		City	% capital shareholdings	Currency	Capital
Thailand					
Alcon Laboratories (Thailand) Ltd*		Bangkok	77.2%	THB	2 100 000
Nestlé (Thai) Ltd		Bangkok	100%	THB	880 000 000
Perrier Vittel (Thailand) Ltd		Bangkok	100%	THB	235 000 000
Quality Coffee Products Ltd		Bangkok	50%	THB	400 000 000
United Arab Emirates					
CP Middle East FZCO	1)	Jebel Ali Free Zone Dubai	50%	AED	600 000
Nestlé Dubai LLC		Dubai	49%	AED	2 000 000
Nestlé Dubai Manufacturing LLC		Dubai	49%	AED	300 000
Nestlé Middle East FZE		Dubai	100%	AED	3 000 000
Nestlé Treasury Centre-Middle East & Africa Ltd	◊	Dubai	100%	USD	6 650 500 000
Nestlé Waters Factory H&O LLC		Dubai	48%	AED	22 300 000
Nestlé Waters Middle East Investments FZCO		Dubai	100%	AED	600 000
Uzbekistan					
Nestlé Uzbekistan MChJ		Namangan	98%	USD	32 200 000
Vietnam					
La Vie Limited Liability Company		Long An	65%	USD	2 663 400
Nestlé Vietnam Ltd		Dongnai	100%	USD	54 598 000

Companies		City	% capital shareholdings	Currency	Capital
Oceania					
Australia					
Alcon Laboratories (Australia) Pty Ltd*		Frenchs Forest	52.1%	AUD	2 550 000
Cereal Partners Australia Pty Limited	1)	Rhodes	50%	AUD	107 800 000
Galderma Australia Pty Ltd°	1)	Frenchs Forest	50%	AUD	2 700 100
Nestlé Australia Ltd		Rhodes	100%	AUD	274 000 000
Supercoat Feeds Pty Limited		North Ryde	100%	AUD	782 800
Supercoat Holdings Australia Ltd		North Ryde	100%	AUD	43 718 098
Supercoat PetCare Pty Limited		North Ryde	100%	AUD	2
Fiji					
Nestlé (Fiji) Ltd		Ba	100%	FJD	3 000 000
French Polynesia					
Nestlé Polynésie S.A.		Papeete	100%	XPF	5 000 000
New Caledonia					
Nestlé Nouvelle-Calédonie S.A.		Noumea	100%	XPF	250 000 000
New Zealand					
CPW New Zealand	1)	Auckland	50%	NZD	0
Nestlé New Zealand Limited		Auckland	100%	NZD	300 000
Papua New Guinea					
Nestlé (PNG) Ltd		Lae	100%	PGK	11 850 000

Companies		City	Type

Technical assistance, research and development companies

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

Switzerland

Nestec S.A.		Vevey	TA

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 affiliated companies.
The companies and units involved are:

Australia

CPW R&D Centre	1)	Rutherglen	R&D

Côte d'Ivoire

Nestlé R&D Centre		Abidjan	R&D

France

Galderma R&D Centre°	1)	Biot	R&D
Nestlé Product Technology Centre		Beauvais	PTC
Nestlé Product Technology Centre		Lisieux	PTC
Nestlé Product Technology Centre		Vittel	PTC
Nestlé R&D Centre		Aubigny	R&D
Nestlé R&D Centre		Tours	R&D

