



2001 Financial statements

Consolidated accounts of the Nestlé Group

Annual report of Nestlé S.A.

Consolidated accounts of the Nestlé Group

5	Consolidated income statement for the year ended 31st December 2001
6	Consolidated balance sheet as at 31st December 2001
8	Consolidated cash flow statement for the year ended 31st December 2001
10	Consolidated statement of changes in equity
12	Annex
12	Accounting policies
14	Valuation methods and definitions
18	Changes in accounting policies and modification of the scope of consolidation
19	Notes
52	Principal exchange rates
53	Report of the Group auditors
54	Financial information – ten year review
56	Companies of the Nestlé Group

135th Annual report of Nestlé S.A.

62	Income statement for the year 2001
63	Balance sheet as at 31st December 2001
64	Annex to the annual accounts of Nestlé S.A.
64	Accounting policies
67	Notes to the annual accounts
75	Proposed appropriation of profit
76	Report of the statutory auditors
77	Agenda for the 135th Ordinary General Meeting of Nestlé S.A.
78	Important dates
79	Shareholder information

Consolidated income statement

for the year ended 31st December 2001

In millions of CHF	Notes	2001	2000
Sales to customers	1	84 698	81 422
Cost of goods sold		(37 756)	(38 121)
Distribution expenses		(6 421)	(5 884)
Marketing and administration expenses		(29 372)	(26 467)
Research and development costs		(1 162)	(1 038)
Restructuring costs		(275)	(312)
Amortisation of goodwill		(494)	(414)
Trading profit	1	9 218	9 186
Net financing cost	2	(407)	(746)
Net non-trading items	3	(44)	(99)
Profit before taxes	4	8 767	8 341
Taxes	5	(2 429)	(2 761)
Net profit of consolidated companies		6 338	5 580
Share of profit attributable to minority interests		(192)	(212)
Share of results of associates	6	535	395
Net profit		6 681	5 763
As percentages of sales			
Trading profit		10.9%	11.3%
Net profit		7.9%	7.1%
Earnings per share			(a)
(in CHF)			
Basic earnings per share	7	17.25	14.91
Fully diluted earnings per share	7	17.14	14.78

(a) Restated following share split.

Consolidated balance sheet as at 31st December 2001

before appropriations

In millions of CHF	Notes	2001	2000
Assets			
Current assets			
Liquid assets	8		
Cash and cash equivalents		7 617	5 451
Other liquid assets		8 425	4 680
		16 042	10 131
Trade and other receivables	9	14 074	12 685
Inventories	10	7 691	7 168
Derivative assets	11	609	(a)
Prepayments and accrued income		629	763
Total current assets		39 045	30 747
Non-current assets			
Property, plant and equipment	12		
Gross value		45 093	43 519
Accumulated depreciation		(25 195)	(24 894)
		19 898	18 625
Investments in associates	13	2 497	2 173
Deferred tax assets	23	1 918	2 569
Financial assets	14	2 885	2 386
Employee benefit assets	21	1 392	306
Goodwill	15	25 253	7 902
Intangible assets	16	898	816
Total non-current assets		54 741	34 777
Total assets		93 786	65 524

(a) 2000 figures were not prepared in accordance with IAS 39. When carried to the balance sheet, derivatives were included under accrued assets and liabilities.

In millions of CHF	Notes	2001	2000
Liabilities, minority interests and equity			
Current liabilities			
Trade and other payables	17	10 504	10 001
Financial liabilities	18	25 486	8 376
Tax payable		854	1 035
Derivative liabilities	19	383	(a)
Accruals and deferred income		4 265	3 762
Total current liabilities		41 492	23 174
Non-current liabilities			
Financial liabilities	20	9 946	4 768
Employee benefit liabilities	21	3 786	2 860
Deferred tax liabilities	23	1 301	1 550
Tax payable		40	53
Other payables		497	402
Provisions	24	2 495	2 204
Total non-current liabilities		18 065	11 837
Total liabilities		59 557	35 011
Minority interests		576	609
Equity			
Share capital	25	404	404
Share premium and reserves			
Share premium		5 926	5 926
Reserve for treasury shares		2 588	2 232
Translation reserve		12	571
Retained earnings		27 517	23 388
		36 043	32 117
		36 447	32 521
<i>Less:</i>			
Treasury shares	26	(2 794)	(2 617)
Total equity		33 653	29 904
Total liabilities, minority interests and equity		93 786	65 524

(a) 2000 figures were not prepared in accordance with IAS 39. When carried to the balance sheet, derivatives were included under accrued assets and liabilities.

Consolidated cash flow statement for the year ended 31st December 2001

In millions of CHF	Notes	2001	2000
Operating activities			
Net profit of consolidated companies		6 338	5 580
Depreciation of property, plant and equipment	12	2 581	2 737
Impairment of property, plant and equipment	12	222	223
Amortisation of goodwill	15	494	414
Depreciation of intangible assets	16	150	179
Impairment of goodwill	15	184	230
Increase/(decrease) in provisions and deferred taxes		(92)	(4)
Decrease/(increase) in working capital	27	(870)	(368)
Other movements		(393)	(140)
Operating cash flow ^(a)		8 614	8 851
Investing activities			
Capital expenditure	12	(3 611)	(3 305)
Expenditure on intangible assets	16	(288)	(188)
Sale of property, plant and equipment		263	355
Acquisitions	28	(18 766)	(2 846)
Disposals	29	484	780
Income from associates		133	107
Other movements		143	39
Cash flow from investing activities		(21 642)	(5 058)

^(a) Taxes paid amount to CHF 2782 million (2000: CHF 2714 million). Interest received/paid does not differ materially from interest shown under note 2 "Net financing cost".

In millions of CHF	Notes	2001	2000
Financing activities			
Dividend for the previous year		(2 127)	(1 657)
Purchase of treasury shares		(1 133)	(765)
Sale of treasury shares and options		880	1 837
Premium on warrants issued		209	81
Movements with minority interests		(172)	(221)
Bonds issued		3 338	1 016
Bonds repaid		(380)	(1 143)
Increase/(decrease) in other medium/ long term financial liabilities		(71)	(155)
Increase/(decrease) in short term financial liabilities		16 754	921
Decrease/(increase) in marketable securities and other liquid assets		(2 330)	(2 788)
Decrease/(increase) in short term investments		216	1 452
Cash flow from financing activities		15 184	(1 422)
Translation differences on flows		60	(175)
Increase/(decrease) in cash and cash equivalents		2 216	2 196
Cash and cash equivalents at beginning of year		5 451	3 322
Effects of exchange rate changes on opening balance		(29)	(67)
Cash and cash equivalents retranslated at beginning of year		5 422	3 255
Fair-value adjustment on cash and cash equivalents		(21)	—
Cash and cash equivalents at end of year	8	7 617	5 451

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 1999	5 926	2 873	839	17 439	27 077	404	(3 028)	24 453
Adjustment for the introduction of IAS 37								
– Provisions				132	132			132
– Related deferred taxes				(21)	(21)			(21)
Equity restated as at								
31st December 1999	5 926	2 873	839	17 550	27 188	404	(3 028)	24 564
Gains and losses								
Net profit				5 763	5 763			5 763
Currency retranslation			(268)		(268)			(268)
Recovery of goodwill on disposals charged to equity prior to 1st January 1995				51	51			51
Distributions to and transactions with shareholders								
Dividend for the previous year				(1 657)	(1 657)			(1 657)
Movement of treasury shares (net)		(641)		641	–		641	641
Result on options and treasury shares held for trading purposes				959	959		(230)	729
Premium on warrants issued				81	81			81
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

In millions of CHF	Share premium	Reserve for treasury shares	Translation reserve	Retained earnings	Total reserves	Share capital	Less: Treasury shares	Total equity
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				6 681	6 681			6 681
Currency retranslation			(559)		(559)			(559)
Taxes on equity items				(3)	(3)			(3)
Fair value adjustments of available- for-sale financial instruments and of cash flow hedges								
– Unrealised results				55	55			55
– Recognition of realised results in the income statement				(44)	(44)			(44)
Distributions to and transactions with shareholders								
Dividend for the previous year				(2 127)	(2 127)			(2 127)
Movement of treasury shares (net)		356		(356)	–		(356)	(356)
Result on options and treasury shares held for trading purposes				(76)	(76)		179	103
Premium on warrants issued				209	209			209
Equity as at								
31st December 2001	5 926	2 588	12	27 517	36 043	404	(2 794)	33 653

Annex

Accounting policies

Accounting convention and accounting standards

The Consolidated accounts comply with International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and with the Standing Interpretations issued by the Standing Interpretations Committee of the IASB (SIC).

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

Scope of consolidation

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

Consolidated companies

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

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

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

Associates

Companies where the Group has a participation of 20% or more and a significant influence but does not exercise management control are accounted for by the equity method. The net assets and results are recognised on the basis of the associates' own accounting policies, where it is impractical to make adjustments with the Group's accounting policies.

Foreign currencies

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

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

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

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

Derivative financial instruments

Derivative financial instruments are mainly used to manage operational exposures to foreign exchange, interest rate and commodity price risks. Some derivatives are also acquired with the aim of generating short term profit. All derivatives are entered into with high credit quality financial institutions, consistent with specific approval, limit and monitoring procedures.

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

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

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

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

Cash flow hedges are derivative financial instruments that hedge the currency risks of anticipated future export sales, cash flow risks of anticipated future purchases of industrial equipment, the currency and/or commodity risk of future purchases of raw materials as well as the interest cash flow risk. The effective part of the changes in fair value of cash flow hedges are recognised in equity, while any ineffective part is recognised immediately in the income statement. When the hedged item results in an asset or in a liability, the gains and losses previously recognised in equity are included in the measurement cost of the asset or of the liability. Otherwise the gains and losses previously recognised in equity are removed from equity and recognised in the

income statement at the same time as the hedged transaction.

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

Trading derivatives are those financial instruments that are ineffective as hedging instruments or that are acquired with the aim of achieving benchmark objectives of investment portfolios.

Segmental information

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

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

Segment results represent the contribution of the different segments to central overheads, research and development costs and the profit of the Group. Unallocated items comprise mainly corporate expenses, research and development costs, amortisation of goodwill and, for the product segments, restructuring and other costs. Specific corporate and research and development expenses are allocated to the corresponding segments.

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

Segment assets and liabilities by management re-

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

Valuation methods and definitions

Sales to customers

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

Net financing cost

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

Taxes

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

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

Deferred taxes are calculated under the liability method at the rates of tax expected to prevail when the temporary differences reverse. Any changes of the tax rates are recognised to the income statement. Deferred tax liabilities are recognised on all taxable temporary dif-

ferences 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.

Current financial assets

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

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

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

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

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

Inventories

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

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

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

Prepayments and accrued income

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

Property, plant and equipment

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

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

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

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

Leased assets

Assets acquired under long term finance leases are capitalised and depreciated in accordance with the Group's policy on property, plant and equipment. The associated obligations are included in financial liabilities.

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

Non-current financial assets

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

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

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

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

Goodwill

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

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

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

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

Intangible assets

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

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

Research and development

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

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

Impairment of assets

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amounts of the Group's assets. If any indi-

cation exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on the average borrowing rate of the country where the assets are located, adjusted for risks specific to the asset.

Current and non-current liabilities

Interest-bearing current and non-current liabilities are stated at amortised cost with any difference between the cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

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

Provisions

These include liabilities of uncertain timing or amounts that arise from restructuring, environment, 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 only upon their announcement.

Employee benefits

Post-employment benefits

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

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

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

Actuarial gains and losses arise mainly from changes in actuarial assumptions and differences between actuarial assumptions and what has actually occurred. They are recognised in the income statement, over the remaining working lives of the employees, only to the extent that their net cumulative amount exceeds 10% of the greater of the present value of the obligation or of the fair value of plan assets. Unrecognised actuarial gains and losses are reflected in the balance sheet.

