# Consolidated Financial Statements of the Nestlé Group 2013

# Principal exchange rates

CHF per

| | | 2013 | 2012 | 2013 | 2012 |
|---|---|---|---|---|---|
| | | Year ending rates | | Weighted average annual rates | |
| 1 US Dollar | USD | 0.890 | 0.915 | 0.927 | 0.938 |
| 1 Euro | EUR | 1.226 | 1.207 | 1.231 | 1.205 |
| 100 Brazilian Reais | BRL | 37.986 | 44.775 | 42.994 | 47.964 |
| 100 Chinese Yuan Renminbi | CNY | 14.699 | 14.686 | 15.065 | 14.870 |
| 100 Mexican Pesos | MXN | 6.808 | 7.045 | 7.262 | 7.136 |
| 1 Pound Sterling | GBP | 1.471 | 1.479 | 1.450 | 1.487 |
| 1 Canadian Dollar | CAD | 0.836 | 0.920 | 0.899 | 0.940 |
| 1 Australian Dollar | AUD | 0.794 | 0.950 | 0.896 | 0.971 |
| 100 Philippine Pesos | PHP | 2.004 | 2.227 | 2.184 | 2.221 |
| 100 Japanese Yen | JPY | 0.847 | 1.063 | 0.944 | 1.169 |

# Consolidated income statement for the year ended 31 December 2013

In millions of CHF

| | Notes | 2013 | 2012 [a] |
|---|---|---|---|
| **Sales** | 3 | **92 158** | **89 721** |
| | | | |
| Other revenue | | 215 | 210 |
| Cost of goods sold | | (48 111) | (47 500) |
| Distribution expenses | | (8 156) | (8 017) |
| Marketing and administration expenses | | (19 711) | (19 041) |
| Research and development costs | | (1 503) | (1 413) |
| Other trading income | 4 | 120 | 141 |
| Other trading expenses | 4 | (965) | (637) |
| **Trading operating profit** | 3 | **14 047** | **13 464** |
| | | | |
| Other operating income | 4 | 616 | 146 |
| Other operating expenses | 4 | (1 595) | (222) |
| **Operating profit** | | **13 068** | **13 388** |
| | | | |
| Financial income | 5 | 219 | 120 |
| Financial expense | 5 | (850) | (825) |
| **Profit before taxes, associates and joint ventures** | | **12 437** | **12 683** |
| | | | |
| Taxes | 15 | (3 256) | (3 259) |
| Share of results of associates and joint ventures | 16 | 1 264 | 1 253 |
| **Profit for the year** | | **10 445** | **10 677** |
| of which attributable to non-controlling interests | | 430 | 449 |
| of which attributable to shareholders of the parent (Net profit) | | 10 015 | 10 228 |
| | | | |
| **As percentages of sales** | | | |
| Trading operating profit | | 15.2% | 15.0% |
| Profit for the year attributable to shareholders of the parent (Net profit) | | 10.9% | 11.4% |
| | | | |
| **Earnings per share** (in CHF) | | | |
| Basic earnings per share | 17 | 3.14 | 3.21 |
| Diluted earnings per share | 17 | 3.13 | 3.20 |

(a) 2012 comparatives have been restated following the implementation of IFRS 11 and IAS 19 revised (see Note 22).

# Consolidated statement of comprehensive income for the year ended 31 December 2013

In millions of CHF

| | Notes | 2013 | 2012 [a] |
|---|---|---|---|
| **Profit for the year recognised in the income statement** | | **10 445** | **10 677** |
| | | | |
| Currency retranslations | | | |
| – Recognised in translation reserve | | (3 160) | (1 053) |
| – Reclassified from translation reserve to income statement | | 214 | — |
| Fair value adjustments on available-for-sale financial instruments | | | |
| – Recognised in fair value reserve | | 9 | 310 |
| – Reclassified from fair value reserve to income statement | | (532) | 15 |
| Fair value adjustments on cash flow hedges | | | |
| – Recognised in hedging reserve | | 161 | (116) |
| – Reclassified from hedging reserve | | 85 | 266 |
| Taxes | 15 | 290 | (31) |
| Share of other comprehensive income of associates and joint ventures | 16 | 40 | 578 |
| Items that are or may be reclassified subsequently to the income statement | | (2 893) | (31) |
| | | | |
| Remeasurement of defined benefit plans | 11 | 1 632 | (1 534) |
| Taxes | 15 | (848) | 386 |
| Share of other comprehensive income of associates and joint ventures | 16 | 47 | (76) |
| Items that will never be reclassified to the income statement | | 831 | (1 224) |
| | | | |
| **Other comprehensive income for the year** | 19 | **(2 062)** | **(1 255)** |
| | | | |
| **Total comprehensive income for the year** | | **8 383** | **9 422** |
| of which attributable to non-controlling interests | | 371 | 393 |
| of which attributable to shareholders of the parent | | 8 012 | 9 029 |

(a) 2012 comparatives have been restated following the implementation of IFRS 11 and IAS 19 revised (see Note 22).

