Nestlé

Good Food, Good Life

Half-yearly Report
January/June 2002

Key figures (consolidated)

In millions of CHF (except for per share data)		**January/June 2002**	January/June 2001
Sales		**44 219**	41 241
EBITDA Earnings Before Interest, Taxes, Depreciation and Amortisation		**6 643**	5 885
as % of sales		**15.0%**	14.3%
EBITA Earnings Before Interest, Taxes and Amortisation		**5 195**	4 577
as % of sales		**11.7%**	11.1%
Trading profit		**4 474**	4 315
as % of sales		**10.1%**	10.5%
Net profit		**5 656**	3 152
as % of sales		**12.8%**	7.6%
Expenditure on tangible fixed assets		**1 394**	1 314
Equity, end June		**34 446**	31 283
Market capitalisation, end June		**134 620**	148 028
Per share:			
Net profit	CHF	**14.57**	8.15
Equity, end June	CHF	**88.76**	80.83

Principal key figures in USD (illustrative)

In millions of USD (except for per share data). Figures translated at end June rates		January/June 2002	January/June 2001
Sales		**29 677**	22 912
EBITDA		**4 458**	3 269
EBITA		**3 487**	2 543
Trading profit		**3 003**	2 397
Net profit		**3 796**	1 751
Equity, end June		**23 118**	17 379
Market capitalisation, end June		**90 349**	82 238
Per share:			
Net profit	USD	**9.78**	4.52
Equity, end June	USD	**59.57**	44.90

Principal key figures in EUR (illustrative)

In millions of EUR (except for per share data). Figures translated at end June rates		January/June 2002	January/June 2001
Sales		**30 081**	27 132
EBITDA		**4 519**	3 872
EBITA		**3 534**	3 011
Trading profit		**3 044**	2 839
Net profit		**3 848**	2 074
Equity, end June		**23 433**	20 581
Market capitalisation, end June		**91 578**	97 387
Per share:			
Net profit	EUR	**9.91**	5.36
Equity, end June	EUR	**60.38**	53.18

Overview

Introduction

The first six months of 2002 has been a period of continued strong performance by Nestlé, in spite of challenging economic environments in parts of the world, and some significant detrimental currency movements.

Reported sales rose 7.2% to CHF 44.2 billion, despite a negative currency impact of 6%, benefiting from organic growth of 4.7% including real internal growth of 3.5%. Earnings before interest, tax and amortisation (EBITA) improved 13.5% to CHF 5.2 billion, a margin on sales of 11.7%. Net profit and earnings per share, boosted by non-trading items, both increased by over 70%. Nestlé also generated CHF 2.8 billion of operating cash flow. These figures highlight both an underlying improvement in Nestlé's operating performance, as well as the impact of a number of one-off events.

The start of the year has been notable for developments within Nestlé's business segments: prime among these were the expansion in ice cream and, after the end of the period, in prepared foods, as well as the partial Initial Public Offering (IPO) of Alcon and disposal of Food Ingredients Specialities (FIS). These developments are evidence of Nestlé's twin objectives of focusing on the faster growth, added value areas of the food industry, and of bringing greater transparency to the performance of the food and beverage businesses within the Group.

Financial Review: Sales

Nestlé's sales rose to CHF 44.2 billion, compared to CHF 41.2 billion in the first half of 2001. Real internal growth was 3.5% and there was a positive pricing impact of 1.2%, giving organic growth of 4.7%, an excellent performance against any food industry benchmark. Acquisitions, primarily that of Ralston Purina, which was completed in December 2001, contributed 8.5% to sales, net of divestitures. The strength of the Swiss Franc against the currencies of all Nestlé's key markets resulted in 6% reduction in Swiss Franc sales.

Profitability

Nestlé has delivered an improvement in its operating efficiency in the first half of the current year, as demonstrated by the increase in the EBITA margin to 11.7% in the period from 11.1% in the corresponding period of 2001. The incremental margin benefit of the acquisition of Ralston Purina was cancelled out both by the dilutive effect of other acquisitions and disposals, and by the slight impact on the profit margin of the extreme currency movements experienced during the period. Restructuring costs in 2002 which are of a comparable nature to those taken in the first half of 2001 are reported in *Restructuring costs* and are included before EBITA. This result was achieved also despite the continued investment in the GLOBE project.