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

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

Pensions and retirement benefits

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

Post-retirement health care and other employee benefits

Group companies, principally in North America, maintain health care benefit plans which cover eligible retired employees.

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

Equity compensation plans

Members of the Group's Management

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

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

In order to hedge the related exposure, the Group buys – or transfers from existing treasury shares portfolios – the number of shares necessary to satisfy all potential outstanding obligations under the plan when the benefit is awarded and holds them until the maturity of the plan or the exercise of the rights. No additional shares are issued as a result of the equity compensation plan. When the options are exercised, equity is increased by the amount of the proceeds received.

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

Board of Directors

The annual remuneration of the Members of the Board of Directors is partly paid in kind through the delivery to them of Nestlé shares. These shares are subject to a 2-year blocking period.

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

Accruals and deferred income

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

Dividends

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

than as an appropriation of the profit in the year to which they relate.

Contingent assets and liabilities

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

Events occurring after the balance sheet date

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

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

Other non-adjusting events are disclosed in the notes.

Changes in accounting policies and modification of the scope of consolidation

Changes in accounting policies

The Group has implemented the following standard as from 1st January 2001:

- IAS 39 Financial Instruments: Recognition and Measurement. The impact of the implementation of this standard is disclosed on the consolidated statement of changes in equity.

Modification of the scope of consolidation

The scope of consolidation has been affected by the acquisitions and disposals made in 2001. The principal businesses are detailed below.

Fully consolidated

Newly included:

Ralston Purina, USA, petcare, 100% (December)

Ice Cream Partners, USA, acquisition of the 50% Pillsbury stake (December); this business was proportionally consolidated until December 2001

Aquacool, USA, UK and France, home and office water delivery business, 100% (December)

Disposals:

David & Sons, USA, snacks (December)

Gebr. Jung, Germany, bakery ingredients (June)

Equity accounted

Increase in participation:

Dreyer's, USA, ice cream, from 21.8% to 24% (August)

Disposal:

Mineralbrunnen Überkingen-Teinach, Germany, mineral water (August)

Notes

1. Segmental information

By management responsibility and geographic area

In millions of CHF	2001	2000	2001	2000
	Sales		Results	
Zone Europe	26 742	26 285	2 783	2 753
Zone Americas	26 598	25 524	3 531	3 503
Zone Asia, Oceania and Africa	15 458	15 710	2 598	2 673
Other activities ^(a)	15 900	13 903	2 149	2 015
	84 698	81 422	11 061	10 944
Unallocated items ^(b)			(1 843)	(1 758)
Trading profit			9 218	9 186

The analysis of sales by geographic area is stated by customer destination. Intersegment sales are not significant.

In millions of CHF	2001	2000	2001	2000
	Assets		Liabilities	
Zone Europe	12 508	12 913	5 384	5 279
Zone Americas	10 991	10 503	3 675	3 460
Zone Asia, Oceania and Africa	6 895	6 897	2 453	2 591
Other activities ^(a)	8 749	7 860	3 216	2 896
	39 143	38 173	14 728	14 226
Unallocated items ^(c)	30 419	10 635	1 160	386
Eliminations	(1 119)	(849)	(1 119)	(849)
	68 443	47 959	14 769	13 763

In millions of CHF	2001	2000	2001	2000
	Capital expenditure		Depreciation of property, plant and equipment	
Zone Europe	954	946	806	890
Zone Americas	747	766	695	767
Zone Asia, Oceania and Africa	626	550	438	481
Other activities ^(a)	1 169	949	558	519
	3 496	3 211	2 497	2 657
Unallocated items ^(d)	115	94	84	80
	3 611	3 305	2 581	2 737

^{a)} Mainly Pharmaceutical products and Water, managed on a worldwide basis.

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

^{c)} Corporate and research and development assets/liabilities, including goodwill plus, in 2001, assets/liabilities of Ralston Purina.

^{d)} Corporate and research and development fixed assets.

By product group

In millions of CHF	2001	2000	2001	2000
	Sales		Results	
Beverages	24 023	23 044	4 259	4 318
Milk products, nutrition and ice cream	22 953	21 974	2 572	2 620
Prepared dishes, cooking aids and petcare	21 324	20 632	2 026	1 948
Chocolate, confectionery and biscuits	11 244	10 974	1 234	1 166
Pharmaceutical products	5 154	4 798	1 255	1 212
	84 698	81 422	11 346	11 264
Unallocated items ^(a)			(2 128)	(2 078)
Trading profit			9 218	9 186

^{a)} Mainly corporate expenses, research and development costs, amortisation of goodwill as well as restructuring costs.

^{b)} Without assets of Ralston Purina.

In millions of CHF	2001 ^(b)	2000
	Assets	
Beverages	11 086	10 654
Milk products, nutrition and ice cream	11 127	11 215
Prepared dishes, cooking aids and petcare	8 620	8 980
Chocolate, confectionery and biscuits	6 347	6 685
Pharmaceutical products	2 859	2 589
	40 039	40 123

In millions of CHF	2001	2000
	Capital expenditure	
Beverages	1 062	936
Milk products, nutrition and ice cream	573	530
Prepared dishes, cooking aids and petcare	460	390
Chocolate, confectionery and biscuits	249	250
Pharmaceutical products	99	113
	2 443	2 219
Administration, distribution, research and development	1 168	1 086
	3 611	3 305

2. Net financing cost

In millions of CHF	2001	2000
Interest income	890	614
Interest expense	(1 297)	(1 360)
	(407)	(746)

Interest income includes CHF 41 million (2000: CHF 31 million) of gains arising on securities held for trading purposes.

3. Net non-trading items

In millions of CHF	2001	2000
Non-trading expenses		
Loss on disposal of property, plant and equipment	(31)	(19)
Loss on disposal of activities	(25)	(32)
Provisions for litigation and other risks	(59)	(205)
Impairment of property, plant and equipment	(222)	(223)
Impairment of goodwill	(184)	(230)
Other	(235)	(450)
	(756)	(1 159)
Non-trading income		
Profit on disposal of property, plant and equipment	26	57
Profit on disposal of activities	343	546
Release of provisions for litigation and other risks	34	73
Other	309	384
	712	1 060
Net non-trading items	(44)	(99)

4. Expenses by nature

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

In millions of CHF	2001	2000
Depreciation of property, plant and equipment	2 581	2 737
Salaries and welfare expenses	13 081	12 774
Auditors' remuneration	28	26
Operating lease charges	450	362
Exchange differences	61	(55)

5. Taxes

In millions of CHF	2001	2000
Components of tax expense		
Current tax	2 167	2 395
Deferred tax	(100)	(44)
Transfers (from)/to unrecognised tax assets	15	2
Changes in deferred tax rates	12	(13)
Prior years' tax	(79)	18
Taxes on equity items	(3)	—
Other tax ^(a)	417	403
	2 429	2 761
Deferred tax by types		
Property, plant and equipment	9	20
Goodwill and intangible assets	38	33
Employee benefits liabilities	(51)	(68)
Inventories, receivables, payables and provisions	(126)	(148)
Unused tax losses and tax credits	(56)	44
Other	86	75
	(100)	(44)
Reconciliation of tax expense		
Tax at the theoretical domestic rates applicable to profits of taxable entities in the countries concerned	2 235	2 390
Tax effect on non-deductible amortisation of goodwill	183	165
Tax effect on non-deductible or non-taxable items	(299)	(168)
Transfers (from)/to unrecognised tax assets	15	2
Difference in tax rates	(43)	(49)
Other tax ^(a)	338	421
	2 429	2 761

^(a) Includes withholding tax levied on transfer of income.

6. Share of results of associated companies

In millions of CHF	2001	2000
Share of profit before taxes	763	605
Less share of taxes	(228)	(210)
Share of profit after taxes	535	395

7. Earnings per share

	2001	2000
Basic earnings per share in CHF	17.25	14.91 ^(a)
Net profit per income statement (in millions of CHF)	6 681	5 763
Weighted average number of shares outstanding	387 369 846	386 527 830
Fully diluted earnings per share in CHF	17.14	14.78
Theoretical net profit assuming the exercise of all outstanding options and sale of all treasury shares (in millions of CHF)	6 918	5 963
Number of shares	403 520 000	403 520 000

^(a) Restated following share split.

8. Liquid assets

In millions of CHF	2001	2000
Cash and cash equivalents		
Cash at bank and in hand	2 094	1 778
Cash equivalents	5 523	3 673
	7 617	5 451
Other liquid assets		
Current investments	106	326
Marketable securities and other	8 319	4 354
	8 425	4 680
Liquid assets	16 042	10 131

Liquid assets are mainly denominated in following currencies:

In millions of CHF	2001	2000
USD	7 028	3 307
EUR	2 898	2 779
CHF	4 471	2 756
Other	1 645	1 289
	16 042	10 131

Interest rates are as follows:

In millions of CHF	2001	2000
on USD	3.2%	6.7%
on EUR	3.9%	4.8%
on CHF	2.8%	2.8%

All liquid assets have maturities of less than one year.

Liquid assets are classified as follows:

In millions of CHF	2001	2000
Available-for-sale	15 382	(a)
Trading	660	
	16 042	

^(a) Information not available.

9. Trade and other receivables

In millions of CHF	2001	2000
Trade receivables	11 011	10 361
Other receivables	3 063	2 324
	14 074	12 685
After deduction of allowances for doubtful receivables of	514	515
Amounts included above which are due after more than one year	37	85

10. Inventories

In millions of CHF	2001	2000
Raw materials, work in progress and sundry supplies	2 965	2 806
Finished goods	4 909	4 556
Provisions	(183)	(194)
	7 691	7 168

Inventories amounting to CHF 74 million (2000: CHF 73 million) are pledged as security for financial liabilities.

11. Derivative assets

^(a) 2000 figures are not restated in accordance with IAS 39. Fair value hedges were generally carried to the balance sheet whereas cash flow hedges were disclosed off balance sheet.

In millions of CHF	2001		2000 ^(a)	
	Fair values	Contractual or notional amounts	Fair values	Contractual or notional amounts
Fair value hedges				
Currency forwards, futures and swaps	41	2 256	175	8 100
Interest rate swaps	34	677	80	1 852
Interest rate and currency swaps	293	2 548	157	1 972
Cash flow hedges				
Currency forwards, futures and swaps	70	926	31	921
Currency options	1	40	2	192
Interest rate swaps	11	644	—	—
Interest rate and currency swaps	3	294	—	—
Interest forwards and futures	—	—	1	45
Interest options	1	37	—	—
Commodity futures	47	286	3	126
Commodity options	3	66	—	—
Hedges of the net investment in a foreign entity (loans)				
	33	172	—	—
Trading				
Currency derivatives	28	642	5	2 001
Interest derivatives	42	2 246	—	—
Commodity derivatives	2	64	—	—
	609	10 898	454	15 209

Derivative assets are denominated in the following currencies:

In millions of CHF	2001	2000
		(a)
USD	162	
EUR	56	
GBP	99	
JPY	88	
AUD	92	
Other	112	
	609	

(a) Information not available.