Germany

Nestlé Product Technology Centre		Singen	PTC

Greater China Region

Nestlé R&D Centre		Beijing	R&D
Nestlé R&D Centre		Shanghai	R&D

Israel

Nestlé R&D Centre		Sderot	R&D

Italy

Nestlé R&D Centre		Sansepolcro	R&D

Companies		City	Type
Mexico			
Nestlé R&D Centre		Queretaro	R&D
Poland			
Nestlé R&D Centre		Rzeszow	R&D
Singapore			
Nestlé R&D Centre		Singapore	R&D
Switzerland			
Alcon R&D Centre*		Schlieren	R&D
Nestlé Research Centre		Lausanne	R&D
Nestlé Product Technology Centre		Konolfingen	PTC
Nestlé Product Technology Centre		Orbe	PTC
Nestlé R&D Centre		Broc	R&D
Nestlé R&D Centre		Orbe	R&D
United Kingdom			
CPW R&D Centre	1)	Welwyn Garden City	R&D
Nestlé Product Technology Centre		York	PTC
United States			
Alcon R&D Centre*		Fort Worth (Texas)	R&D
Galderma R&D Centre°	1)	Cranbury (New Jersey)	R&D
Nestlé Product Technology Centre		Marysville (Ohio)	PTC
Nestlé Product Technology Centre		St. Louis (Missouri)	PTC
Nestlé R&D Center		Bakersfield (California)	R&D
Nestlé R&D Centre		Freemont (Michigan)	R&D
Nestlé R&D Centre		Minneapolis (Minnesota)	R&D
Nestlé R&D Centre		Solon (Ohio)	R&D
Nestlé R&D Centre		St. Joseph (Missouri)	R&D

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Income statement for the year ended 31 December 2009

In millions of CHF	Notes	2009	2008
Income			
Income from Group companies	2	7 608	7 378
Financial income	3	545	156
Profit on disposal of fixed assets	4	75	10 819
Other income		117	108
Total income		**8 345**	**18 461**
Expenses			
Investment write downs	5	(1 434)	(1 267)
Administration and other expenses	6	(185)	(245)
Financial expense	7	(108)	(479)
Total expenses before taxes		**(1 727)**	**(1 991)**
Profit before taxes		**6 618**	**16 470**
Taxes	8	(376)	(310)
Profit for the year	21	**6 242**	**16 160**

Balance sheet as at 31 December 2009

before appropriations

In millions of CHF	Notes	2009	2008
Assets			
Current assets			
Liquid assets	9	490	823
Receivables	10	1 130	1 953
Prepayments and accrued income		45	126
Total current assets		**1 665**	**2 902**
Fixed assets			
Financial assets	11	34 558	39 898
Intangible assets	15	286	1 262
Tangible fixed assets	16	–	–
Total fixed assets		**34 844**	**41 160**
Total assets		**36 509**	**44 062**
Liabilities and equity			
Liabilities			
Short-term payables	17	4 724	5 426
Accruals and deferred income		168	218
Long-term payables	18	175	160
Provisions	19	1 035	656
Total liabilities		**6 102**	**6 460**
Equity			
Share capital	20/21	365	383
Legal reserves	21	9 804	11 655
Special reserve	21	13 232	8 673
Profit brought forward	21	764	731
Profit for the year	21	6 242	16 160
Total equity		**30 407**	**37 602**
Total liabilities and equity		**36 509**	**44 062**

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 benefit 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	2009	2008
Net result on loans to Group companies	504	–
Other financial income	41	156
	545	**156**

In 2008, the 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 the exchange losses. The net charge was 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 trademarks and other industrial property rights previously written down. In 2008, this included the net gains realised on the sale of 24.8% of Alcon Inc. to Novartis.

5. Investment write downs

In millions of CHF	2009	2008
Participations and loans	281	238
Trademarks and other industrial property rights	1 153	1 029
	1 434	**1 267**

The write down of trademarks and other industrial property rights in 2009 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 2008, trademarks linked to the acquisitions of Gerber and Novartis Medical Nutrition were amortised by one third of the amount paid in 2007 (CHF 690 million), as well as Gerber North America's Intellectual Property Rights acquired in 2008 (CHF 286 million).

6. Administration and other expenses

In millions of CHF	2009	2008
Salaries and welfare expenses	83	94
Other expenses	102	151
	185	**245**

7. Financial expense

In millions of CHF	2009	2008
Net result on loans from Group companies (see Note 3)	106	475
Other financial expenses	2	4
	108	**479**

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	2009	2008
Cash and cash equivalents	435	20
Marketable securities	55	803
	490	**823**

10. Receivables

In millions of CHF	2009	2008
Amounts owed by Group companies (current accounts)	919	1 886
Other receivables	211	67
	1 130	**1 953**

11. Financial assets

In millions of CHF	Notes	2009	2008
Participations in Group companies	12	15 441	17 714
Loans to Group companies	13	11 588	12 894
Own shares	14	7 401	9 209
Other investments		128	81
		34 558	**39 898**

12. Participations in Group companies

In millions of CHF	2009	2008
At 1 January	17 714	14 969
Net increase/(decrease)	(2 160)	2 915
Write downs	(113)	(170)
At 31 December	**15 441**	**17 714**