The cost of goods sold showed a highly positive evolution as a percentage of sales in the first half of 2002. This reflects both the ongoing drive for operational efficiency improvements at Nestlé through the Target 2004 programme, as well as the benefit of the evolution of raw material costs, compared with the corresponding period. The only noticeable increase in costs was in the area of distribution. This was the result in part of the continued successful growth of Nestlé Waters, which has relatively high distribution costs, and in part of the acquisition of Schöller Holding, the distribution costs of which are at a similar level, as a percentage of sales, because of its important home delivery business, to those of Nestlé Waters.

The trading profit margin for the period dipped due to the introduction into the profit and loss account of the amortisation of the goodwill resulting from the acquisition of Ralston Purina. The net profit margin increased from 7.6% to 12.8% due primarily to the beneficial impact of the net non-trading items, and resulted in earnings per share for the period of CHF 14.57, up from CHF 8.15 in the corresponding period of 2001. There is no current expectation of further significant non-trading items in the second half of the year.

Net non-trading items totalled CHF 2.6 billion in the first half of 2002. The income came primarily from the partial IPO of Alcon, Inc., which resulted in an extraordinary gain of CHF 3.9 billion, and from the disposal of FIS, with a profit on disposal of CHF 0.5 billion, demonstrating the value that has been added to those businesses under Nestlé ownership. The reductions resulted primarily from impairments of the goodwill in the petcare and ice cream businesses, restructuring costs relating to the acquisition of Ralston Purina and from impairment of assets in petcare, ice cream, chocolate and milk. These totalled CHF 1.9 billion.

The net financing cost rose to CHF 427 million for the period. This increase nonetheless reflects the benefits of rigorous management of our debt position following the USD 10.3 billion acquisition of Ralston Purina, as well as of lower interest rates. It also reflects the positive influence of the performance of the Swiss Franc against the US Dollar since much of our debt is Dollar denominated.

The tax charge fell as a percentage of profit before taxation due to the non taxable net non-trading items. Excluding the impact of these items, the percentage would have been slightly higher than in the first half of 2001.

The share of minority interests rose primarily due to the partial IPO of Alcon, Inc.

The income from associated companies was at a similar level to that of the corresponding period in 2001.

Financial position

Nestlé's financial position remains exceptionally healthy. Cash flow from operations increased in line with EBITA, despite the negative impact on translation of exchange rates, and reached CHF 2.8 billion. The working capital situation improved over the corresponding period of 2001, despite an exceptional CHF 300 million outflow that will be reversed by the year end. In fact, excluding this item and despite the increased sales in the current year, the increase of the working capital was at a similar level to the first half of 2000.

Capital expenditure as a percentage of sales was at a similar level to last year and will likely remain that way for the remainder of the year. Cash expenditures on acquisitions reached CHF 1.5 billion and these included Schöller in ice cream in Germany, Garoto in chocolate in Brazil, Ski in chilled dairy in the United Kingdom and Sporting in performance nutrition in Germany, as well as a number of acquisitions in water.

Net indebtedness fell from CHF 19.4 billion at the end of 2001 to CHF 16.2 billion, despite the payment of the 2001 dividend and the acquisitions mentioned above, due to the proceeds from disposals and the free cash flow generated during the period. It should also be noted that the carrying value of treasury shares held in Nestlé's portfolio, CHF 2.6 billion, would reduce this figure to CHF 13.6 billion.

The ratio of net debt to equity declined from 56.6% at the year end to 45.9%.

Business Review

There have been a number of clear priorities in the first half of 2002. These have included ensuring that the integration of Ralston Purina moved forward rapidly, at least hitting its targets in terms of timing, costs and benefits. Everything so far points towards this transaction exceeding our expectations. The GLOBE project, which seeks to transform the performance of Nestlé around the world, has continued to move forward and remains on track, with the first market implementations taking place this year. Another priority was the successful completion of the partial IPO of Alcon, our global leader in eye care, which was achieved in March. The increased visibility of Alcon's performance should facilitate both an understanding of the potential that lies within Nestlé and an accurate valuation of Nestlé.

There were a number of significant events in the first half of the year, and in the months immediately thereafter, which will increase Nestlé's exposure to the faster growing areas of the food industry. The acquisition of Schöller Holding, announced in 2001, was completed in the first quarter, giving us a strong position in ice cream in Germany and Central Europe. We also announced in June a transaction with Dreyer's Grand Ice Cream company that will tie our businesses together and significantly reinforce Nestlé's position in the biggest ice cream market in the world, the USA. In August we announced the acquisition of Chef America which brings leadership in frozen hot snacks in the USA to complement our existing leadership position there in frozen ready meals. Another initiative was the launch of a venture capital fund, which is intended to give Nestlé early stage access to exciting innovation in food and food related areas. There was also a disposal in the first half, of our ingredients business, FIS, which resulted in Nestlé benefiting from a 10% equity participation in Givaudan.