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

In millions of CHF	2001	2000
		(a)
Within one year	66	
In the second year	9	
In the third to the fifth year inclusive	56	
After the fifth year	5	
	136	

Other derivative assets have the following maturities:

In millions of CHF	2001	2000
		(a)
Within one year	104	
In the second year	91	
In the third to the fifth year inclusive	275	
After the fifth year	3	
	473	

12. Property, plant and equipment

In millions of CHF					2001	2000
	Land and buildings	Machinery and equipment	Tools, furniture and other equipment	Vehicles	Total	Total
Gross value						
At 1st January	11 977	24 261	6 471	810	43 519	44 014
Currency retranslation and inflation adjustment	(406)	(899)	(241)	(33)	(1 579)	(1 346)
Expenditure	754	1 913	826	118	3 611	3 305
Disposals	(248)	(940)	(474)	(127)	(1 789)	(1 962)
Modification of the scope of consolidation	413	787	84	47	1 331	(492)
At 31st December	12 490	25 122	6 666	815	45 093	43 519
Accumulated depreciation						
At 1st January	(4 292)	(15 558)	(4 503)	(541)	(24 894)	(24 796)
Currency retranslation and inflation adjustment	173	642	184	26	1 025	885
Depreciation	(354)	(1 449)	(683)	(95)	(2 581)	(2 737)
Impairment	(94)	(120)	(8)	—	(222)	(223)
Disposals	77	835	445	108	1 465	1 556
Modification of the scope of consolidation	(10)	43	3	(24)	12	421
At 31st December	(4 500)	(15 607)	(4 562)	(526)	(25 195)	(24 894)
Net at 31st December	7 990	9 515	2 104	289	19 898	18 625

At 31st December 2001, property, plant and equipment include CHF 297 million (2000: CHF 158 million) of assets under construction. Net property, plant and equipment held under finance leases at 31st December 2001 amount to CHF 313 million (2000: CHF 255 million). Net property, plant and equipment of CHF 120 million (2000: CHF 147 million) are pledged as security for financial liabilities.

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

13. Investments in associated companies

This item primarily includes the Group's indirect (26.3%) participation in the equity of L'Oréal, Paris, for CHF 2136 million (2000: CHF 1986 million). Its market value at 31st December 2001 amounts to CHF 21 275 million (2000: CHF 24 689 million).

14. Non-current financial assets

In millions of CHF	2001	2000
		(a)
Available-for-sale	2 642	
Held-to-maturity	243	
	2 885	2 386

(a) Information not available.

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

In millions of CHF	2001	2000
		(a)
USD	2 312	
EUR	80	
CHF	355	
Other	138	
	2 885	2 386

Non-current financial assets have the following maturities:

In millions of CHF	2001	2000
		(a)
In the second year	353	
In the third to the fifth year inclusive	193	
After the fifth year	862	
Equity instruments	1 477	
	2 885	2 386

15. Goodwill

In millions of CHF	2001	2000
Gross value		
At 1st January	9 674	6 472
Currency retranslation	(73)	(126)
Goodwill from acquisitions	18 193	3 395
Disposals	(116)	—
Other	(45)	(67)
At 31st December	27 633	9 674
Accumulated amortisation		
At 1st January	(1 772)	(1 214)
Currency retranslation	25	19
Amortisation	(494)	(414)
Impairment	(184)	(230)
Other	45	67
At 31st December	(2 380)	(1 772)
Net at 31st December	25 253	7 902

16. Intangible assets

In millions of CHF				2001	2000
	Intellectual property rights	Operating rights and others	Management information systems	Total	Total
Gross value					
At 1st January	107	809	389	1 305	1 066
Currency retranslation	5	—	(1)	4	(6)
Expenditure	95	7	186	288	188
Disposals	(7)	(54)	(11)	(72)	(2)
Modification of the scope of consolidation	(12)	2	1	(9)	59
Other	195	(160)	4	39	—
At 31st December	383	604	568	1 555	1 305
Accumulated depreciation					
At 1st January	(20)	(259)	(210)	(489)	(324)
Currency retranslation	(1)	(4)	2	(3)	(17)
Depreciation	(23)	(63)	(64)	(150)	(179)
Disposals	1	13	8	22	—
Modification of the scope of consolidation	—	—	—	—	31
Other	(33)	—	(4)	(37)	—
At 31st December	(76)	(313)	(268)	(657)	(489)
Net at 31st December	307	291	300	898	816

17. Trade and other payables

In millions of CHF	2001	2000
Trade payables	6 667	6 170
Other payables	3 837	3 831
	10 504	10 001

18. Current financial liabilities

In millions of CHF	2001	2000
Commercial paper	19 861	3 106
Line of credit facilities	1 270	1 751
Other current financial liabilities	3 888	2 821
	25 019	7 678
Current portion of medium and long term financial liabilities	467	698
	25 486	8 376

The above financial liabilities are denominated in the following currencies:

In millions of CHF	2001	2000
USD	19 572	2 848
EUR	1 024	1 759
GBP	436	419
Other	4 454	3 350
	25 486	8 376

Interest rates are as follows:

	2001	2000
on USD	4.1%	6.5%
on EUR	4.5%	5.0%
on GBP	4.9%	5.9%

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

19. Derivative liabilities

In millions of CHF	2001		2000 ^(a)	
	Fair values	Contractual or notional amounts	Fair values	Contractual or notional amounts
Fair value hedges				
Currency forwards, futures and swaps	27	1 752	85	2 814
Currency options	—	42	6	1 712
Interest rate swaps	44	851	123	5 161
Interest rate and currency swaps	80	459	228	1 402
Cash flow hedges				
Currency forwards, futures and swaps	46	1 105	14	795
Currency options	—	1	1	70
Interest rate swaps	56	3 762	—	—
Interest rate and currency swaps	1	—	—	—
Interest forwards and futures	2	635	2	1 769
Interest options	4	217	1	227
Commodity futures	44	210	13	186
Commodity options	5	29	1	19
Hedges of the net investment in a foreign entity (loans)				
	36	1 673	—	—
Trading				
Currency derivatives	12	1 331	2	183
Interest derivatives	21	1 942	2	402
Commodity derivatives	5	30	1	21
	383	14 039	479	14 761

^(a) 2000 figures are not restated in accordance with IAS 39. Fair value hedges were generally carried to the balance sheet whereas cash flow hedges were disclosed off balance sheet.

	Derivative liabilities are denominated in the following currencies:		
	In millions of CHF	2001	2000
			(a)
^(a) Information not available.	USD	185	
	EUR	51	
	GBP	15	
	Other	132	
		383	
	Derivative liabilities related to cash flow hedges have the following maturities:		
	In millions of CHF	2001	2000
			(a)
	Within one year	84	
	In the second year	12	
	In the third to the fifth year inclusive	62	
		158	
	Other derivative liabilities have the following maturities:		
	In millions of CHF	2001	2000
			(a)
	Within one year	163	
	In the second year	—	
	In the third to the fifth year inclusive	55	
	After the fifth year	7	
		225	

20. Non-current financial liabilities

In millions of CHF	2001	2000
Loans from financial institutions	1 315	1 442
Bonds	8 783	3 783
Obligations under finance leases	315	241
	10 413	5 466
Current portion	(467)	(698)
	9 946	4 768

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

In millions of CHF	2001	2000
In the second year	900	575
In the third to the fifth year inclusive	5 432	4 080
After the fifth year	3 614	113
	9 946	4 768

The above financial liabilities are denominated in the following currencies:

In millions of CHF	2001	2000
USD	7 917	3 045
EUR	1 523	778
CHF	15	364
GBP	—	303
Other	491	278
	9 946	4 768

Interest rates are as follows:

	2001	2000
on USD	3.8%	7.0%
on EUR	4.8%	4.5%
on GBP	5.0%	5.9%

The fair value of non-current financial liabilities amounts to CHF 9970 million. The effective interest rate of bonds is disclosed below. The effective interest rate of other non-current financial liabilities is not materially different from their nominal interest rates.

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

In millions of CHF							2001	2000
Face value in millions	Interest rates		Year of issue/ maturity					
	Nominal	Effective						
Bond Issues of Nestlé Holdings, Inc., USA								
CHF 300	6.75%	6.62%	1992–2002	Subject to interest rate and currency swaps that create a USD liability at floating rates.			304	374
USD 250	7.38%	7.38%	1995–2005				419	409
DEM 500	5.13%	—	1996–2001	Was subject to interest rate and currency swaps that created a USD liability at floating rates.			—	543
USD 250	5.63%	5.64%	1998–2003	Subject to an interest rate swap that creates a liability at floating rates.			433	410
USD 300	3.00%	7.48%	2000–2005	Stock Warrants and Applicable Note Securities (SWANS). The issue has attached warrants which give the right to acquire Nestlé S.A. shares. The debt component (issue of the notes) was recognised under bonds for USD 249 million at inception, while the equity component (premium on warrants issued) was recognised under equity for USD 51 million.			439	412
USD 700	0.00%	6.15%	2001–2008	Turbo Zero Equity-Link issue with warrants on Nestlé S.A. shares. The debt component (issue of the notes) is recognised under bonds for USD 451 million at inception, while the equity component (premium on warrants issued) is recognised under equity for USD 123 million. The investors have the option to put the notes to Nestlé Holdings, Inc. and the warrants to Nestlé S.A. against their accreted value at the end of 2003 and 2006.			796	—
USD 650	3.50%	3.79%	2001–2005	Partially subject to an interest rate swap that creates a liability at floating rates.			1 055	—
USD 300	5.13%	5.19%	2001–2007				501	—

In millions of CHF				2001	2000
Face value in millions	Interest rates		Year of issue/ maturity		
	Nominal	Effective			
Bond Issues of Nestlé Purina PetCare Company, USA (Face values are shown after partial repayments.)					
USD 128	9.25%	9.50%	1989–2009	263	—
USD 170	7.75%	7.84%	1995–2015	326	—
USD 141	9.30%	9.42%	1991–2021	315	—
USD 208	8.63%	8.72%	1992–2022	439	—
USD 147	8.13%	8.27%	1993–2023	298	—
USD 196	7.88%	8.05%	1995–2025	388	—
Bond Issues of Nestlé Finance-France S.A., France					
ZAR 100	12.50%	13.07%	2000–2005	Subject to an interest rate swap that creates a liability at floating rates. The proceeds have been re-lent to a South African affiliated company.	
				14	25
ZAR 100	11.00%	11.52%	2001–2006	Subject to an interest rate swap that creates a liability at floating rates. The proceeds have been re-lent to a South African affiliated company.	
				14	—
Bond Issues of Nestlé Holdings (U.K.) PLC, United Kingdom					
USD 250	5.00%	5.07%	1998–2003	Subject to an interest rate and currency swap that creates a GBP liability at floating rates.	
				431	367
EUR 300	4.75%	4.75%	2001–2005	Subject to an interest rate and currency swap that creates a GBP liability at floating rates.	
				462	—
USD 300	5.25%	5.35%	2001–2006	Subject to an interest rate and currency swap that creates a GBP liability at floating rates.	
				518	—

In millions of CHF					2001	2000
Face value in millions	Interest rates		Year of issue/ maturity			
	Nominal	Effective				
Bond Issue of Nestlé Australia Ltd., Australia						
USD 250	1.25%	6.07%	1998–2005	Convertible into Nestlé S.A. shares, but subject to an equity and interest rate and currency swap that hedges the issuer against its equity and currency exposures and creates a straight AUD liability at floating rates.	415	342
Bond Issue of Nestlé Capital Canada Ltd., Canada						
USD 200	5.50%	5.47%	1999–2004	Subject to an interest rate and currency swap that creates a CAD liability at floating rates.	346	325
Bond Issue of Nestlé Japan Ltd., Japan						
EUR 350	5.25%	5.31%	2000–2004	Subject to an interest rate and currency swap that creates a JPY liability at floating rates.	537	505
Other bonds					70	71
Total					8 783	3 783
Due within one year					(323)	(545)
Due after one year					8 460	3 238

Bonds subject to fair value hedges are carried at fair value for CHF 4529 million and the related derivatives are carried to derivative assets for CHF 318 million and to derivative liabilities for CHF 110 million.

21. Employee benefits

Reconciliation of assets and liabilities recognised in the balance sheet

In millions of CHF		2001		2000
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Total
Present value of funded obligations	18 547	849	19 396	16 725
Fair value of plan assets	(19 507)	(166)	(19 673)	(19 201)
Excess of liabilities/(assets) of funded obligations	(960)	683	(277)	(2 476)
Present value of unfunded obligations	1 254	743	1 997	1 785
Unrecognised past service cost of non-vested benefits	—	(7)	(7)	(7)
Net unrecognised actuarial gains/(losses)	(1 338)	(28)	(1 366)	65
Unrecognised assets	1 198	—	1 198	2 566
Defined benefits net liabilities	154	1 391	1 545	1 933
Liabilities from defined contribution plans			849	621
Net liabilities			2 394	2 554
Reflected in the balance sheet as follows:				
Employee benefits assets			(1 392)	(306)
Employee benefits liabilities			3 786	2 860
Net liabilities			2 394	2 554

The plan assets include property occupied by affiliated companies with a fair value of CHF 32 million (2000: CHF 20 million). At the end of 2000, plan assets included Nestlé shares for an amount of CHF 6 million.