# Consolidated balance sheet as at 31 December 2013

**before appropriations**

In millions of CHF

| | Notes | 2013 | 2012 (a)(b) |
|---|---|---|---|
| **Assets** | | | |
| | | | |
| Current assets | | | |
| Cash and cash equivalents | 14/18 | 6 415 | 5 713 |
| Short-term investments | 14 | 638 | 3 583 |
| Inventories | 6 | 8 382 | 8 939 |
| Trade and other receivables | 7/14 | 12 206 | 13 048 |
| Prepayments and accrued income | | 762 | 821 |
| Derivative assets | 14 | 230 | 576 |
| Current income tax assets | | 1 151 | 972 |
| Assets held for sale | 2 | 282 | 368 |
| **Total current assets** | | **30 066** | **34 020** |
| | | | |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 26 895 | 26 576 |
| Goodwill | 9 | 31 039 | 32 688 |
| Intangible assets | 10 | 12 673 | 13 018 |
| Investments in associates and joint ventures | 16 | 12 315 | 11 586 |
| Financial assets | 14 | 4 550 | 4 979 |
| Employee benefits assets | 11 | 537 | 84 |
| Current income tax assets | | 124 | 27 |
| Deferred tax assets | 15 | 2 243 | 2 899 |
| **Total non-current assets** | | **90 376** | **91 857** |
| | | | |
| **Total assets** | | **120 442** | **125 877** |

(a) 2012 comparatives have been restated following the implementation of IFRS 11 and IAS 19 revised (see Note 22).
(b) 2012 comparatives have been adjusted following the final valuation of the Wyeth Nutrition acquisition (see Note 22).

## Consolidated balance sheet as at 31 December 2013

In millions of CHF

| | Notes | 2013 | 2012 [(a)(b)] |
|---|---|---|---|
| **Liabilities and equity** | | | |
| | | | |
| Current liabilities | | | |
| Financial debt | 14 | 11 380 | 18 408 |
| Trade and other payables | 14 | 16 072 | 14 627 |
| Accruals and deferred income | | 3 185 | 3 078 |
| Provisions | 13 | 523 | 452 |
| Derivative liabilities | 14 | 381 | 423 |
| Current income tax liabilities | | 1 276 | 1 608 |
| Liabilities directly associated with assets held for sale | 2 | 100 | 1 |
| **Total current liabilities** | | **32 917** | **38 597** |
| | | | |
| Non-current liabilities | | | |
| Financial debt | 14 | 10 363 | 9 008 |
| Employee benefits liabilities | 11 | 6 279 | 8 360 |
| Provisions | 13 | 2 714 | 2 827 |
| Deferred tax liabilities | 15 | 2 643 | 2 240 |
| Other payables | 14 | 1 387 | 2 181 |
| **Total non-current liabilities** | | **23 386** | **24 616** |
| | | | |
| **Total liabilities** | | **56 303** | **63 213** |
| | | | |
| Equity | 19 | | |
| Share capital | | 322 | 322 |
| Treasury shares | | (2 196) | (2 078) |
| Translation reserve | | (20 811) | (17 924) |
| Retained earnings and other reserves | | 85 260 | 80 687 |
| **Total equity attributable to shareholders of the parent** | | **62 575** | **61 007** |
| Non-controlling interests | | 1 564 | 1 657 |
| **Total equity** | | **64 139** | **62 664** |
| | | | |
| **Total liabilities and equity** | | **120 442** | **125 877** |

(a) 2012 comparatives have been restated following the implementation of IFRS 11 and IAS 19 revised (see Note 22).
(b) 2012 comparatives have been adjusted following the final valuation of the Wyeth Nutrition acquisition (see Note 22).

# Consolidated cash flow statement for the year ended 31 December 2013

In millions of CHF

| | Notes | 2013 | 2012 (a) |
|---|---|---|---|
| Operating activities | | | |
| Operating profit | 18 | 13 068 | 13 388 |
| Non-cash items of income and expense | 18 | 4 352 | 3 217 |
| **Cash flow before changes in operating assets and liabilities** | | **17 420** | **16 605** |
| Decrease/(increase) in working capital | 18 | 1 360 | 2 015 |
| Variation of other operating assets and liabilities | 18 | (574) | (95) |
| **Cash generated from operations** | | **18 206** | **18 525** |
| Net cash flows from treasury activities | 18 | (351) | (324) |
| Taxes paid | | (3 520) | (3 118) |
| Dividends and interest from associates and joint ventures | 16 | 657 | 585 |
| **Operating cash flow** | | **14 992** | **15 668** |
| Investing activities | | | |
| Capital expenditure | 8 | (4 928) | (5 273) |
| Expenditure on intangible assets | 10 | (402) | (325) |
| Sale of property, plant and equipment | | 86 | 130 |
| Acquisition of businesses | 2 | (321) | (10 916) |
| Disposal of businesses | 2 | 421 | 142 |
| Investments (net of divestments) in associates and joint ventures | 16 | (28) | (79) |
| Outflows from non-current treasury investments | | (244) | (192) |
| Inflows from non-current treasury investments | | 2 644 | 1 561 |
| Inflows/(outflows) from short-term treasury investments | | 400 | 677 |
| Inflows from other investing activities (b) | | 1 187 | 89 |
| Outflows from other investing activities | | (421) | (305) |
| **Cash flow from investing activities** | | **(1 606)** | **(14 491)** |
| Financing activities | | | |
| Dividend paid to shareholders of the parent | 19 | (6 552) | (6 213) |
| Dividends paid to non-controlling interests | | (328) | (204) |
| Acquisition (net of disposal) of non-controlling interests | | (337) | (165) |
| Purchase of treasury shares | | (481) | (532) |
| Sale of treasury shares | | 60 | 1 199 |
| Inflows from bonds and other non-current financial debt | | 3 814 | 5 226 |
| Outflows from bonds and other non-current financial debt | | (2 271) | (1 650) |
| Inflows/(outflows) from current financial debt | | (6 063) | 2 325 |
| **Cash flow from financing activities** | | **(12 158)** | **(14)** |
| Currency retranslations | | (526) | (219) |
| **Increase/(decrease) in cash and cash equivalents** | | **702** | **944** |
| Cash and cash equivalents at beginning of year | | 5 713 | 4 769 |
| **Cash and cash equivalents at end of year** | | **6 415** | **5 713** |

(a) 2012 comparatives have been restated following the implementation of IFRS 11 and IAS 19 revised (see Note 22).
(b) Mainly relates to the disposal of Givaudan shares.