Zone Europe achieved a 20 basis point improvement in its EBITA margin as a result of a good performance by most of the markets. Zone Americas improved its EBITA margin by 200 basis points due in part to the acquisitions made in 2001, but also due to improved performances in the USA and Canada, as well as in some Latin American countries. Zone Asia, Oceania and Africa experienced a 20 basis point decline in margins, resulting from difficult trading conditions in a number of markets including Japan, which is the biggest in the Zone.

Nestlé Waters achieved a 130 basis point improvement in EBITA margin. This reflects the benefits of strong organic growth, as well as the movement into profit of our activities in Asia and Latin America. North America also improved its performance due to rigorous cost management. Other activities improved their EBITA margin by 30 basis points. Generally there were good performances by the constituents of this grouping.

Outlook

The first half of 2002 has seen extreme turbulence in currencies, as well as in a number of economies. These conditions hinder predictions even of relatively short term trends, but Nestlé has historically proved that the breadth of its operations and of its sales, in practically every country in the world, offer protection against such difficult conditions. The Group is in excellent financial health, has leading positions around the world and is focused on delivering further operational efficiencies whilst also achieving its targets for real internal growth. Nestlé, therefore, expects to report continued progress on a constant currency basis in sales and profitability for the remainder of the year.

Consolidated income statement for the period ended 30th June 2002

In millions of CHF	Notes	January/June 2002	January/June 2001
Sales to customers	2	**44 219**	41 241
Cost of goods sold		**(19 172)**	(18 340)
Distribution expenses		**(3 574)**	(3 165)
Marketing and administration expenses		**(15 618)**	(14 517)
Research and development costs		**(575)**	(552)
Restructuring costs		**(85)**	(90)
Amortisation of goodwill		**(721)**	(262)
Trading profit		**4 474**	4 315
Net financing cost	3	**(427)**	(254)
Net non-trading items	4	**2 612**	165
Profit before taxes		**6 659**	4 226
Taxes		**(1 069)**	(1 242)
Net profit of consolidated companies		**5 590**	2 984
Share of profit attributable to minority interests		**(193)**	(111)
Share of results of associates	5	**259**	279
Net profit		**5 656**	3 152
As percentages of sales			
Trading profit		**10.1%**	10.5%
Net profit		**12.8%**	7.6%
Earnings per share			
(in CHF)			
Basic earnings per share		**14.57**	8.15
Fully diluted earnings per share		**14.30**	8.11

Consolidated balance sheet as at 30th June 2002

In millions of CHF	Notes	30th June 2002	31st December 2001	30th June 2001
Assets				
Current assets				
Liquid assets				
Cash and cash equivalents		7 085	7 617	5 494
Other liquid assets		5 775	8 425	6 327
		12 860	16 042	11 821
Trade and other receivables		13 645	14 074	13 787
Inventories		7 989	7 691	8 731
Derivative assets		764	609	377
Prepayments and accrued income		565	629	608
Total current assets		35 823	39 045	35 324
Non-current assets				
Property, plant and equipment				
Gross value		43 016	45 093	46 015
Accumulated depreciation		(25 627)	(25 195)	(26 581)
		17 389	19 898	19 434
Investments in associates		2 568	2 497	2 209
Deferred tax assets		1 705	1 918	1 928
Financial assets		2 820	2 885	2 587
Employee benefit assets		1 143	1 392	315
Goodwill		24 075	25 253	8 202
Intangible assets		1 019	898	779
Total non-current assets		50 719	54 741	35 454
Total assets		86 542	93 786	70 778