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

Expenses recognised in the income statement

In millions of CHF		2001		2000
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Total
Current service cost	585	52	637	692
Employees' contributions	(101)	—	(101)	(111)
Interest cost	969	63	1 032	1 025
Expected return on plan assets	(1 421)	(15)	(1 436)	(1 507)
Net actuarial gains/(losses) recognised in year	3	—	3	(1)
Early retirements, curtailments, settlements	(12)	—	(12)	(5)
Past service cost	34	6	40	21
Transfer (from)/to unrecognised assets	336	—	336	322
Total defined benefit expenses	393	106	499	436
Total defined contribution expenses			310	281
Actual gain/(loss) on plan assets			(1 448)	134

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

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

Movement of defined benefits net liabilities recognised in the balance sheet

In millions of CHF		2001		2000
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Total
At 1st January	1 206	727	1 933	2 143
Currency retranslation	(72)	2	(70)	(83)
Expense recognised in the income statement	393	106	499	436
Contributions	(387)	—	(387)	(308)
Benefits paid	(93)	(44)	(137)	(195)
Modification of the scope of consolidation	(912)	595	(317)	35
Transfer from/(to) defined contribution plans	19	5	24	(95)
At 31st December	154	1 391	1 545	1 933

Principal actuarial assumptions

At 31st December	2001	2000
Discount rates		
Europe	4–6%	4–6.25%
Americas	3–15.5%	7–18.5%
Asia, Oceania and Africa	3–15%	3–14%
Expected long term rates of return on plan assets		
Europe	6–7.25%	5.3–8%
Americas	6–13%	8–13.5%
Asia, Oceania and Africa	4–14%	4–14%
Expected rates of salary increases		
Europe	2–4%	2–4.5%
Americas	1–12%	3.5–13%
Asia, Oceania and Africa	1–13%	0.5–11%
Expected rates of pension adjustments		
Europe	1.25–2.5%	1.25–3.5%
Americas	1–12%	1–13%
Asia, Oceania and Africa	0.5–9%	0.5–9%
Medical cost trend rates		
Americas	5–10%	4–5%
Average remaining working life of employees (in years)		
Europe	11–22	11–23
Americas	9–30	9–26
Asia, Oceania and Africa	11–27	11–27

22. Equity compensation plan and remuneration of the Board of Directors and of the Executive Management

Equity compensation plan

Following are the movements and expiry dates of the options held by members of the Group's Management (including Executive Management):

Movement of options

In millions of CHF	2001		2000 ^(a)	
	Number of options	Value of shares	Number of options	Value of shares
Outstanding at 1st January	939 310	243	93 009	178
of which vested	179 220		47 478	
New rights	1 338 806	459	43 150	122
Rights exercised ^(b)	(79 930)	(13)	(41 403)	(55)
Rights expired	(6 720)	(2)	(825)	(2)
Outstanding at 31st December	2 191 466	687	93 931	243
of which vested	427 260		17 922	

^(a) Before share split.

^(b) Average exercise price: CHF 165.65 (2000: CHF 1323.62).

The rights are exercised throughout the year in accordance with the rules of the plan. Increase of new rights granted in 2001 results from the extension of the beneficiaries of the plan (from 199 to 879 participants).

Expiry dates of options

	2001		2000 ^(a)	
	Number	Exercise price	Number	Exercise price
One year	8 640	CHF 149.80	70	CHF 1 261
Two years	90 650	CHF 230.30	7 193	CHF 1 498
Three years	—	—	10 659	CHF 2 303
Four years	327 970	CHF 260.90	—	—
Five years	425 400	CHF 281.90	—	—
Six years	—	—	33 019	CHF 2 609
Seven years	1 338 806	CHF 343.20	42 990	CHF 2 819
Total	2 191 466		93 931	

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

Remuneration of the Board of Directors and of the Executive Management

	2001		2000	
	Number	CHF millions	Number	CHF millions
Board of Directors				
Remuneration		4		5
Warrants		—	1 341 500 ^(a)	2
Shares	5 842	2	—	—
Options	—		95 590 ^(b)	
Executive Management				
Remuneration		9		8
Bonus		7		4
Options	91 370		61 240 ^(b)	
Total		22		19

^(a) Equivalent to 26 830 shares at an exercise price of CHF 360.—^(b)

^(b) After share split.

Board of Directors

Members of the Board of Directors receive an annual remuneration of CHF 263 000 each, members of the Committee of the Board receive an additional CHF 200 000 each. Members of the Audit Committee receive an additional CHF 25 000 each. Directors also receive an annual expense allowance of CHF 15 000 each. The Chairman is also entitled to a salary and a bonus.

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

Executive Management

The total annual compensation of each member of the Executive Management comprises a salary, a bonus (based on the individual's performance and the achievement of the Group's objectives) and share options.

23. Deferred taxes

In millions of CHF	2001	2000
Tax assets by types of temporary differences		
Property, plant and equipment	154	40
Intangible assets	157	190
Employee benefits	1 044	957
Inventories, receivables, payables and provisions	1 433	894
Unused tax losses and unused tax credits	89	71
Other	596	300
	3 473	2 452

In millions of CHF	2001	2000
Tax liabilities by types of temporary differences		
Property, plant and equipment	1 068	907
Intangible assets	94	44
Employee benefits	499	105
Inventories, receivables, payables and provisions	110	130
Other	1 085	247
	2 856	1 433
Net assets	617	1 019
Reflected in the balance sheet as follows:		
Deferred tax assets	1 918	2 569
Deferred tax liabilities	1 301	1 550
Net assets	617	1 019
Temporary differences for which no deferred tax is recognised:		
on investments in affiliated companies (taxable temporary difference)	7 357	5 815
on unused tax losses, tax credits and other items	1 467	1 118

Unused tax losses expire mainly within 2 to 5 years.

24. Provisions

In millions of CHF					2001	2000
	Restructuring	Environment	Litigation	Other	Total	Total
At 1st January					2 204	2 289
Introduction of IAS 37					—	(132)
Restated figures at 1st January	194	70	1 797	143	2 204	2 157
Currency retranslation	—	2	28	(6)	24	(1)
Provisions made in the period	129	3	75	78	285	445
Modification of the scope						
of consolidation	346	—	(8)	—	338	168
Amounts used	(104)	(3)	(173)	(38)	(318)	(456)
Unused amounts reversed	(11)	(1)	(19)	(7)	(38)	(109)
At 31st December	554	71	1 700	170	2 495	2 204

25. Share capital of Nestlé S.A.

	2001	2000
Number of registered shares of nominal value CHF 1.– each (2000: CHF 10.–)	403 520 000	40 352 000
In millions of CHF	404	404

On 11th June 2001, the registered shares were split in a ten-for-one relationship. Additional information is given in the annex to the annual accounts of Nestlé S.A., note 18. The share capital includes the nominal value of treasury shares (see note 26).

26. Treasury shares

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

(a) Before share split.	2001	2000 (a)
Number of shares		
Purpose of holding		
Freely available shares	6 513 814	785 262
Management option rights	2 191 466	93 931
Warrants on SWANS and Turbo bond issues of Nestlé Holdings Inc., USA	3 527 680	129 419
Trading	3 631 494	490 415
Total at 31st December	15 864 454	1 499 027
In millions of CHF	2001	2000
Book value at 31st December	2 794	2 617
Market value at 31st December	5 616	5 666

The movement of these shares is described in the annex to the annual accounts of Nestlé S.A., note 20.

27. Decrease/(increase) in working capital

Disregarding exchange differences and effect of acquisitions and disposals.

In millions of CHF	2001	2000
Inventories	(448)	(165)
Trade receivables	(540)	(604)
Trade payables	274	544
Other payables	202	(270)
Net accruals and deferrals	64	40
Other	(422)	87
	(870)	(368)

28. Acquisitions

In millions of CHF	2001	2000
Fair value of net assets acquired		
Property, plant and equipment	1 431	359
Financial assets	834	93
Intangible assets	4	93
Minority interests	(17)	(19)
Purchase of minority interests in existing participations	33	49
Net working capital	246	(76)
Financial liabilities	(2 785)	(210)
Employee benefits, deferred taxes and provisions	(846)	(179)
Liquid assets	1 787	37
	687	147
Goodwill	18 193	3 395
Total acquisition cost	18 880	3 542
less		
Cash and cash equivalents acquired	(92)	(37)
Own shares remitted	—	(298)
Consideration payable	(22)	(361)
Cash outflow on acquisitions	18 766	2 846

The fair values of the identifiable assets and liabilities acquired with Ralston Purina have been determined on a provisional basis, due to the timing of the acquisition. These will be subject to adjustment in 2002.

29. Disposals

In millions of CHF	2001	2000
Net assets disposed of		
Property, plant and equipment	88	430
Goodwill and intangible assets	129	3
Minority interests	(29)	7
Net working capital	154	247
Financial liabilities	(46)	(147)
Employee benefits, deferred tax and provisions	14	(78)
Liquid assets	7	5
	317	467
Recovery of goodwill on disposals charged to equity prior to 1st January 1995	—	51
Profit/(loss) on disposals	318	513
Total sale consideration	635	1 031
Less:		
Cash and cash equivalents disposed of	(7)	(5)
Consideration receivable	(144)	(246)
Cash inflow on disposals	484	780

30. Dividends

Dividends payable are not accounted for until they have been ratified at the Annual General Meeting. At the meeting on 11th April 2002, the following dividend in respect of 2001 will be proposed:

Dividend per share	CHF	6.40
Resulting in a total dividend of ^(a)	CHF	2 529 548 672.-

^{a)} Number of shares with right to dividend: see Annual report of Nestlé S.A.

The accounts for the year ended 31st December 2001 do not reflect this proposed distribution, which will be treated as an appropriation of profit in the year ending 31st December 2002.

31. Guarantees

In the normal course of business, the Group has granted guarantees to third parties, totalling CHF 357 million (2000: CHF 436 million) on 31st December 2001.

32. Commitments for expenditure on property, plant and equipment

At 31st December 2001, the Group was committed to expenditure amounting to CHF 130 million (2000: CHF 180 million).

33. Lease commitments

The following charges arise from these commitments:

Operating leases

In millions of CHF	2001	2000
	Minimum lease payments Future value	
Within one year	390	346
In the second year	348	291
In the third to the fifth year inclusive	746	648
After the fifth year	1 278	1 196
	2 762	2 481

Finance leases

In millions of CHF	2001		2000	
	Minimum lease payments			
	Present value	Future value	Present value	Future value
Within one year	63	78	22	24
In the second year	59	75	29	33
In the third to the fifth year inclusive	82	113	157	177
After the fifth year	111	149	33	43
	315	415	241	277

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

34. Contingent assets and liabilities

The Group is exposed to contingent liabilities amounting to about CHF 440 million (2000: CHF 400 million) representing various potential litigation. An amount of about CHF 220 million (2000: CHF 280 million) could result in liabilities.

Contingent assets for litigation claims in favour of the Group amount to about CHF 230 million (2000: CHF 260 million).

35. Events after the balance sheet date

Schöller Holding

The negotiations initiated with the shareholders of the Schöller Group in June 2001 have been successfully completed. Nestlé will acquire 100% of the Schöller Group comprising their ice cream and frozen food business. The European Commission announced its approval of the purchase on 25th February 2002.