# Consolidated statement of changes in equity for the year ended 31 December 2013

In millions of CHF

| | Share capital | Treasury shares | Translation reserve | Retained earnings and other reserves | **Total equity attributable to shareholders of the parent** | Non-controlling interests | **Total equity** |
|---|---|---|---|---|---|---|---|
| **Equity as at 31 December 2011 as originally published** | **330** | **(6 722)** | **(16 927)** | **80 116** | **56 797** | **1 477** | **58 274** |
| First application of IAS 19 revised | — | — | — | 68 | **68** | — | **68** |
| **Equity restated as at 1 January 2012** | **330** | **(6 722)** | **(16 927)** | **80 184** | **56 865** | **1 477** | **58 342** |
| Profit for the year [a] | — | — | — | 10 228 | **10 228** | 449 | **10 677** |
| Other comprehensive income for the year [a] | — | — | (997) | (202) | **(1 199)** | (56) | **(1 255)** |
| Total comprehensive income for the year [a] | — | — | (997) | 10 026 | **9 029** | 393 | **9 422** |
| Dividend paid to shareholders of the parent | — | — | — | (6 213) | **(6 213)** | — | **(6 213)** |
| Dividends paid to non-controlling interests | — | — | — | — | **—** | (204) | **(204)** |
| Movement of treasury shares [b] | — | 501 | — | 599 | **1 100** | — | **1 100** |
| Equity compensation plans | — | 212 | — | (39) | **173** | — | **173** |
| Changes in non-controlling interests | — | — | — | (94) | **(94)** | (9) | **(103)** |
| Reduction in share capital | (8) | 3 931 | — | (3 923) | **—** | — | **—** |
| Total transactions with owners | (8) | 4 644 | — | (9 670) | **(5 034)** | (213) | **(5 247)** |
| Other movements [c] | — | — | — | 147 | **147** | — | **147** |
| **Equity restated as at 31 December 2012 [a]** | **322** | **(2 078)** | **(17 924)** | **80 687** | **61 007** | **1 657** | **62 664** |
| Profit for the year | — | — | — | 10 015 | **10 015** | 430 | **10 445** |
| Other comprehensive income for the year | — | — | (2 887) | 884 | **(2 003)** | (59) | **(2 062)** |
| Total comprehensive income for the year | — | — | (2 887) | 10 899 | **8 012** | 371 | **8 383** |
| Dividend paid to shareholders of the parent | — | — | — | (6 552) | **(6 552)** | — | **(6 552)** |
| Dividends paid to non-controlling interests | — | — | — | — | **—** | (328) | **(328)** |
| Movement of treasury shares | — | (612) | — | 190 | **(422)** | — | **(422)** |
| Equity compensation plans | — | 214 | — | (39) | **175** | — | **175** |
| Other transactions settled with treasury shares [d] | — | 280 | — | — | **280** | — | **280** |
| Changes in non-controlling interests | — | — | — | (297) | **(297)** | (136) | **(433)** |
| Total transactions with owners | — | (118) | — | (6 698) | **(6 816)** | (464) | **(7 280)** |
| Other movements [c] | — | — | — | 372 | **372** | — | **372** |
| **Equity as at 31 December 2013** | **322** | **(2 196)** | **(20 811)** | **85 260** | **62 575** | **1 564** | **64 139** |

(a) 2012 comparatives have been restated following the implementation of IFRS 11 and IAS 19 revised (see Note 22).
(b) Movements reported under retained earnings and other reserves mainly relate to written put options on own shares.
(c) Relates mainly to the adjustment for hyperinflation in Venezuela, considered as a hyperinflationary economy.
(d) The other transactions relate to the acquisition of a business (see Note 2).

## 1. Accounting policies

### Accounting convention and accounting standards

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

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

The Consolidated Financial Statements 2013 were approved for issue by the Board of Directors on 12 February 2014 and are subject to approval by the Annual General Meeting on 10 April 2014.

### Key accounting judgements, estimates and assumptions

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Those areas affect mainly provisions (see Note 13), goodwill impairment tests (see Note 9), employee benefits (see Note 11), allowance for doubtful receivables (see Note 7) and taxes (see Note 15).

### Scope of consolidation

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

### Consolidated companies

Companies, in which the Group has the power to exercise control, are fully consolidated. This applies irrespective of the percentage of interest in the share capital. The Group controls a company when it is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. Non-controlling interests are shown as a component of equity on the balance sheet and the share of the profit attributable to non-controlling interests is shown as a component of profit for the year in the income statement.

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

### Joint arrangements

Joint arrangements are contractual arrangements over which the Group exercises joint control with partners.

#### Joint ventures

Joint arrangements whereby the parties have rights to the net assets of the arrangement are joint ventures and are accounted for using the equity method.