The net decrease in 2009 in participations is mainly due to a capital reduction in an affiliate (NTC Middle East & Africa Ltd. for CHF 2364 million), partly offset by 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	2009	2008
At 1 January	12 894	15 075
New loans	771	2 269
Repayments and write downs	(2 444)	(2 295)
Realised exchange differences	(277)	(95)
Unrealised exchange differences	644	(2 060)
At 31 December	**11 588**	**12 894**

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

14. Own shares

In millions of CHF		2009		2008
	Number	Amount	Number	Amount
Share Buy-Back Programme	142 065 000	6 434	165 824 000	7 812
Management Stock Option Plan	15 354 550	533	22 326 896	741
Restricted Stock Unit Plan	9 931 422	389	9 443 950	370
Performance Share Unit Plan	178 300	7	–	–
Future Long-Term Incentive Plans	970 777	38	7 296 360	286
	168 500 049	**7 401**	**204 891 206**	**9 209**

The share capital of the Company changed twice in the last two financial years as a consequence of the cancellation of registered shares purchased as part of the Share Buy-Back Programme launched in 2007. In 2008, the share capital was reduced by 100 725 000 shares from CHF 393 million to CHF 383 million. In 2009, the share capital was further reduced by 180 000 000 shares from CHF 383 million to CHF 365 million at a cost of CHF 8390 million, and 156 241 000 shares were purchased as part of the Share Buy-Back Programme for CHF 7013 million.

The Company held 15 354 550 shares to cover management option rights and 11 080 499 shares to cover the other incentives plans. The Management Stock Option Plan is valued at strike price if lower than acquisition cost, while the shares held for the other plans are valued at acquisition cost. During the year 12 632 157 shares were delivered as part of the Nestlé Group remuneration plans for a total value of CHF 434 million.

15. Intangible assets

This amount represents the balance of the trademarks and other industrial property rights capitalised value linked with the Gerber North America’s Intellectual Property Rights acquired in 2008. 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 2009 amounted to CHF 25 million (2008: CHF 24 million).

17. Short-term payables

In millions of CHF	2009	2008
Amounts owed to Group companies	4 196	5 025
Other payables	528	401
	4 724	5 426

18. Long-term payables

Amounts owed to Group companies represent a long-term loan issued in 1989. The carrying value increased by CHF 15 million to CHF 175 million as a result of an unrealised exchange difference at the end of 2009.

19. Provisions

In millions of CHF					2009	2008
	Uninsured risks	Exchange risks	Swiss & foreign taxes	Other	Total	Total
At 1 January	475	–	95	86	**656**	737
Provisions made in the period	–	330	103	63	**496**	119
Amounts used	–	–	(50)	(57)	**(107)**	(162)
Unused amounts reversed	–	–	(9)	(1)	**(10)**	(38)
At 31 December	**475**	**330**	**139**	**91**	**1 035**	656

20. Share capital

The share capital of the Company has been reduced by CHF 18 000 000 through the cancellation of 180 000 000 registered shares purchased as part of the Share Buy-Back Programme. As a result, the share capital of Nestlé S.A. is now structured as follows:

	2009	2008
Number of registered shares of nominal value CHF 0.10 each	3 650 000 000	3 830 000 000
In millions of CHF	365	383

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 2009, the share register showed 130 016 registered shareholders. If unprocessed applications for registration, the indirect holders of shares under American Depositary Receipts and the beneficial owners of shareholders registered as nominees 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. The Group companies were holding together 4.9% of the Nestlé S.A. share capital as at 31 December 2009.

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 2009	383	1 852	9 803	8 673	16 891	**37 602**
Cancellation of 180 000 000 shares (ex Share Buy-Back Programme)	(18)	18	(8 390)			**(8 390)**
Transfer to the special reserve				11 000	(11 000)	–
Profit for the year					6 242	**6 242**
Dividend for 2008					(5 047)	**(5 047)**
Movement of own shares			6 521	(6 521)		–
Dividend on own shares held on the payment date of 2008 dividend				80	(80)	–
At 31 December 2009	**365**	**1 870**	**7 934**	**13 232**	**7 006**	**30 407**

(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 2008, the reserve for own shares amounting to CHF 9803 million represented the cost of 39 067 206 shares earmarked to cover the Nestlé Group remuneration plans and 9 501 554 shares held for trading purposes. Another 165 824 000 shares were purchased as part of the Share Buy-Back Programme.