Alcon

On 22nd February 2002, Alcon, Inc., the wholly owned eye care business of Nestlé S.A., announced that it had filed a registration statement with the United States Securities and Exchange Commission with respect to an initial public offering of newly issued Alcon common shares representing approximately 25% of Alcon's common shares, including an over-allotment option to be granted to the underwriters. Nestlé expects this offering to be completed at the end of the first quarter of 2002, and Alcon has applied to list its common shares on the New York Stock Exchange under the ticker symbol "ACL". It is estimated that the initial public offering price will be between USD 31.00 and USD 35.00 per common share.

Alcon intends to use the net proceeds from this offering (other than proceeds of the over-allotment option) to redeem shares of non-voting preferred stock of Alcon owned by Nestlé S.A. and to use the net proceeds from an exercise of the over-allotment option, if any, to repay short-term indebtedness.

FIS

On 18th January 2002, Nestlé announced that it had reached an agreement with Givaudan S.A. on the sale of Food Ingredients Specialities S.A. (FIS). Nestlé will take an equity interest in Givaudan S.A. The transaction, valued at CHF 750 million, and subject to the usual regulatory approvals, will be paid in Givaudan shares and cash.

Other subsequent events

At 27th February 2002, date of the approval of the consolidated accounts by the Board of Directors, the Group had no subsequent adjusting events that warrant a modification of the values of assets and liabilities.

36. Transactions with related parties

The Group has not entered into any material transaction with related parties. Furthermore, throughout 2001, no director had a personal interest in any transaction of significance for the business of the Group.

37. Nestlé Group Companies

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

Principal exchange rates

CHF per		2001	2000	2001	2000
		Year end rates		Average annual rates	
1 US Dollar	USD	1.68	1.64	1.68	1.69
1 Euro	EUR	1.48	1.52	1.51	1.56
1 Pound Sterling	GBP	2.43	2.44	2.43	2.56
100 Brazilian Reais	BRL	71.90	83.90	72.21	92.40
100 Japanese Yen	JPY	1.28	1.43	1.39	1.57
100 Mexican Pesos	MXN	18.30	17.10	18.09	17.90
1 Canadian Dollar	CAD	1.05	1.09	1.09	1.14
1 Australian Dollar	AUD	0.86	0.91	0.87	0.98
100 Philippine Pesos	PHP	3.24	3.27	3.30	3.82

Report of the Group auditors

to the General Meeting of Nestlé S.A.

As Group auditors we have audited the Consolidated accounts (balance sheet, income statement, cash flow statement, statement of changes in equity and annex) of the Nestlé Group for the year ended 31st December 2001.

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

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

In our opinion, the Consolidated accounts give a true and fair view of the financial position, the net profit and cash flows and comply in all respects with International Accounting Standards (IAS) and Swiss law.

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



Klynveld Peat Marwick Goerdeler SA



S.R. Cormack
Chartered accountant



B.A. Mathers
Chartered accountant

Auditors in charge
London and Zurich, 27th February 2002

Financial information – ten year review

In millions of CHF (except for per share data)	2001	2000 ^(e)	1999 ^(f)
Results			
Consolidated sales	84 698	81 422	74 660
Trading profit	9 218	9 186	7 914
as % of sales	10.9%	11.3%	10.6%
Taxes	2 429	2 761	2 314
Consolidated net profit	6 681	5 763	4 724
as % of sales	7.9%	7.1%	6.3%
as % of average equity	21.0%	21.2%	20.0%
Total amount of dividend	2 530^(a)	2 127	1 657
Depreciation of property, plant and equipment	2 581	2 737	2 597
as % of sales	3.0%	3.4%	3.5%
Amortisation of goodwill	494	414	384
Balance sheet			
Current assets	39 045	30 747	27 169
<i>of which liquid assets</i>	16 042	10 131	6 670
Non-current assets	54 741	34 777	31 770
Total assets	93 786	65 524	58 939
Current liabilities	41 492	23 174	22 182
Non-current liabilities and minority interests	18 641	12 446	12 304
Equity	33 653	29 904	24 453
Capital expenditure	3 611	3 305	2 806
as % of sales	4.3%	4.1%	3.8%
Data per share			
Weighted average number of shares outstanding	387 369 846	386 527 830	386 772 130
Consolidated net profit ^(b)	17.25	14.91	12.21
Equity ^(b)	86.88	77.40	63.20
Dividend ^(b)	6.40^(d)	5.50	4.30
Pay-out ratio	37.1%^(d)	36.9%	35.2%
Stock exchange prices (high/low) ^(b)	386.5/289.0	389.3/254.0	310.7/250.8
Yield ^(c)	1.7/2.2^(d)	1.4/2.2	1.4/1.7
Number of personnel	229 765^(j)	224 541	230 929

^(a) As proposed by the Board of Directors of Nestlé S.A. This amount includes dividends payable in respect of shares with right to dividend at the balance sheet date (CHF 2481 million) as well as those potentially payable on the shares covering options and shares held for trading purposes (CHF 49 million).

^(b) Figures prior to 2001 adjusted in order to make comparable the data per share, following the ten-for-one 2001 split. Figures prior to 1993 also adjusted in order to make comparable the data per share, following a rights issue in June 1993.

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

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

^(e) Figures prior to 2001 have not been restated following the first application of IAS 39 "Financial Instruments".

1998	1997 ^(g)	1996 ^(h)	1995	1994 ⁽ⁱ⁾	1993	1992
71 747	69 998	60 490	56 484	56 894	57 486	54 500
7 081	7 057	6 053	5 658	5 628	5 591	5 384
9.9%	10.1%	10.0%	10.0%	9.9%	9.7%	9.9%
2 000	1 842	1 552	1 561	1 647	1 669	1 745
4 205	4 182	3 592	3 078	3 250	2 887	2 698
5.9%	6.0%	5.9%	5.4%	5.7%	5.0%	5.0%
19.5%	21.9%	22.9%	23.3%	19.9%	19.5%	18.4%
1 469	1 376	1 180	1 043	1 040	972	870
2 609	2 677	2 305	2 103	2 321	2 283	2 038
3.6%	3.8%	3.8%	3.7%	4.1%	4.0%	3.7%
301	140	102	42	–	–	–
26 467	25 671	23 070	20 927	21 420	20 982	20 670
7 963	8 102	5 860	5 124	5 132	5 084	4 688
30 236	25 910	23 605	19 189	23 807	24 178	23 803
56 703	51 581	46 675	40 116	45 227	45 160	44 473
22 567	20 985	19 859	17 410	17 297	18 166	20 019
11 321	9 990	9 239	8 862	10 986	11 334	10 524
22 815	20 606	17 577	13 844	16 944	15 660	13 930
3 061	3 261	3 054	3 056	3 029	3 093	3 191
4.3%	4.7%	5.0%	5.4%	5.3%	5.4%	5.9%
392 936 650	393 311 260	393 636 370	392 207 560	388 383 760	377 598 260	369 383 740
10.70	10.63	9.13	7.85	8.37	7.65	7.22
58.10	52.40	55.70	45.90	43.60	41.50	37.30
3.80	3.50	3.00	2.65	2.65	2.50	2.32
35.5%	32.9%	32.9%	33.8%	31.7%	32.7%	32.2%
349.8/212.2	219.2/142.1	148.7/125.0	129.8/109.0	143.7/106.3	129.4/101.5	116.2/85.7
1.1/1.8	1.6/2.5	2.0/2.4	2.0/2.4	1.8/2.5	1.9/2.5	2.0/2.7
231 881	225 808	221 144	220 172	212 687	209 755	218 005

^(f) Figures prior to 2000 have not been restated following the first application of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

^(g) Figures prior to 1998 have not been restated following the first application of IAS 19 (revised 1998) "Employee Benefits".

^(h) Figures prior to 1997 have not been restated following the first application of IAS 12 (revised 1996) "Income tax".

⁽ⁱ⁾ Figures prior to 1995 have not been restated to reflect the change from net replacement values of property, plant and equipment to historical cost accounting.

^(j) 2001 excludes Ralston Purina.

Companies of the Nestlé Group

Operating companies

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

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

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

Europe

Germany Nestlé Deutschland AG *Frankfurt* 97.34% • Blaue Quellen Mineral- und Heilbrunnen AG *Rhens am Rhein* 96.8% • Trinks GmbH *Goslar* 96.8% • San Pellegrino Deutschland GmbH *Mainz* 100% • Nespresso Deutschland GmbH *Düsseldorf* 100% • Powerbar Europe GmbH *München* 100% • Alcon Pharma GmbH* *Freiburg/Breisgau* 100% • **Austria** Nestlé Österreich GmbH *Wien* 100% • **Belgium** Nestlé Belgilux S.A. *Bruxelles* 100% • Perrier Vittel Belgilux S.A. *Etalle* 100% • Nespresso Belgilux N.V. *Bruxelles* 100% • Alcon-Couvreur S.A.* *Puurs* 100% • S.A. Friskies Belgilux N.V. *Bruxelles* 100% • **Bulgaria** Nestlé Sofia A.D. *Sofia* 99.86% • **Denmark** Nestlé Danmark A/S *Copenhagen* 100% • Friskies Danmark A/S *Copenhagen* 100% • **Spain** Nestlé España S.A. *Barcelona* 100% • Productos del Café S.A. *Reus* 100% • Davigel España S.A. *Palma de Mallorca* 100% • La Cocinera Alimentación S.A. *Barcelona* 100% • Aquarel Iberica S.A. *Barcelona* 100% • EYCAM Perrier S.A. *Barcelona* 100% • Alcon-Cusi S.A.* *Barcelona* 100% • Helados Miko S.A. *Vitoria* 100% • Compañía Avidesa S.A. *Alzira* 100% • Friskies España S.A. *Barcelona* 100% • **Finland** Suomen Nestlé Oy *Helsinki* 100% • Friskies Finland Oy *Helsinki* 100% • **France** Nestlé France S.A. *Noisiel* 100% • Nestlé Grand Froid S.A. *Noisiel* 100% • Nestlé Clinical Nutrition S.A. *Noisiel* 100% • Nestlé Produits Laitiers Frais *Noisiel* 99.9% • Herta S.A. *Noisiel* 100% • Davigel S.A. *Martin-Eglise* 100% • Food Ingredients Specialities France S.A. *Noisiel* 100% • Perrier Vittel France *Paris* 100% • S.A. des Eaux Minérales de Ribeaupvillé *Ribeaupvillé* 99.5% • Aquarel France *Issy-les-Moulineaux* 100% • Eau Minérale Naturelle de Plancoët “Source Sassay” S.A. *Plancoët* 100% • Nespresso France S.A. *Paris* 100% • Laboratoires Alcon S.A.* *Rueil-Malmaison*