#### Joint operations

The joint arrangements where the parties control the rights to the assets and obligations for the liabilities are joint operations and the individual assets, liabilities, income and expenses are consolidated in proportion to the Group's contractually specified share (usually 50%).

### Associates

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

### Foreign currencies

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

In individual companies, transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at year-end rates. Any resulting exchange differences are taken to the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

On consolidation, assets and liabilities of Group entities reported in their functional currencies are translated into Swiss Francs, the Group's presentation currency, at year-end exchange rates. Income and expense are translated into Swiss Francs at the annual weighted average rates of exchange or at the rate on the date of the transaction for significant items.

Differences arising from the retranslation of opening net assets of Group entities, together with differences arising from the restatement of the net results for the year of Group entities, are recognised in other comprehensive income.

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

When there is a change of control in a foreign entity, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal.

**Segment reporting**

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

The CODM considers the business from both a geographic and product perspective, through three geographic Zones and several Globally Managed Businesses (GMB). Zones and GMB that meet the quantitative threshold of 10% of sales, trading operating profit or assets, are presented on a stand-alone basis as reportable segments. Other business activities and operating segments, including GMB that do not meet the threshold, like Nestlé Professional, Nespresso and Nestlé Health Science are combined and presented in Other. Therefore, the Group's reportable operating segments are:

– Zone Europe;
– Zone Americas;
– Zone Asia, Oceania and Africa;
– Nestlé Waters;
– Nestlé Nutrition;
– Other.

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

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

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

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

Segment assets by operating segment represent the situation at the end of the year. Assets and liabilities by product represent the annual average, as this provides a better indication of the level of invested capital for management purposes.

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

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

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

– corporate expenses and related assets/liabilities;
– research and development costs and related assets/liabilities; and
– some goodwill and intangible assets.

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

## Valuation methods, presentation and definitions

### Revenue

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

Other revenue is primarily license fees from third parties which have been earned during the period.

### Expenses

Cost of goods sold is determined on the basis of the cost of production or of purchase, adjusted for the variation of inventories. All other expenses, including those in respect of advertising and promotions, are recognised when the Group receives the risks and rewards of ownership of the goods or when it receives the services.

### Other trading income/(expenses)

These comprise restructuring costs, impairment of all assets except goodwill, litigations and onerous contracts, result on disposal of property, plant and equipment, and specific other income and expenses that fall within the control of operating segments.

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

### Other operating income/(expenses)

These comprise impairment of goodwill, results on disposals of businesses, acquisition-related costs and other income and expenses that fall beyond the control of operating segments and relate to events such as natural disasters and expropriation of assets.

### Net financial income/(expense)

Net financial income/(expense) includes net financing cost and net interest income/(expense) on defined benefit plans.

Net financing cost includes the interest expense on borrowings from third parties as well as the interest income earned on funds invested outside the Group. This heading also includes other financing related income and expense, such as exchange differences on loans and borrowings, results on foreign currency and interest rate hedging instruments that are recognised in the income statement. Certain borrowing costs are capitalised as explained under the section on Property, plant and equipment. Others are expensed.

### Taxes

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

Taxes include current taxes on profit as well as actual or potential withholding taxes on current and expected transfers of income from Group companies and tax adjustments relating to prior years. Income tax is recognised in the income statement, except to the extent that it relates to items directly taken to equity or other comprehensive income, in which case it is recognised against equity or other comprehensive income.

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

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

### Financial instruments

#### Classes of financial instruments

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

## Financial assets

Financial assets are initially recognised at fair value plus directly attributable transaction costs. However when a financial asset at fair value to income statement is recognised, the transaction costs are expensed immediately. Subsequent remeasurement of financial assets is determined by their categorisation that is revisited at each reporting date.

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

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

At each balance sheet date, the Group assesses whether its financial assets are to be impaired. Impairment losses are recognised in the income statement where there is objective evidence of impairment, such as where the issuer is in bankruptcy, default or other significant financial difficulty. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. Impairment losses are reversed when the reversal can be objectively related to an event occurring after the recognition of the impairment loss. For debt instruments measured at amortised cost or fair value, the reversal is recognised in the income statement. For equity instruments classified as available for sale, the reversal is recognised in other comprehensive income. Impairment losses on financial assets carried at cost because their fair value cannot be reliably measured are never reversed.

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

The Group classifies its financial assets into the following categories: loans and receivables, financial assets designated at fair value through income statement, held-for-trading and available-for-sale assets.

### Loans and receivables

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

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

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

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

### Designated at fair value through income statement

Certain investments are designated at fair value through income statement because this reduces an accounting mismatch which would otherwise arise due the remeasurement of certain liabilities using current market prices as inputs.

### Held-for-trading assets

Held-for-trading assets are derivative financial instruments.

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

### Available-for-sale assets

Available-for-sale assets are those non-derivative financial assets that are either designated as such upon initial recognition or are not classified in any of the other financial assets categories. This category includes the following classes of financial assets: bonds, equities, commercial paper, time deposits and other investments. They are included in non-current financial assets unless an investment matures or management intends to dispose of it within 12 months of the end of the reporting period. In that case it would be accounted for as short-term investments, or cash and cash equivalents, as appropriate.

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

Interest earned on available-for-sale assets is calculated using the effective interest rate method and is recognised in the income statement.

### Financial liabilities at amortised cost

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

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

Financial liabilities at amortised cost are further classified as current and non-current depending whether these will fall due within 12 months after the balance sheet date or beyond.