In millions of CHF	Notes		30th June 2002		31st December 2001		30th June 2001
Liabilities, minority interests and equity							
Current liabilities							
Trade and other payables			**9 731**		10 504		10 247
Financial liabilities			**18 712**		25 486		10 423
Tax payable			**1 029**		854		780
Derivative liabilities			**310**		383		604
Accruals and deferred income			**3 675**		4 265		3 531
Total current liabilities			**33 457**		41 492		25 585
Non-current liabilities							
Financial liabilities	6		**10 311**		9 946		6 630
Employee benefit liabilities			**3 651**		3 786		3 080
Deferred tax liabilities			**628**		1 301		856
Tax payable			**14**		40		35
Other payables			**345**		497		421
Provisions			**2 950**		2 495		2 366
Total non-current liabilities			**17 899**		18 065		13 388
Total liabilities			**51 356**		59 557		38 973
Minority interests			**740**		576		644
Equity							
Share capital			**404**		404		404
Share premium and reserves							
Share premium		**5 926**		5 926		5 926	
Reserve for treasury shares		**2 512**		2 588		2 623	
Translation reserve		**(2 485)**		12		1 231	
Retained earnings		**30 738**		27 517		24 013	
			36 691		36 043		33 793
			37 095		36 447		34 197
Less:							
Treasury shares			**(2 649)**		(2 794)		(3 036)
Total equity			**34 446**		33 653		31 161
Total liabilities, minority interests and equity			**86 542**		93 786		70 778

Consolidated cash flow statement for the period ended 30th June 2002

In millions of CHF		**January/June 2002**		January/June 2001
Operating activities				
Net profit of consolidated companies	**5 590**		2 984	
Depreciation of property, plant and equipment	**1 365**		1 231	
Impairment of property, plant and equipment	**1 006**		41	
Amortisation of goodwill	**721**		262	
Impairment of goodwill	**633**		–	
Depreciation of intangible assets	**83**		77	
Impairment of intangible assets	**16**		–	
Increase/(decrease) in provisions and deferred taxes	**(321)**		164	
Decrease/(increase) in working capital	**(1 354)**		(2 562)	
Other movements [(a)]	**(4 982)**		211	
Operating cash flow		**2 757**		2 408
Investing activities				
Capital expenditure	**(1 394)**		(1 314)	
Expenditure on intangible assets	**(232)**		(5)	
Sale of property, plant and equipment	**140**		75	
Acquisitions	**(1 462)**		(332)	
Disposals [(a)]	**4 218**		6	
Income from associates	**148**		123	
Other movements	**327**		(59)	
Cash flow from investing activities		**1 745**		(1 506)

[(a)] Mainly reversal of profit on the initial public offering of Alcon, Inc. and FIS included in cash inflow on disposal.

In millions of CHF	January/June 2002		January/June 2001	
Financing activities				
Dividend for the previous year	**(2 484)**		(2 127)	
Purchase of treasury shares	**(214)**		(883)	
Sale of treasury shares and options	**318**		562	
Premium on warrants issued	**–**		205	
Movements with minority interests	**(104)**		(86)	
Bonds issued	**2 564**		1 823	
Bonds repaid	**(1 748)**		–	
Increase/(decrease) in other medium/ long term financial liabilities	**(42)**		(102)	
Increase/(decrease) in short term financial liabilities	**(4 496)**		1 451	
Decrease/(increase) in marketable securities and other liquid assets	**4 345**		(1 756)	
Decrease/(increase) in short term investments	**(1 978)**		165	
Other movements	**(181)**		–	
Cash flow from financing activities		**(4 020)**		(748)
Translation differences on flows		**(773)**		(283)
Increase/(decrease) in cash and cash equivalents		**(291)**		(129)
Cash and cash equivalents at beginning of year	**7 617**		5 451	
Effects of exchange rate changes on opening balance	**(241)**		172	
Cash and cash equivalents retranslated at beginning of year		**7 376**		5 623
Cash and cash equivalents at end of period		**7 085**		5 494

Consolidated statement of changes in equity

In millions of CHF	Share premium	Reserve for treasury shares	Translation reserve	Retained earnings	**Total reserves**	Share capital	Less: Treasury shares	**Total equity**
Equity as at 31st December 2000	5 926	2 232	571	23 388	**32 117**	404	(2 617)	**29 904**
Adjustment for the introduction of IAS 39								
– Financial instruments				(55)	**(55)**			**(55)**
– Related deferred taxes				6	**6**			**6**
Adjustment of accounting policies of associates				(161)	**(161)**			**(161)**
Equity restated as at 31st December 2000	5 926	2 232	571	23 178	**31 907**	404	(2 617)	**29 694**
Gains and losses								
Net profit				3 152	**3 152**			**3 152**
Currency retranslation			660		**660**			**660**
Fair value adjustments of available-for-sale financial instruments and of cash flow hedges								
– Unrealised results				(81)	**(81)**			**(81)**
– Recognition of realised results in the income statement				(17)	**(17)**			**(17)**
Distributions to and transactions with shareholders								
Dividend for the previous year				(2 127)	**(2 127)**			**(2 127)**
Movement of treasury shares (net)		391		(391)	**–**		(391)	**(391)**
Result on options and treasury shares held for trading purposes				98	**98**		(28)	**70**
Premium on warrants issued				201	**201**			**201**
Equity as at 30th June 2001	5 926	2 623	1 231	24 013	**33 793**	404	(3 036)	**31 161** [a]