During the year, an additional 156 241 000 shares have been acquired at a cost of CHF 7013 million for the Share Buy-Back Programme and 180 000 000 shares were cancelled. A total of 12 632 157 shares have been delivered to the beneficiaries of the Nestlé Group remuneration plans.

Another Group company holds 9 501 554 Nestlé S.A. shares. The total of own shares of 178 001 603 held by all Group companies at 31 December 2009 represents 4.9% of the Nestlé S.A. share capital (214 392 760 own shares held at 31 December 2008, representing 5.6% of the Nestlé S.A. share capital).

23. Contingencies

At 31 December 2009, 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 21 267 million (2008: CHF 17 474 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 30 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

				2009
	Cash in CHF (a)	Number of shares	Discounted value of shares in CHF (b)	Total remuneration
Peter Brabeck-Letmathe, Chairman (c)		see details below		**7 487 836**
Paul Bulcke, Chief Executive Officer (c)				
Andreas Koopmann, 1st Vice Chairman	325 000	8 285	275 922	**600 922**
Rolf Hänggi, 2nd Vice Chairman	330 000	8 418	280 351	**610 351**
Jean-René Fourtou	275 000	6 949	231 428	**506 428**
Daniel Borel	205 000	5 078	169 117	**374 117**
Jean-Pierre Meyers	175 000	4 276	142 407	**317 407**
André Kudelski	205 000	5 078	169 117	**374 117**
Carolina Müller-Möhl	175 000	4 276	142 407	**317 407**
Steven G. Hoch	175 000	4 276	142 407	**317 407**
Naïna Lal Kidwai	205 000	5 078	169 117	**374 117**
Beat Hess	205 000	5 078	169 117	**374 117**
Total for 2009	**2 275 000**	**56 792**	**1 891 390**	**11 654 226**
Total for 2008	2 740 000	50 320	2 268 376	18 953 539

(a) The cash amount includes the expense allowance of CHF 15 000.
(b) 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. The valuation of equity compensation plans mentioned in this Note differs in some respect from compensation disclosures in Note 27.1 of the Consolidated Financial Statements of the Nestlé Group, which have been prepared in accordance with International Financial Reporting Standards (IFRS).
(c) The Chairman and the Chief Executive Officer receive neither Board membership or Committee fees nor expense allowance.

Peter Brabeck-Letmathe, in his capacity as active non-executive Chairman 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. The compensation decreased as a result of him being CEO and Chairman during four months and the special awards granted in 2008. His total compensation was:

		2009		2008
	Number	Value (in CHF)	Number	Value (in CHF)
Salary		1 600 000		2 116 667
Short-term Bonus (discounted value of shares)	63 668	2 686 836	109 671	3 732 138
Management Stock Options (Black-Scholes value at grant)	660 000	3 201 000	400 000	3 124 000
Restricted Stock Units (fair value at grant)	–	–	16 000	772 800
Total compensation		**7 487 836**		**9 745 605**
Other benefits [(a)]		–		4 199 558
Total		**7 487 836**		**13 945 163**

(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 and loans for former members of the Board of Directors

There is no compensation conferred during 2009 on former members of the Board of Directors who gave up their function during the year preceding the year under review or earlier. Similarly, there are no loans outstanding to former members of the Board of Directors.

Shares and stock options ownership of the non-executive members of the Board of Directors and closely related parties as at 31 December 2009

	Number of shares held (a)	Number of options held (b)
Peter Brabeck-Letmathe, Chairman	1 430 932	3 791 000
Andreas Koopmann, 1st Vice Chairman	60 985	–
Rolf Hänggi, 2nd Vice Chairman	60 258	–
Jean-René Fourtou	17 699	–
Daniel Borel	171 348	–
Jean-Pierre Meyers	1 419 386	–
André Kudelski	42 688	–
Carolina Müller-Möhl	26 820	–
Steven G. Hoch	179 456	–
Naïna Lal Kidwai	8 868	–
Beat Hess	8 468	–
Total as at 31 December 2009	**3 426 908**	**3 791 000**
Total as at 31 December 2008	3 322 494	3 606 143

(a) Including blocked shares.
(b) The subscription ratio is one option for one Nestlé S.A. share.

Annual remuneration of members of the Executive Board

The total remuneration of members of the Executive Board amounts to CHF 43 123 564 for the year 2009 (CHF 36 220 962 for the year 2008). Remuneration principles are described in Appendix 1 of the Corporate Governance Report.