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

### Derivative financial instruments

A derivative is a financial instrument that changes its values in response to changes in the underlying variable, requires no or little net initial investment and is settled at a future date. Derivatives are mainly used to manage exposures to foreign exchange, interest rate and commodity price risk.

Derivatives are initially recognised at fair value. They are subsequently remeasured at fair value on a regular basis and at each reporting date as a minimum. The fair values of exchange-traded derivatives are based on market prices, while the fair value of the over-the-counter derivatives are determined using accepted mathematical models based on market data.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

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

### Hedge accounting

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

#### Fair value hedges

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

The changes in fair values of hedging instruments are recognised in the income statement. Hedged items are also adjusted for the risk being hedged, with any gain or loss being recognised in the income statement.

#### Cash flow hedges

The Group uses cash flow hedges to mitigate a particular risk associated with a recognised asset or liability or highly probable forecast transactions, such as anticipated future export sales, purchases of equipment and raw materials, as well as the variability of expected interest payments and receipts.

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

#### Net investment hedges

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

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

### Undesignated derivatives

Undesignated derivatives are comprised of two categories. The first includes derivatives acquired in the frame of risk management policies for which hedge accounting is not applied. The second category relates to derivatives that are acquired with the aim of delivering performance over agreed benchmarks.

Subsequent to initial measurement, undesignated derivatives are carried at fair value and all their gains and losses, realised and unrealised, are recognised in the income statement.

### Fair value

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

i) The fair value of financial instruments quoted in active markets is based on their quoted closing price at the balance sheet date. Examples include commodity derivative assets and liabilities and other financial assets such as investments in equity and debt securities.

ii) The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions. For example, the fair value of forward exchange contracts, currency swaps and interest rate swaps is determined by discounting estimated future cash flows using a risk-free interest rate.

iii) The fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs). When the fair value of unquoted instruments cannot be measured with sufficient reliability, the Group carries such instruments at cost less impairment, if applicable.

### Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and other short-term highly liquid investments with maturities of three months or less from the initial recognition.

### Short-term investments

Short-term investments are those which have maturities of more than three months at initial recognition and which are expected to be realised within 12 months after the reporting date.

## 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. The cost of inventories includes the gains/losses on qualified cash flow hedges for the purchase of raw materials and finished goods.

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

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

## Prepayments and accrued income

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

## Property, plant and equipment

Property, plant and equipment are shown on the balance sheet at their historical cost. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will be realised. The carrying amount of a replaced part is derecognised. All other repairs and maintenance are charged to the income statement.

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

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

Land is not depreciated.

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

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

Borrowing costs incurred during the course of construction are capitalised if the assets under construction are significant and if their construction requires a substantial period to complete (typically more than one year). The capitalisation rate is determined on the basis of the short-term borrowing rate for the period of construction. Premiums capitalised for leasehold land or buildings are amortised over the length of the lease. Government grants are recognised in accordance with the deferral method, whereby the grant is set up as deferred income which is released to the income statement over the useful life of the related assets. Grants that are not related to assets are credited to the income statement when they are received.

### Leased assets

Leasing agreements which transfer to the Group substantially all the rewards and risks of ownership of an asset are treated as finance leases. All other leases are classified as operating leases.

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

Rentals under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

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

### Business combinations and related goodwill

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The consideration transferred is measured at fair value and includes the fair value of any contingent consideration. Subsequent changes in contingent consideration, when not classified as equity, are recognised in the income statement. The acquisition-related costs are charged to the income statement in the period in which they are incurred. Where not all of the equity of a subsidiary is acquired the non-controlling interests are recognised at the non-controlling interest's share of the acquiree's net identifiable assets. Upon obtaining control in a business combination achieved in stages, the Group remeasures its previously held equity interest at fair value and recognises a gain or a loss to the income statement.

Goodwill is recorded when the sum of the fair value of consideration transferred plus the fair value of any existing Nestlé ownership interest in the acquiree and the amount of any non-controlling interest exceeds the fair value of the acquiree's net assets. If the fair value of the acquiree's net assets exceeds this amount a gain is recognised immediately in the income statement.

### Acquisitions and disposals of non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity holders in their capacity as equity holders. For purchases of shares from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. The same principle is applied to disposals of shares to non-controlling interests.

### Intangible assets

This heading includes intangible assets that are internally generated or acquired either separately or in a business combination when they are identifiable and can be reliably measured. Intangible assets are considered to be identifiable if they arise from contractual or other rights, or if they are separable (i.e. they can be disposed of either individually or together with other assets). Intangible assets comprise indefinite life intangible assets and finite life intangible assets. Internally generated intangible assets are capitalised, provided they generate future economic benefits and their costs are clearly identifiable.

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

Finite life intangible assets are those for which there is an expectation of obsolescence that limits their useful economic life or where the useful life is limited by contractual or other terms. They are amortised over the shorter of their contractual or useful economic lives. They comprise mainly management information systems, patents and rights to carry on an activity (e.g. exclusive rights to sell products or to perform a supply activity). Finite life intangible assets are amortised on a straight-line basis assuming a zero residual value: management information systems over a period ranging from 3 to 5 years; and other finite life intangible assets over 5 to 20 years. Useful lives and residual values are reviewed annually. Amortisation of intangible assets is allocated to the appropriate headings of expenses by function in the income statement.