[a] In case of an anticipated redemption of the Turbo Zero Equity-Link issue, part of the USD 123 million premium received in June 2001 would be repaid, i.e. up to USD 103 million in 2003 and up to USD 47 million in 2006.

In millions of CHF	Share premium	Reserve for treasury shares	Translation reserve	Retained earnings	**Total reserves**	Share capital	Less: Treasury shares	**Total equity**
Equity as at								
31st December 2001	5 926	2 558	12	27 517	**36 043**	404	(2 794)	**33 653**
Gains and losses								
Net profit				5 656	**5 656**			**5 656**
Currency retranslation			(2 497)		**(2 497)**			**(2 497)**
Taxes on equity items				10	**10**			**10**
Fair value adjustments of								
available-for-sale financial								
instruments and of								
cash flow hedges								
– Unrealised results				127	**127**			**127**
– Recognition of realised results								
in the income statement				(124)	**(124)**			**(124)**
Distributions to and								
transactions with shareholders								
Dividend for the previous year				(2 484)	**(2 484)**			**(2 484)**
Movement of treasury shares (net)		(76)		76	**–**		76	**76**
Result on options and treasury shares								
held for trading purposes				(40)	**(40)**		69	**29**
Equity as at 30th June 2002	5 926	2 512	(2 485)	30 738	**36 691**	404	(2 649)	**34 446**

Annex

Accounting policies

The unaudited interim financial statements comply with the recognition criteria and the measurement methods of International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and with those of the Standing Interpretations issued by the IASB's Standing Interpretations Committee (SIC).

The accounting conventions and accounting policies are the same as those applied in the end 2001 Consolidated accounts.

Modification of the scope of consolidation

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

Newly included:
Schöller, Germany, Ice Cream/Frozen Food, 100% (March)
Eden Vale, UK, Chilled dairy, 100% (April)
Garoto, Brazil, Chocolate, 100% (March)

Disposals:
Food Ingredients Specialities (FIS), (May)

Notes

1. Seasonality

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

2. Segmental information

By management responsibility and geographic area

Sales and results

	January/June		January/June	
In millions of CHF	**2002**	2001	**2002**	2001
	Sales		Results	
Zone Europe	**13 808**	13 198	**1 447**	1 355
Zone Americas	**14 513**	12 290	**1 943**	1 403
Zone Asia, Oceania and Africa	**7 495**	7 688	**1 287**	1 336
Nestlé Waters	**3 935**	3 791	**371**	309
Other activities [(a)]	**4 468**	4 274	**872**	819
	44 219	41 241	**5 920**	5 222
Unallocated items [(b)]			**(1 446)**	(907)
Trading profit			**4 474**	4 315

(a) Mainly Pharmaceutical products, Joint ventures and "Trinks" (Germany).

(b) Mainly corporate expenses, research and development costs as well as amortisation of goodwill.

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

Impairment of assets

In millions of CHF	**January/June 2002**	January/June 2001
		Impairment of assets
Zone Europe	**1 177**	25
Zone Americas	**191**	10
Zone Asia, Oceania and Africa	**177**	5
Nestlé Waters	**110**	1
Other activities	**–**	–
	1 655	41

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

Impairment losses of property, plant and equipment result from the Group's initiatives to optimise manufacturing performance on a regional and global basis. Such initiatives result in a commitment by the Group to close a number of factories and production lines across several product groups. Asset write downs are being recorded as appropriate plans have been finalised and decisions taken. Restructuring costs, where applicable, are recorded when specific factory closures are announced and the related costs quantified with reasonable certainty. The businesses affected are principally petcare in North America, ice cream in the Far East, and chocolate, milk and ice cream in Western Europe. The cash generating units consist of the individual factories or production lines. The recoverable amount has been determined on the basis of the net selling price expected from the sale of the assets.