100% • Friskies France *Rueil-Malmaison* 100% • **Greece** Nestlé Hellas S.A. *Maroussi* 100% • Alcon Laboratories Hellas Commercial and Industrial S.A.* *Maroussi* 100% • **Italy** Nestlé Italiana S.p.A. *Milano* 100% • San Pellegrino S.p.A. *Milano* 100% • Alcon Italia S.p.A.* *Milano* 100% • Friskies Italia S.p.A. *Castiglione delle Stiviere* 100% • **Hungary** Nestlé Hungaria Kft *Budapest* 100% • Kekkuti Asvanyviz Rt. *Kekcut* 87% • **Lithuania** UAB Nestlé Baltics *Vilnius* 100% • **Norway** A/S Nestlé Norge *Sandvika* 100% • Alcon Norge A.S.* *Splenden* 100% • **Netherlands** Nestlé Nederland B.V. *Amsterdam* 100% • Alcon Nederland B.V.* *Gorinchem* 100% • Friskies Netherlands B.V. *Amsterdam* 100% • Nespresso Nederland B.V. *Amsterdam* 100% • **Poland** Nestlé Polska S.A. *Warsaw* 99.2% • Naleczowianka Spolka z.o.o. *Naleczov* 33.3% • ESI Distribution N.V. *Warsaw* 50% • **Portugal** Nestlé Portugal S.A. *Linda-a-Velha* 100% • Longa Vida S.A. *Matosinhos* 100% • Sociedade das Aguas de Pisos Moura S.A. *Lisboa* 100% • Alcon Portugal Produtos e Equipamentos Oftalmologicos, Ltda.* *Paço d’Arco* 100% • **Republic of Ireland** Nestlé (Ireland) Ltd *Tallaght-Dublin* 100% • Friskies Petcare (Ireland) Ltd *Dublin* 100% • **Czech Republic** Nestlé Cesko s.r.o. *Prague* 100% • **Romania** Nestlé Romania SRL *Bucarest* 100% • **United Kingdom** Nestlé UK Ltd *Croydon* 100% • Perrier Vittel UK Ltd *Rickmansworth* 100% • Buxton Mineral Water Company Ltd *Rickmansworth* 100% • Alcon Laboratories (UK) Ltd* *Herts* 100% • Friskies Petcare (UK) Ltd *New Malden* 100% • **Russia** JSC Confectionery Union Rossiya *Samara* 99.7% • Nestlé Zhukovsky Ice Cream LLC *Zhukovsky* 87.5% • Nestlé Food LLC *Moscow* 100% • OJSC Confectionery Firm Altai *Barnaul* 94.3% • OJSC Kamskaya *Perm* 86.5% • JSC Khladoproduct *Timashevsk* 93.2% • **Slovakia** Nestlé Slovensko s.r.o. *Prievidza* 100% • **Sweden** Nestlé Sverige AB *Helsingborg* 100% • Zoegas Kaffe AB *Helsingborg* 100% • Jede AB *Mariestad* 100% • Alcon Sverige AB* *Bromma* 100% • Friskies Sverige AB *Malmö* 100% • **Switzerland** Société des Produits Nestlé S.A. *Vevey* 100% • Nestlé Suisse S.A. *Vevey* 100% • Perrier Vittel Suisse S.A. *Gland* 100% • Alcon Pharmaceuticals Ltd* *Hünenberg* 100% • Nestlé World Trade Corporation *La Tour-de-Peilz* 100% • Food Ingredients Specialities S.A. *Villars-sur-Glâne* 100% • Nestlé Nespresso S.A. *Paudex* 100% • Nestlé International Travel Retail S.A. *Châtel-St-Denis* 100% • **Turkey** Nestlé Gıda Sanayi A.S. *Istanbul* 100% • Alcon Laboratuvarlari Tic. A.S.* *Istanbul* 100% • Sansu

Gida Ve Mesrubat Sanayi Ticaret A.S. *Gaziantep* 50%
 • **Ukraine** JSC Lviv Confectionery Firm *Svitoch Lviv* 93%.

Africa

South Africa Nestlé (South Africa) (Pty) Ltd *Randburg-Johannesburg* 100% • Friskies Petcare (Pty) Ltd *Pretoria* 100% • Valvita (Pty) Ltd *Randburg* 100% • Dairymaid-Nestlé (Pty) Ltd *Johannesburg* 100% • Alcon Laboratories (South Africa) Pty Ltd* *Randburg* 100% • **Cameroon** Nestlé Cameroun *Douala* 99.8% • **Côte d'Ivoire** Nestlé Côte d'Ivoire *Abidjan* 85.8% • **Egypt** Nestlé Egypt S.A.E. *Cairo* 100% • Dolce S.A.E. *Cairo* 100% • Société des eaux minérales Vittor S.A.E. *Cairo* 98.6% • **Gabon** Nestlé Gabon *Libreville* 90% • **Ghana** Nestlé Ghana Ltd *Tema-Accra* 51% • **Guinea** Nestlé Guinée *Conakry* 99% • **Kenya** Nestlé Foods Kenya Ltd *Nairobi* 100% • **Mauritius** Nestlé's Products (Mauritius) Ltd *Port Louis* 100% • **Morocco** Nestlé Maroc S.A. *El Jadida* 94.5% • **Nigeria** Nestlé Nigeria PLC *Ilupeju-Lagos* 61.6% • **Senegal** Nestlé Sénégal *Dakar* 100% • **Tunisia** Nestlé Tunisie *Tunis* 59.2% • **Zimbabwe** Nestlé Zimbabwe (Pvt) Ltd *Harare* 100%.

Americas

Argentina Nestlé Argentina S.A. *Buenos Aires* 100% • Eco de Los Andes S.A. *Buenos Aires* 50.9% • Alcon Laboratorios Argentina S.A.* *Buenos Aires* 100% • **Bolivia** Nestlé Bolivia S.r.l. *La Paz* 100% • **Brazil** Nestlé Brasil Ltda. *São Paulo* 100% • Industrias Alimenticias Itacolomy S/A *Montes Claros* 100% • Companhia Produtora de Alimentos *Itabuna* 100% • Perrier Vittel do Brasil Ltda. *Rio de Janeiro* 100% • Alcon Laboratorios do Brasil Ltda.* *São Paulo* 100% • **Canada** Nestlé Canada, Inc. *North York-Toronto (Ontario)* 100% • Midwest Food Products, Inc. *Toronto (Ontario)* 50% • Alcon Canada, Inc.* *Mississauga (Ontario)* 100% • **Chile** Nestlé Chile S.A. *Santiago de Chile* 99.5% • Alcon Laboratorios Chile Limitada* *Santiago* 100% • **Colombia** Nestlé de Colombia S.A. *Bogotá* 100% • Cicolac Ltda. *Bogotá* 100% • Laboratorios Alcon de Colombia S.A.* *Santafé de Bogotá* 100% • **Costa Rica** Nestlé Costa Rica S.A. *San José* 100% • **Cuba** Los Portales S.A. *Guane* 50% • **El Salvador** Nestlé El Salvador S.A. *San Salvador* 100% • **Ecuador** Nestlé Ecuador S.A. *Quito* 85% • Neslandina S.A. *Quito* 74.7% • **United States** Nestlé USA, Inc. *Los Angeles (California)* 100% • Nestlé USA – Prepared Foods Division, Inc. *Solon (Ohio)*

100% • Nestlé USA – Beverage Division, Inc. *Los Angeles (California)* 100% • Nestlé Purina PetCare Company *St. Louis (Missouri)* 100% • FIS – North America, Inc. *Wilmington (Delaware)* 100% • The Perrier Group of America, Inc. *Greenwich (Connecticut)* 100% • Great Spring Waters of America, Inc. *Wilmington (Delaware)* 100% • PowerBar, Inc. *New Jersey* 100% • Ice Cream Partners USA, LLC *Wilmington (Delaware)* 100% • Nestlé Puerto Rico, Inc. *San Juan (Puerto Rico)* 100% • Alcon Laboratories, Inc.* *Fort Worth (Texas)* 100% • Alcon (Puerto Rico), Inc.* *San Juan (Puerto Rico)* 100% • **Guatemala** Nestlé Guatemala S.A. *Guatemala* 100% • **Honduras** Nestlé Hondureña S.A. *Tegucigalpa* 100% • **Jamaica** Nestlé-JMP Jamaica Ltd *Kingston* 100% • Cremo Ltd *Kingston* 100% • **Mexico** Nestlé México S.A. de C.V. *México* 100% • Manantiales La Asunción, S.A. de C.V. *México* 100% • Alcon Laboratorios S.A. de C.V.* *México* 100% • **Nicaragua** Productos Nestlé (Nicaragua) S.A. *Managua* 100% • **Panama** Nestlé Panamá S.A. *Panamá City* 100% • Nestlé Caribbean, Inc. *Panamá City* 100% • **Paraguay** Nestlé Paraguay S.A. *Asunción* 100% • **Peru** Nestlé Perú S.A. *Lima* 93.1% • **Dominican Republic** Nestlé Dominicana S.A. *Santo Domingo* 97% • **Trinidad and Tobago** Nestlé Trinidad and Tobago Ltd *Port of Spain* 100% • **Uruguay** Nestlé del Uruguay S.A. *Montevideo* 100% • **Venezuela** Nestlé Venezuela S.A. *Caracas* 100% • Alcon Venezuela S.R.L.* *Caracas* 100%.

Asia

Saudi Arabia Saudi Food Industries Co. Ltd *Jeddah* 51% • Al Manhal Water Factory Co. Ltd *Riyadh* 51% • Société pour l'exportation des produits Nestlé *Jeddah* 100% • **Bangladesh** Nestlé Bangladesh Ltd *Dhaka* 100% • **Cambodia** Nestlé Dairy (Cambodia) Ltd *Phnom Penh* 80% • **United Arab Emirates** Nestlé Middle East FZE *Dubai* 100% • Société pour l'exportation des produits Nestlé *Dubai* 100% • **India** Nestlé India Ltd *New Delhi* 54% • **Indonesia** P.T. Nestlé Indonesia *Jakarta* 90.2% • **Israel** OSEM Investments Ltd *Petach-Tikva* 50.1% • **Japan** Nestlé Japan Ltd *Kobe* 100% • Nestlé Japan Holding Ltd *Ibaragi* 100% • Nestlé International Foods K.K. *Kobe* 100% • Nestlé Confectionery K.K. *Kobe* 100% • Friskies K.K. *Kobe* 100% • FIS Japan K.K. *Tokyo* 100% • Nestlé Beverage K.K. *Kobe* 100% • Nestlé Snow K.K. *Tokyo* 50% • Nestlé Japan Administration Ltd *Kobe* 100% • Alcon Japan Ltd* *Tokyo* 100% • **Jordan** Nestlé Jordan Trading Co. Ltd

Amman 49% • **Kuwait** Nestlé Kuwait General Trading Co. W.L.L. *Kuwait* 49% • **Lebanon** Société pour l'Exportation des Produits Nestlé S.A. *Beyrouth* 100% • Société des Eaux Minérales Libanaises S.A.L. *Hazmieh* 100% • SOHAT Distribution S.A.L. *Hazmieh* 49% • **Malaysia** Nestlé (Malaysia) Bhd. *Petaling Jaya* 60.7% • Nestlé Foods (Malaysia) Sdn. Bhd. *Petaling Jaya* 60.7% • Nestlé Products Sdn. Bhd. *Petaling Jaya* 60.7% • Nestlé Asean (Malaysia) Sdn. Bhd. *Petaling Jaya* 57.7% • Nestlé Cold Storage (Malaysia) Sdn. Bhd. *Petaling Jaya* 60.7% • **Pakistan** Nestlé Milkpak Ltd *Lahore* 59.1% • **Philippines** Nestlé Philippines, Inc. *Cabuyao* 100% • Goya, Inc. *Manila* 99.8% • Hidden Springs & Perrier, Inc. *Makati City* 100% • Alcon Laboratories (Philippines) Inc.* *Manila* 100% • **Republic of Korea** Nestlé Korea Ltd *Cheongju* 100% • Alcon Korea Ltd* *Seoul* 100% • FIS Korea Ltd *Seoul* 100% • **People's Republic of China** Nestlé Shuangcheng Ltd *Shuangcheng* 97% • Nestlé Dongguan Ltd *Dongguan* 100% • International Food Corporation Ltd *Guangzhou* 100% • Nestlé Tianjin Ltd *Tianjin* 100% • Nestlé Qingdao Ltd *Qingdao* 100% • Nestlé Shanghai Ltd *Shanghai* 95% • Nestlé Dairy Farm Tianjin Ltd *Tianjin* 100% • Nestlé Dairy Farm Qingdao Ltd *Qingdao* 100% • Nestlé Dairy Farm Guangzhou Ltd *Guangzhou* 95% • Guangzhou Refrigerated Foods Ltd *Guangzhou* 90% • Shanghai Fuller Foods Co. Ltd *Shanghai* 100% • Shanghai Nestlé Product Services Ltd *Shanghai* 97% • Shanghai Totole Flavouring Food Co. Ltd *Shanghai* 80% • Shanghai Jiale Flavouring Food Sales Co. Ltd *Shanghai* 80% • Nestlé Source Shanghai Ltd *Shanghai* 100% • Nestlé Hong Kong Ltd *Hong Kong* 100% • Nestlé Distributors Ltd *Hong Kong* 100% • Alcon (China) Ophthalmic Product Co., Ltd* *Beijing* 100% • Alcon Hong Kong Ltd* *Hong Kong* 100% • **Singapore** Nestlé Singapore (Pte) Ltd *Singapore* 100% • FIS Asia Pacific Services (Pte) Ltd *Singapore* 100% • Alcon Pte. Ltd* *Singapore* 100% • **Sri Lanka** Nestlé Lanka Ltd *Colombo* 90.2% • **Syria** Nestlé Syria S.A. *Damas* 100% • Société pour l'exportation des produits Nestlé S.A. *Damas* 100% • **Taiwan** Nestlé Taiwan Ltd *Taipei* 100% • Alcon Pharmaceuticals Ltd* *Taipei* 100% • **Thailand** Nestlé Products (Thailand), Inc. *Bangkok (Branch)* 100% • Quality Coffee Products Ltd *Bangkok* 49% • Nestlé Foods (Thailand) Ltd *Bangkok* 100% • Nestlé Trading (Thailand) Ltd *Bangkok* 49% • Nestlé Manufacturing (Thailand) Ltd *Bangkok* 100% • Nestlé (Thai) Ltd *Bangkok* 100% • Nestlé Dairy (Thailand) Ltd *Bangkok* 100% • Perrier Vittel (Thailand) Ltd

Bangkok 100% • Alcon Laboratories (Thailand) Ltd* *Bangkok* 100% • **Vietnam** Nestlé Vietnam Ltd *Bien Hoa* 100% • La Vie Joint Venture Company *Long An* 65%.