### Research and development

Internal research costs are charged to the income statement in the year in which they are incurred. Development costs are only recognised as assets on the balance sheet if all the recognition criteria set by IAS 38 – Intangible Assets are met before the products are launched on the market. Development costs are therefore charged to the income statement in the year in which they are incurred due to uncertainties inherent in the development of new products because the expected future economic benefits cannot be reliably determined. As long as the products have not reached the market place, there is no reliable evidence that positive future cash flows would be obtained.

Payments made to third parties in order to in-license or acquire intellectual property rights, compounds and products are capitalised as they are separately identifiable and are expected to generate future benefits.

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

### Impairment of goodwill and indefinite life intangible assets

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

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

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

### Impairment of property, plant and equipment and finite life intangible assets

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amounts of the Group's property, plant and equipment and finite life intangible assets. Indication could be unfavourable development of a business under competitive pressures or severe economic slowdown in a given market as well as reorganisation of the operations to leverage their scale. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, based on the time value of money and the risks specific to the country where the assets are located. The risks specific to the asset are included in the determination of the cash flows.

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

### Assets held for sale and discontinued operations

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

Upon occurrence of discontinued operations, the income statement of the discontinued operations is presented separately in the consolidated income statement. Comparative information is restated accordingly. Balance sheet and cash flow information related to discontinued operations are disclosed separately in the notes.

### Provisions
Provisions comprise liabilities of uncertain timing or amount that arise from restructuring plans, environmental, litigation and other risks. Provisions are recognised when there exists a legal or constructive obligation stemming from a past event and when the future cash outflows can be reliably estimated. Obligations arising from restructuring plans are recognised when detailed formal plans have been established and when there is a valid expectation that such plans will be carried out by either starting to implement them or announcing their main features. Obligations under litigations reflect Group Management's best estimate of the outcome based on the facts known at the balance sheet date.

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

### Post-employment benefits
The liabilities of the Group arising from defined benefit obligations, and the related current service cost, are determined using the projected unit credit method. Actuarial advice is provided both by external consultants and by actuaries employed by the Group. The actuarial assumptions used to calculate the defined benefit obligations vary according to the economic conditions of the country in which the plan is located. Such plans are either externally funded (in the form of independently administered funds) or unfunded.

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 on the balance sheet. An excess of assets is recognised only to the extent that it represents a future economic benefit which is available in the form of refunds from the plan or reductions in future contributions to the plan. When these criteria are not met, it is not recognised but is disclosed in the notes. Impacts of minimum funding requirements in relation to past service are considered when determining pension obligations.

Pension cost charged to the income statement consists of service cost (current and past service cost, gains and losses arising from settlement), net interest expense or income and administration costs (other than costs of managing plan assets). Past service cost is recognised at the earlier of the following dates:
– when the plan amendment or curtailment occurs; and
– when the related restructuring costs or termination benefits are recognised.

Remeasurements of the defined benefit plans are reported in other comprehensive income. They correspond to the actual return on plan assets, excluding interest income, changes in actuarial assumptions and differences between actuarial assumptions and what has actually occurred.

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

### Equity compensation plans
The Group has equity-settled and cash-settled share-based payment transactions.

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

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

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

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

### Events occurring after the balance sheet date
The values of assets and liabilities at the balance sheet date are adjusted if there is evidence that subsequent adjusting events warrant a modification of these values. These adjustments are made up to the date of approval of the Consolidated Financial Statements by the Board of Directors. Other non-adjusting events are disclosed in the notes.

## Changes in accounting policies

The Group has applied the following new International Financial Reporting Standards (IFRS) and revised International Accounting Standards (IAS) as from 1 January 2013 onwards.

### IFRS 10 – Consolidated Financial Statements

This standard introduces a new single control model as the basis for consolidation applicable to all investees. It also introduces a changed definition of control. The Group is deemed to control a company when it is exposed, or has rights, to variable returns from its involvement with that company and has the ability to affect those returns through its power over the company.

It has been applied for the first time retrospectively in compliance with the transitional provisions and did not have a material impact on the Group's Financial Statements.

### IFRS 11 – Joint Arrangements

This standard establishes principles for the financial reporting by parties to a joint arrangement. The standard affected the Group's accounting for companies over which the Group exercises joint control with partners. Joint control exists if decisions regarding the relevant activities require the unanimous consent of the parties sharing control. Joint arrangements are classified as either joint ventures or joint operations. The Group's main joint arrangements (Cereal Partners Worldwide and Galderma), which were previously included by proportionate consolidation, are now classified as joint ventures under IFRS 11 and are therefore accounted for using the equity method in accordance with the provisions of the amended IAS 28 – Investments in Associates and Joint Ventures. In relation to its interest in joint operations the Group recognises its share of assets, liabilities, revenues and expenses in accordance with its rights and obligations.

IFRS 11 was applied retrospectively in accordance with the transitional provisions. The change affected almost all Financial Statement line items resulting in decreasing revenues and expenses, assets and liabilities. Nevertheless, profit for the year and equity were unchanged.

2012 comparatives have been restated (see Note 22 for a summary of the restatement).

### IFRS 12 – Disclosure of Interests in Other Entities

This standard combines, enhances and replaces disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group has modified its disclosures accordingly.

### IFRS 13 – Fair Value Measurement

This standard applies when other IFRS require or permit fair value measurements. It defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements.

It was applied prospectively, in accordance with the transitional provisions and did not have a material impact on the Group's Financial Statements. The Group has modified its disclosures accordingly.

The related amendment to IAS 36 – Impairment of Assets on the disclosure of the recoverable amount for non-financial assets has been early adopted, in accordance with the transitional provisions.