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

3. Net financing cost

In millions of CHF	**January/June 2002**	January/June 2001
Interest income	**432**	430
Interest expense	**(859)**	(684)
	(427)	(254)

4. Net non-trading items

These include:

Non-trading expenses

One-time restructuring costs of CHF 310 million resulting essentially from the integration of the Ralston Purina business in the Group's subsidiaries. Such restructuring costs relate mainly from curtailing the manufacturing, selling and administrative workforce.

Impairment losses of CHF 633 million on goodwill, CHF 1006 million on property plant and equipment and CHF 16 million on intangible assets are described in note 2.

Non-trading income

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

In addition, this includes a profit on disposal of FIS of CHF 0.5 billion.

5. Share of results of associates

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

6. Bonds

The following bonds have been issued, repaid and partially repaid during the period January/June 2002:

Face value in millions	Interest rates Nominal	Interest rates Effective	Year of issue/ maturity		January/June 2002 In millions of CHF
New issues					
Nestlé Holdings, Inc., USA					
USD 500	4.75%	4.98%	2002–2007		**738**
USD 150	3.5 %	4.42%	2002–2005	Increasing the USD 650 millions 2001 bond issue to USD 800 millions, which is partially subject to an interest rate swap that creates a liability at floating rates.	**217**
USD 400	4.5%	4.64%	2002–2006	Subject to an interest rate swap that creates a liability at floating rates.	**602**
Nestlé Finance-France S.A., France					
EUR 400	4.75%	4.87%	2002–2007	Subject to an interest rate swap that creates a liability at floating rates.	**588**
USD 250	4.24%	4.24%	2002–2006	Uridashi issue sold to Japanese retail investors. Subject to an interest rate and currency swap that creates an EUR liability at floating rates.	**419**
Total issues					**2 564**
Repayments					
Nestlé Holdings, Inc., USA					
CHF 300	6.75%	6.62%	1992–2002	Was subject to interest and currency swaps that created a USD liability at floating rates.	**300**
Nestlé Australia Ltd., Australia					
USD 250	1.25%	6.07%	1998–2005	Converted into cash equivalent of Nestlé S.A. share value. This bond convertible into Nestlé S.A. shares was subject to an equity and interest rate and currency swap that hedged the bond's issuer against its equity and currency exposure and created a straight AUD liability at floating rates.	**317**

	January/June 2002

Partial repayments

Nestlé Purina PetCare Company, USA				
USD 46	9.25%	9.50%	1989–2009	85
USD 122	7.75%	7.84%	1995–2015	208
USD 78	9.30%	9.42%	1991–2021	155
USD 129	8.63%	8.72%	1992–2022	242
USD 103	8.13%	8.27%	1993–2023	186
USD 145	7.88%	8.05%	1995–2025	255
Total repayments				**1 748**

7. Dividends

The Company pays only one dividend in each financial year and does not pay interim dividends. The following dividend related to 2001 has been paid on 17th April 2002 in conformity with the decision taken at the Ordinary General Meeting on 11th April 2002.

Dividend per share	CHF	6.40
resulting in a total dividend of [a]	CHF	2 484 096 608

[a] On 388 140 095 shares with right to dividend.

8. Events after the Balance Sheet date

On 17th June 2002, Nestlé S.A. announced that Nestlé Holdings, Inc., a US subsidiary of Nestlé S.A., and Dreyer’s Grand Ice Cream, Inc. (Dreyer’s) have entered into a definite agreement to combine Nestlé’s US ice cream business with Dreyer’s. Under the agreement, Nestlé will contribute its ice cream business into Dreyer’s in exchange for Dreyer’s shares. Nestlé will own as a result 67% of this combined enlarged company. The agreement is subject to regulatory and Dreyer’s shareholers’ approvals and is expected to be completed within twelve months from the date of announcement.

On August 6th 2002, Nestlé S.A. announced that Nestlé Holdings, Inc., a US subsidiary of the Nestlé Group, will acquire the assets of Chef America Inc., a leading US based frozen foods business for a total of USD 2.6 billion in cash. The transaction is subject to regulatory approvals and is expected to be completed within 60 days from the date of announcement.

Principal exchange rates

CHF per	1 USD	1 EUR	1 GBP	100 JPY
Average January/June 2002	1.64	1.47	2.36	1.26
Average January/June 2001	1.71	1.53	2.45	1.42
Rates for end June 2002	1.49	1.47	2.27	1.25
Rates for end December 2001	1.68	1.48	2.43	1.28
Rates for end June 2001	1.80	1.52	2.53	1.45

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