Oceania

Australia Nestlé Australia Ltd *Sydney* 100% • Petersville Australia Ltd *Melbourne* 100% • Nestlé Echuca Pty Ltd *Melbourne* 100% • FIS Australia Pty Ltd *Sydney* 100% • Alcon Laboratories (Australia) Pty Ltd* *Frenchs Forest (NSW)* 100% • **Fiji** Nestlé (Fiji) Ltd *Ba* 74% • **New Caledonia** Nestlé Nouvelle-Calédonie S.A. *Nouméa* 100% • **New Zealand** Nestlé New Zealand Ltd *Auckland* 100% • **Papua-New Guinea** Nestlé (PNG) Ltd *Lae* 100% • **French Polynesia** Nestlé Polynesia S.A. *Papeete* 100%.

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

Europe

Germany C.P.D. Cereal Partners Deutschland GmbH & Co. OHG *Frankfurt* 50% • Galderma Laboratorium GmbH & Co. *Freiburg/Breisgau* 50% • **Spain** Cereal Partners España AEIE *Esplugas de Llobregat* 50% • Laboratorios Galderma S.A.* *Madrid* 50% • **France** Cereal Partners France SNC *Noisiel* 50% • Laboratoires Galderma S.A.* *La Défense* 50% • **Italy** Galderma Italia S.p.A.* *Milano* 50% • **Poland** Torun-Pacific Cereal Partners Poland Sp. z.o.o. *Torun* 50% • **Portugal** Cereal Associados Portugal AEIE *Oeiras* 50% • **Sweden** Galderma Nordic AB* *Bromma* 50% • **United Kingdom** Cereal Partners UK *Welwyn Garden City* 50% • Galderma (U.K.) Ltd* *Amersham* 50% • **Switzerland** CCNR Europe S.A. *Brüttsellen* 50%.

Americas

Argentina Galderma Argentina S.A.* *Buenos Aires* 50% • **Brazil** Galderma Brasil Ltda* *São Paulo* 50% • **Canada** Galderma Canada Inc.* *Markham* 50% • **Chile** Cereales CPW Chile Ltda *Santiago de Chile* 50% • **United States** Coca-Cola Nestlé Refreshments Company, USA *Atlanta (Georgia)* 50% • Galderma Laboratories, Inc.* *Fort Worth (Texas)* 50% • **Mexico** CPW México S. de R.L. de C.V. *México* 50% • Galderma México S.A. de C.V.* *México* 50%.

Asia

People's Republic of China Coca-Cola Nestlé Refreshments Pacific *Hong Kong* 50% • **Republic of Korea** Coca-Cola Nestlé Refreshments Korea *Seoul* 50% • **Thailand** Coca-Cola Nestlé Beverages Thailand Ltd *Bangkok* 33.7% .

Principal associated companies which operate in the food and water sectors, with the exception of those marked with an asterisk (*) which are engaged in the cosmetics and dermatology sectors.

For which the equity method is used – see “Scope of consolidation”.

Europe

Germany Alois Dallmayr Kaffee OHG *München* 50%
 • **France** L'Oréal S.A.* *Paris* 26.3% • Houdebine S.A. *Noyal-Pontivy* 50% • S.B.E.C.M. Société de Bouchages Emballages Conditionnement Moderne S.à.r.l. *Lavardac* 50%.

Americas

United States Floridian Groves, Inc. *Tampa (Florida)* 40%
 • Dreyer's Grand Ice Cream, Inc. *Wilmington (Delaware)* 24%.

Asia

Malaysia Premier Milk (Malaysia) Sdn. Bhd. *Kuala Lumpur* 25%.

Sub-holding, financial and property companies

Germany Nestlé Unternehmungen Deutschland GmbH *Frankfurt* 100% • **Bahamas** Nestlé's Holdings Ltd *Nassau* 100% • Food Products (Holdings) Ltd *Nassau* 100%
 • **Belgium** Centre de Coordination Nestlé S.A. *Bruxelles* 100% • **United States** Nestlé Holdings, Inc. *Norwalk (Connecticut)* 100% • Nestlé Capital Corporation *Norwalk (Connecticut)* 100% • Alcon Holdings, Inc.* *Wilmington (Delaware)* 100% • **France** Nestlé Entreprises S.A. *Noisiel* 100% • Nestlé Finance-France S.A. *Noisiel* 100% • Perrier Vittel S.A. *Paris* 100% • Société Immobilière de Noisiel *Noisiel* 100% • **Panama** Unilac, Inc. *Panamá City* 100%
 • **Portugal** Nestlé Portugal SGPS, Lda. *Linda-a-Velha* 100%
 • **United Kingdom** Nestlé Holdings (U.K.) PLC *Croydon* 100% • Friskies Holding (UK) Ltd *Croydon* 100% • **Switzerland** Entreprises Maggi S.A. *Kemptthal* 100% • Nestlé

Finance S.A. *Cham* 100% • Rive-Reine S.A. *La Tour-de-Peilz* 100% • S.I. En Bergère Vevey S.A. *Vevey* 100% • Alcon Inc.* *Hünenberg* 100% • Galderma Pharma S.A.* *Lausanne* 50%.

Technical assistance, research and development companies

Nestec Ltd., Vevey (Switzerland)

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

Research centres

France Nestlé Research Centre Plant Science *Tours*
 • **Switzerland** Nestlé Research Center *Lausanne*.

Product Technology Centres and Research & Development centres

Germany Nestlé R&D Center Lebensmittelforschung GmbH *Weiding* • **Côte d'Ivoire** Centre R&D Nestlé *Abidjan*
 • **People's Republic of China** Nestlé R&D Center Shanghai Ltd *Shanghai* • **United States** Nestlé Product Technology Center *New Milford (Connecticut)* • Nestlé R&D Center, Inc. *Marysville (Ohio)* • Nestlé R&D Center, Inc. *Solon (Ohio)*
 • Friskies Product Technology Center *St. Joseph (Missouri)*
 • Alcon Research Ltd* *Forth Worth (Texas)* • Galderma R&D Inc.* *City of Dover (New Jersey)* • **France** Nestlé Product Technology Centre *Beauvais* • Nestlé Product Technology Centre *Lisieux* • Centre R&D Friskies *Amiens* • Galderma R&D S.n.c.* *Sophia Antipolis* • **United Kingdom** Nestlé Product Technology Centre *York* • **Singapore** Nestlé R&D Center (Pte) Ltd *Singapore* • **Switzerland** Nestlé Product Technology Centre *Kemptthal* • Nestlé Product Technology Centre *Konolfingen* • Nestlé Product Technology Centre *Orbe*.

135th Annual report of Nestlé S.A.

62	Income statement for the year 2001
63	Balance sheet as at 31st December 2001
64	Annex to the annual accounts of Nestlé S.A.
64	Accounting policies
67	Notes to the annual accounts
75	Proposed appropriation of profit
76	Report of the statutory auditors
77	Agenda for the 135th Ordinary General Meeting of Nestlé S.A.
78	Important dates
79	Shareholder information

Income statement for the year 2001

In millions of CHF	Notes	2001	2000
Income			
Income from Group companies	1	3 815	4 761
Interest income	2	765	550
Profit on disposal of fixed assets	3	837	1 460
Other income		21	22
Total income		5 438	6 793
Expenses			
Investment write downs	4	791	887
Administration and other expenses	5	157	135
Interest expense	6	44	26
Total expenses before taxes		992	1 048
Profit before taxes		4 446	5 745
Taxes	7	298	380
Profit for the year	19	4 148	5 365

Balance sheet as at 31st December 2001

before appropriations

In millions of CHF	Notes	2001	2000
Assets			
Current assets			
Liquid assets	8	5 519	2 523
Receivables	9	489	405
Prepayments and accrued income		45	66
Total current assets		6 053	2 994
Fixed assets			
Financial assets	10	18 520	19 258
Intangible assets	13	—	—
Tangible fixed assets	14	—	—
Total fixed assets		18 520	19 258
Total assets		24 573	22 252
Liabilities and equity			
Liabilities			
Short term payables	15	654	213
Accruals and deferred income		177	233
Long term payables	16	255	256
Provisions	17	789	873
Total liabilities		1 875	1 575
Equity			
Share capital	18/19	404	404
Legal reserves	19	6 392	6 392
Special reserve	19	11 752	8 512
Retained earnings	19	4 150	5 369
Total equity		22 698	20 677
Total liabilities and equity		24 573	22 252

Annex to the annual accounts of Nestlé S.A.

Accounting policies

General

Nestlé S.A. (the Company) is the ultimate holding company of the Nestlé Group which comprises subsidiaries, associated companies and joint ventures throughout the world. The accounts are prepared in accordance with accounting principles required by Swiss law. They are also prepared under the historical cost convention and on the accruals basis. As from 1st January 2001, all loans advanced to Group companies are considered as long term investments and are presented in Financial assets. The comparative figures for 2000 have been restated.

Foreign currency translation

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

Hedging

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

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

Income statement

Income due at the balance sheet date, but not currently transferable is recognised only upon receipt. Dividends paid out of pre-acquisition profits are not included under income from Group companies; instead they are credited against the carrying value of the participation.

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

Taxes

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

Financial assets

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

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

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

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

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

Intangible assets

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

Tangible fixed assets

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

Provisions

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

Employee benefits

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

Prepayments and accrued income

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

Accruals and deferred income

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

Notes to the annual accounts

1. Income from Group companies

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

2. Interest income

In millions of CHF	2001	2000
Net result on loans to Group companies	634	456
Other	131	94
	765	550

The improvement is mainly due to the favourable evolution of foreign exchange hedge instruments as compared with last year. Income received in 2001, both on the loans and on investments, has also increased.

3. Profit on disposal of fixed assets

This represents mainly the net gains realised on the sale of participations to Group companies as part of reorganisation programmes, as well as on the sale of trademarks and other industrial property rights previously written down.

4. Investment write downs

In millions of CHF	2001	2000
Participations and loans	389	664
Trademarks and other industrial property rights	402	223
	791	887

The write downs of participations and loans in 2001 derive from a conservative policy of valuation, based on the political, economic and monetary situation of the countries where the participations are located, as well as on the profitability of the companies concerned. The write downs of trademarks and other industrial property rights in 2001 refer mainly to trademarks acquired from Group companies.