### IAS 19 Revised 2011 – Employee Benefits

The amendments that had the most significant impact included:

– the replacement of the expected return on plan assets and interest costs on the defined benefit obligation with a single net interest component. This net interest component is calculated by applying the discount rate to the net defined benefit liability (or asset) and is now recognised within financial income and expense;
– the immediate recognition of all past service costs.

These changes affected the profit for the year and the earnings per share by increasing employee benefit costs of the Group. These changes also impacted the amounts presented in other comprehensive income, and the net employee benefit liabilities/(assets) in the balance sheet.

The Group applied IAS 19 Revised 2011 retrospectively and 2012 comparatives have been restated (see Note 22 for a summary of the restatement).

### Improvements and other amendments to IFRS/IAS

A number of standards have been modified on miscellaneous points. Such changes include IAS 1 – Presentation of Financial Statements, which requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to the income statement in the future.

The Group has modified its disclosures accordingly. None of these amendments had a material effect on the Group's Financial Statements.

## Changes in IFRS that may affect the Group after 31 December 2013

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the accounting period beginning on 1 January 2014, unless otherwise stated. The Group has not early adopted them.

### IFRS 9 – Financial Instruments

The standard addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedge accounting.

The standard will affect the Group's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Such gains and losses are never reclassified to the income statement at a later date. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value to income statement, and the Group does not have any such liabilities. The standard will affect how hedge accounting is applied and related disclosures. The potential impact on the Group's Financial Statements is currently being assessed.

The effective date of the standard has not yet been published, and is not expected to be earlier than 1 January 2017.

### IFRIC 21 – Levies

The publication contains guidance on when a liability should be recognised in respect of governmental levies in accordance with IAS 37 – Provisions. The interpretation is to be applied retrospectively from 1 January 2014 and is not expected to have a material impact on the Group's accounting for financial liabilities.

### Improvements and other amendments to IFRS/IAS

A number of standards have been modified on miscellaneous points. None of these amendments are expected to have a material effect on the Group's Financial Statements.

## 2. Acquisitions and disposals of businesses

### 2.1 Modification of the scope of consolidation

The scope of consolidation has been affected by acquisitions and disposals made in 2013.

#### Main acquisition

Pamlab, USA, healthcare products (Nutrition and HealthCare), 100% (April).

#### Disposals

Wyeth Nutrition, sale of participations in Latin America, Australia and South Africa, infant formula (Nutrition and HealthCare).
Jenny Craig, USA and Oceania, weight management (Nutrition and HealthCare), 100% (November).
Other minor disposals including Joseph's Gourmet Pasta, USA, filled frozen pasta (Prepared dishes and cooking aids), 100% (December).

### 2.2 Acquisitions of businesses

The major classes of assets acquired and liabilities assumed at the acquisition date are:

In millions of CHF

| | 2013 | | | 2012 |
|---|---|---|---|---|
| | Total | Wyeth Nutrition | Other acquisitions | Total |
| Property, plant and equipment | **35** | 1 144 | 142 | **1 286** |
| Intangible assets [a] | **125** | 4 510 | (36) | **4 474** |
| Inventories and other assets [b] | **39** | 1 092 | 49 | **1 141** |
| Assets held for sale (see Note 2.3) | **—** | 357 | — | **357** |
| Financial debt | **(1)** | (6) | (2) | **(8)** |
| Employee benefits, deferred taxes and provisions | **(41)** | (118) | — | **(118)** |
| Other liabilities | **(26)** | (371) | (101) | **(472)** |
| **Fair value of identifiable net assets** | **131** | **6 608** | **52** | **6 660** |

(a) Mainly brands and intellectual property rights.
(b) Including in 2012 for Wyeth Nutrition the fair value of trade receivables of CHF 360 million with a gross contractual amount of CHF 395 million and estimated cash flows of CHF 35 million not expected to be collected.

Since the valuation of the assets and liabilities of recently acquired businesses is still in process, the values are determined provisionally.

The goodwill arising on acquisitions and the cash outflow are:

In millions of CHF

| | 2013 | | | 2012 |
|---|---|---|---|---|
| | Total | Wyeth Nutrition | Other acquisitions | Total |
| **Fair value of consideration transferred** | **382** | **11 268** | **45** | **11 313** |
| Non-controlling interests [a] | **3** | — | 33 | **33** |
| Fair value of identifiable net assets | **(131)** | (6 608) | (52) | **(6 660)** |
| **Goodwill** | **254** | **4 660** | **26** | **4 686** |

(a) Non-controlling interests have been measured based on their proportionate interest in the recognised amounts of net assets of the entities acquired.

In millions of CHF

| | 2013 | | | 2012 |
|---|---|---|---|---|
| | Total | Wyeth Nutrition | Other acquisitions | Total |
| **Fair value of consideration transferred** | **382** | 11 268 | 45 | **11 313** |
| Cash and cash equivalents acquired | **(1)** | (232) | (19) | **(251)** |
| Consideration payable | **(3)** | (190) | — | **(190)** |
| Settled in treasury shares [(a)] | **(280)** | — | — | **—** |
| Payment of consideration payable on prior years acquisitions | **223** | — | 44 | **44** |
| **Cash outflow on acquisitions** | **321** | **10 846** | **70** | **10 916** |

(a) Four million Nestlé S.A. shares were given as consideration. The number of shares was based on the purchase price of the business. The fair value of the shares transferred was based on the market price at the date of acquisition of CHF 69.50 per share.