The valuation of equity compensation plans mentioned in this Note differs in some respect from compensation disclosures in Note 27.1 of the Consolidated Financial Statements of the Nestlé Group, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Company also made contributions of CHF 1 114 968 toward future pension benefits of the Executive Board members in line with Nestlé's Pension Benefit Policy (CHF 4 901 953 in 2008).

Highest total compensation for a member of the Executive Board

In 2009, the highest total compensation for a member of the Executive Board was conferred to Paul Bulcke, CEO. The compensation increased compared to 2008 as a result of 2009 being a full year as CEO.

	2009		2008	
	Number	Value (in CHF)	Number	Value (in CHF)
Annual Base Salary		2 000 000		1 800 000
Short-term Bonus (cash)		460 034		1 977 150
Short-term Bonus (discounted value of Nestlé S.A. shares)	82 371	3 476 056	35 000	1 191 050
Management Stock Options (Black-Scholes value at grant)	412 500	2 000 625	185 000	1 444 850
Performance Share Units (fair value at grant)	49 500	2 065 140	–	–
Restricted Stock Units (fair value at grant)	–	–	32 000	1 545 600
Other benefits		28 548		28 380
Total		**10 030 403**		**7 987 030**

The Company also made a contribution of CHF 822 696 towards future pension benefits in line with Nestlé's Pension Benefits Policy (CHF 731 962 in 2008).

Loans to members of the Executive Board

On 31 December 2009, 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 and loans for former members of the Executive Board

A compensation of CHF 54 155 was conferred during 2009 on one former member of the Executive Board who gave up his function during the year preceding the year under review or earlier (CHF 192 200 to two members in 2008).

On 31 December 2009, there were no loans outstanding to former members of the Executive Board.

Shares and stock options ownership of members of the Executive Board and closely related parties as at 31 December 2009

	Number of shares held [a]	Number of options held [b]
Paul Bulcke, Chief Executive Officer	122 310	847 500
Francisco Castañer	90 430	408 000
Werner Bauer	136 256	403 000
Frits van Dijk	148 076	425 000
Luis Cantarell	34 660	327 000
José Lopez	25 001	175 000
John J. Harris	3 489	125 000
Richard T. Laube	126 516	217 000
James Singh	18 332	145 000
Laurent Freixe	12 141	88 000
Petraea Heynike	25 840	113 030
Marc Caira	7 400	157 750
David P. Frick	10 125	–
Total as at 31 December 2009	**760 576**	**3 431 280**
Total as at 31 December 2008	459 605	2 114 750

(a) Including shares subject to a three year blocking period.
(b) The subscription ratio is one option for one Nestlé S.A. share.

Proposed appropriation of profit

In CHF	2009	2008
Retained earnings		
Balance brought forward	763 965 469	730 608 258
Profit for the year	6 242 124 109	16 160 468 011
	7 006 089 578	**16 891 076 269**
We propose the following appropriations:		
Transfer to the special reserve	1 000 000 000	11 000 000 000
Dividend for 2009, CHF 1.60 per share on 3 504 890 800 shares [(a)] (2008: CHF 1.40 on 3 662 222 000 shares) [(b)]	5 607 825 280	5 127 110 800
	6 607 825 280	**16 127 110 800**
Balance to be carried forward	**398 264 298**	**763 965 469**

(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 dividend, consequently the dividend on those shares still held on 16 April 2010 will be transferred to the special reserve.
(b) The amount of CHF 79 941 639, representing the dividend on 57 101 171 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 1.60 per share, representing a net amount of CHF 1.04 per share after payment of the Swiss withholding tax of 35%. The last trading day with entitlement to receive the dividend is 16 April 2010. The shares will be traded ex-dividend as of 19 April 2010. The net dividend will be payable as from 22 April 2010.

The Board of Directors

Cham and Vevey, 18 February 2010

Report of the Statutory auditor
to the General Meeting of Nestlé S.A.

As statutory auditor, we have audited the financial statements (income statement, balance sheet and notes to the annual accounts on pages 143 to 159) of Nestlé S.A. for the year ended 31 December 2009.

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 financial statements for the year ended 31 December 2009 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 S.A.

Mark Baillache
Licensed Audit Expert
Auditor in Charge

Stéphane Gard
Licensed Audit Expert

Geneva, 18 February 2010

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