5. Administration and other expenses

In millions of CHF	2001	2000
Salaries and welfare expenses	53	41
Other expenses	104	94
	157	135

6. Interest expense

In millions of CHF	2001	2000
Interest on long term debenture	15	17
Other interest	29	9
	44	26

7. Taxes

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

8. Liquid assets

In millions of CHF	2001	2000
Cash and cash equivalents	3 350	1 331
Short term investments	155	—
Marketable securities	2 014	1 192
	5 519	2 523

9. Receivables

In millions of CHF	2001	2000
Amounts owed by Group companies		
Current accounts	396	374
Provision for amounts not currently transferable	—	—
	396	374
Other receivables (including withholding tax)	93	31
	489	405

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

10. Financial assets

In millions of CHF	2001	2000
Participations in Group companies (see note 11)	10 848	10 900
Loans to Group companies (see note 12)	6 343	7 114
Own shares	1 014	1 029
Other investments	315	215
	18 520	19 258

Own shares of the Company are:

- held in order to allow the exercise of option rights by members of the Group's Management (852 660 options were outstanding at the close of 2001, of which 427 260 may be exercised in the year 2002);
- earmarked to cover warrants attached to a bond issue of an affiliated company (1 294 190 shares);
- acquired for trading purposes (1 306 988 shares).

Other investments include the subscription of CHF 100 million to the capital of Crossair AG, of which 30% have been paid-up in 2001. The balance of CHF 70 million is shown under Short term payables and will be paid by the end of March 2002.

11. Participations in Group companies

In millions of CHF	2001	2000
At 1st January	10 900	7 373
Increase	325	4 191
Write downs	(377)	(664)
At 31st December	10 848	10 900

The increase in participations represents in particular:

- additional funding, through capital increases, of a number of Group companies mainly in Turkey and People's Republic of China;
- the purchase, on the stock exchange or from third parties, of shares of some of our affiliated companies, to increase the participations already held, mainly in Indonesia, India, Thailand and Malaysia;
- the purchase from affiliated companies of certain existing participations.

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

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

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

12. Loans to Group companies

In millions of CHF	2001	2000
At 1st January	7 114	7 854
New loans	1 799	1 920
Repayments and write downs	(2 575)	(2 434)
Realised exchange differences	57	28
Unrealised exchange differences	(52)	(254)
At 31st December	6 343	7 114

As from 1st January 2001, all loans advanced to Group companies are considered as long term investments and are presented in Financial assets. The comparative figures for 2000 have been restated for the reclassification of items previously presented as short term loans to Group companies (CHF 2832 million).

13. Intangible assets

All intangible assets have been fully written off.

14. Tangible fixed assets

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

The fire insurance value of buildings, furniture and office equipment amounted to CHF 22 million at 31st December 2001 and 2000.

15. Short term payables

In millions of CHF	2001	2000
Amounts owed to Group companies	559	183
Other payables	95	30
	654	213

16. Long term payables

In millions of CHF	2001	2000
Amounts owed to Group companies	255	256
Other payables	—	—
	255	256

Amounts owed to Group companies represent a long-term bond issued in 1989, whose carrying value decreased by CHF 1 million to CHF 255 million as a result of an unrealised exchange difference arising in 2001.

17. Provisions

In millions of CHF	2001	2000
Provision for uninsured risks	475	475
Provision for exchange risks	53	162
Provision for Swiss and foreign taxes	229	203
Other provisions	32	33
	789	873

In the consolidated accounts of the Group the provisions are recognised in accordance with International Accounting Standards (IAS).

The provision for exchange risks includes the unrealised net exchange gains on the revaluation of foreign exchange positions and any associated forward cover at the year-end.

18. Share capital

	2001	2000
On 11th June 2001, the registered shares were split in a ten-for-one relationship. As a result, the share capital of Nestlé S.A. is now structured as follows:		
Number of registered shares of nominal value CHF 1 each (CHF 10 in 2000)	403 520 000	40 352 000
In millions of CHF	404	404

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

At 31st December 2001, the Share Register showed 176 631 registered shareholders. If unprocessed applications for registration and the indirect holders of shares under American depositary receipts are also taken into account, the total number of shareholders probably exceeds 250 000. The Company was not aware of any shareholder holding, directly or indirectly, 3% or more of the share capital.

Conditional increase in share capital

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

19. Changes in equity

In millions of CHF

	Share capital	General reserve ^(a)	Reserve for own shares ^{(a)(b)}	Special reserve	Retained earnings	Total
At 1st January 2001	404	4 160	2 232	8 512	5 369	20 677
Appropriation of profit to special reserve				3 195	(3 195)	
Profit for the year					4 148	4 148
Dividend for 2000					(2 127)	(2 127)
Movement of own shares		(356)	356			
Dividend on own shares held on the payment date of 2000 dividend				37	(37)	
Dividend on own shares in respect of which the corresponding option rights were not exercised by the payment date of 2000 dividend				8	(8)	
At 31st December 2001	404	3 804	2 588	11 752	4 150	22 698

^(a) The general reserve and the reserve for own shares constitute the legal reserves.

^(b) See note 20

20. Reserve for own shares

At 31st December 2000, the reserve for own shares amounting to CHF 2 232 million, represented the cost of 7 852 620 freely available shares acquired by a Group company, as well as 939 310 shares reserved to cover option rights in favour of members of the Group's Management, 1 294 190 shares earmarked to cover warrants attached to a bond issue of an affiliated company and 4 904 150 shares held for trading purposes.

On 11th June 2001, the registered shares were split in a ten-for-one relationship. The number of own shares, up to this date, has been restated.

During the year, a total of 3 299 300 shares have been acquired at a cost of CHF 1 133 million (of which 2 233 490 shares are to cover warrants attached to a new bond issue of an affiliated company) and 2 425 116 shares have been sold for a total amount of CHF 875 million (of which 79 930 shares related to options exercised during the year).

At 31st December 2001, the shareholding of a Group company was unchanged (7 852 620 shares at an acquisition cost of CHF 31.7 million). The Board of Directors has decided that these shares will be used to cover option rights in favour of the Group's Management from 2001 (1 338 806 options have been granted in 2001). As long as these shares are held by the Group company, they will be recorded in the Share Register as being without voting rights and will not rank for dividends. In addition, 3 631 494 shares were held for trading purposes, 852 660 shares were reserved to cover option rights granted in previous years and 3 527 680 shares were earmarked to cover warrants attached to bond issues of an affiliated company. As long as the options and warrants are not exercised, or the shares sold, these shares are also recorded in the Share Register as being without voting rights and do not rank for dividends.

The total of 15 864 454 own shares held at 31st December 2001 represents 3.9% of Nestlé S.A. share capital.

21. Contingencies

At 31st December 2001 and 2000, the total of the guarantees for credit facilities granted to Group companies, together with the buy-back agreements relating to notes issued, amounted to CHF 6 444 million and CHF 5 031 million, respectively.

Proposed appropriation of profit

In CHF	2001	2000
Retained earnings		
Balance brought forward	2 358 697	4 188 706
Profit for the year	4 148 374 076	5 365 160 086
	4 150 732 773	5 369 348 792
We propose the following appropriations:		
Allocation to the special reserve	1 620 000 000	3 195 000 000
Dividend for 2001, CHF 6.40 per share on 387 655 546 shares (2000: CHF 55.– on 38 852 973 shares)	2 480 995 494	2 136 913 515
Dividend for 2001, CHF 6.40 per share on 427 260 shares reserved for the option rights which may be exercised in the year 2002, on 3 527 680 shares to cover warrants attached to bond issues and on 3 631 494 shares held for trading purposes ^(a) (2000: CHF 55.– on 637 756 shares)	48 553 178	35 076 580 ^(b)
	4 149 548 672	5 366 990 095
Balance to be carried forward	1 184 101	2 358 697

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

^(b) Of the total of CHF 35 076 580, CHF 31 680 were actually paid as dividends, whilst the balance of CHF 35 044 900 has been transferred to the special reserve.

If you accept this proposal, the gross dividend will amount to CHF 6.40 per share. After deduction of the federal withholding tax of 35%, a net amount of CHF 4.16 per share will be payable as from Wednesday, 17th April 2002, by bank transfer to the shareholder's account or by cheque, in accordance with instructions received from the shareholder.

Cham and Vevey, 27th February 2002
The Board of Directors

Report of the statutory auditors

to the General Meeting of Nestlé S.A.

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and annex) of Nestlé S.A. for the year ended 31st December 2001.

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

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

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


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



Klynveld Peat Marwick Goerdeler SA



S.R. Cormack
Chartered accountant



B.A. Mathers
Chartered accountant

Auditors in charge
London and Zurich, 27th February 2002

Agenda for the 135th Ordinary General Meeting of Nestlé S.A.

Thursday 11th April 2002
at 3.00 p.m. at the “Palais de Beaulieu”, Lausanne

- 1** Annual report, report of the auditors
- 1a** 2001 annual report and accounts of Nestlé S.A.;
report of the auditors
- 1b** 2001 consolidated accounts of the Nestlé Group;
report of the Nestlé Group auditors

- 2** Release of the Board of Directors
and of the Management

- 3** Decision on the appropriation of profits resulting
from the balance sheet of Nestlé S.A.

- 4** Elections to the Board of Directors
Peter Brabeck-Letmathe (term of office for 5 years)
Vreni Spoerry (term of office for 2 years)
Prof. Vernon R. Young (term of office for 5 years)

- 5** Election of the auditors
(annual accounts of Nestlé S.A. and
consolidated accounts of the Nestlé Group):
KPMG Klynveld Peat Marwick Goerdeler S.A.,
London and Zurich (term of office for 3 years)

Next Ordinary General Meeting:
Thursday 3rd April 2003
at the “Palais de Beaulieu”, Lausanne

Elections to the Board of Directors

At the General Meeting of 11th April 2002, the terms as directors of Mr. Peter Brabeck-Letmathe and Mrs. Vreni Spoerry will expire. Both directors are eligible for re-election for a new term of five years.

Mr. Peter Brabeck-Letmathe is standing for a new term of five years, whereas Mrs. Vreni Spoerry has expressed the wish to stand for a new term of only two years. Furthermore, the Board of Directors is recommending that the General Meeting elect as new director, also for a five-year term, Prof. Vernon R. Young, of British and American nationalities, Professor of Nutritional Biochemistry at the Massachusetts Institute of Technology (MIT) in Boston/Cambridge, USA.

Important dates

11th April 2002	Announcement of first quarter 2002 sales figures
11th April 2002	135th Ordinary General Meeting, "Palais de Beaulieu", Lausanne
17th April 2002	Payment of the dividend
21st August 2002	Publication of the half-yearly report January/June 2002
24th October 2002	Announcement of first nine months 2002 sales figures; Autumn press conference (Vevey)
27th February 2003	Announcement of 2002 sales figures and results; Spring press conference (Vevey)
3rd April 2003	136th Ordinary General Meeting, "Palais de Beaulieu", Lausanne
16th April 2003	Announcement of first quarter 2003 sales figures

Shareholder information

Stock exchange listings

As of 31st December 2001, the registered shares of Nestlé S.A. were listed on the following stock exchanges: SWX Swiss Exchange, Frankfurt, London and Paris.

American Depositary Receipts (ADRs) representing Nestlé S.A. shares are offered in the USA by JPMorgan Chase Bank.

Registered Offices

Nestlé S.A., avenue Nestlé 55, CH-1800 Vevey (Switzerland), tel. 021 924 21 11.

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

Further information

For any additional information about the management report, please contact Nestlé S.A., Investor Relations, avenue Nestlé 55, CH-1800 Vevey (Switzerland), tel. 021 924 27 42, fax 021 924 28 13;

E-mail: investor.relations@nestle.com
or visit the investor relations web site www.ir.nestle.com

As to information concerning the share register (registrations, transfers, address changes, dividends, etc.), please contact Nestlé S.A., Share Transfer Office, Zugerstrasse 8, CH-6330 Cham (Switzerland), tel. 041 785 20 20, fax 041 785 20 24.

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

Nestlé URL: <http://www.nestle.com>