The consideration transferred consists of payments made in cash with some consideration remaining payable, as well as treasury shares.

For Wyeth Nutrition, since the acquisition date, and as per the terms of the agreement signed in 2012, the initial fair value of consideration transferred of CHF 11 078 million has been adjusted to CHF 11 268 million. It included a CHF 1272 million liability to the former shareholder that was immediately settled in 2012 and some consideration remaining payable settled in 2013. Cash outflow includes the results on hedging a part of the consideration payable. The total 2012 and 2013 net cash outflow for the Wyeth Nutrition acquisition amounts to CHF 11 036 million.

### Wyeth Nutrition acquired in November 2012

On 30 November 2012, the Group acquired from Pfizer Inc. 100% of its Infant Nutrition business, the Wyeth Nutrition business. Wyeth Nutrition is a dynamic, high-quality infant nutrition business that complements Nestlé's existing portfolio with strong brands in key segments and geographies. 85% of Wyeth Nutrition's sales are in emerging markets.

Adjustments to the provisional values of net assets have been recognised during the year. Accordingly, the 2012 consolidated balance sheet has been adjusted retrospectively.

The major classes of assets acquired and liabilities assumed at the acquisition date are:

In millions of CHF

| | 2012 adjusted | 2012 as originally published |
|---|---|---|
| Property, plant and equipment | **1 144** | 908 |
| Intangible assets [(a)] | **4 510** | 4 589 |
| Inventories and other assets [(b)] | **1 092** | 1 059 |
| Assets held for sale (see Note 2.3) | **357** | 787 |
| Financial debt | **(6)** | (6) |
| Employee benefits, deferred taxes and provisions | **(118)** | (100) |
| Other liabilities | **(371)** | (350) |
| **Fair value of identifiable net assets** | **6 608** | **6 887** |

(a) Brands and intellectual property rights.
(b) Including the fair value of trade receivables of CHF 360 million with a gross contractual amount of CHF 395 million and estimated cash flows of CHF 35 million not expected to be collected.

The final goodwill arising on the acquisition is as follows:

In millions of CHF

| | 2012 adjusted | 2012 as originally published |
|---|---|---|
| **Fair value of consideration transferred** | **11 268** | **11 078** |
| Fair value of identifiable net assets | (6 608) | (6 887) |
| **Goodwill** | **4 660** | **4 191** |

### Acquisition-related costs

Acquisition-related costs, which mostly relate to the acquisition of Wyeth Nutrition, have been recognised under Other operating expenses in the income statement (Note 4.2) for an amount of CHF 20 million (2012: CHF 82 million – mostly related to Wyeth Nutrition).

## 2.3 Assets held for sale

As of 31 December 2012, assets held for sale were mainly composed of participations in Wyeth Nutrition businesses which the Group did not control. They have been disposed of during the year.

As of 31 December 2013, assets held for sale are mainly composed of businesses which management committed to sell during the second half of 2013, and where the completion of the sale within twelve months of classification is considered to be highly probable. Accordingly, assets and liabilities of these businesses have been reclassified as disposal groups held for sale.

The Performance Nutrition business, which is part of the Nestlé Nutrition operating segment, is the main component of the assets and liabilities held for sale as of 31 December 2013. An impairment loss on goodwill of CHF 84 million has been recognised in other operating expenses to arrive at the estimated net selling price based on discussions with potential purchasers which were ongoing at year-end (categorised as Level 3 in accordance to IFRS 13). The related cumulative loss in other comprehensive income has been estimated at CHF 292 million.

The sale was subsequently announced by the Group on 3 February 2014 and is subject to customary closing conditions.

## 2.4 Disposals of businesses

Cash inflow on disposals of businesses mainly relates to the disposal of assets held for sale with regards of the Wyeth Nutrition's acquisition (see Note 2.3).

The loss on disposals of businesses (see Note 4.2) almost entirely relates to Jenny Craig (weight management) and Joseph's Gourmet Pasta (filled frozen pasta). For these two businesses goodwill of CHF 538 million, intangible assets of CHF 344 million and other net assets of CHF 52 million have been derecognised from the balance sheet. A related cumulative loss in other comprehensive income amounting to CHF 214 million has been recycled in the income statement.

# 3. Analyses by segment

## 3.1 Operating segments

### Revenue and results

In millions of CHF

| | Sales (a) | Trading operating profit | Net other trading income/(expenses) * | of which impairment of assets other than goodwill | of which restructuring costs | Impairment of goodwill |
|---|---|---|---|---|---|---|
| | | | | | | 2013 |
| Zone Europe | 15 568 | 2 331 | (115) | (33) | (54) | (2) |
| Zone Americas | 28 375 | 5 151 | (416) | (31) | (91) | — |
| Zone Asia, Oceania and Africa | 18 859 | 3 558 | (37) | (7) | (13) | — |
| Nestlé Waters | 7 231 | 680 | (23) | (11) | 3 | (5) |
| Nestlé Nutrition | 9 826 | 1 961 | (78) | (11) | (34) | (84) |
| Other (b) | 12 299 | 2 175 | (67) | (43) | (18) | (23) |
| Unallocated items (c) | — | (1 809) | (109) | (7) | (67) | — |
| **Total** | **92 158** | **14 047** | **(845)** | **(143)** | **(274)** | **(114)** |

* included in Trading operating profit

In millions of CHF

| | Sales (a) | Trading operating profit | Net other trading income/(expenses) * | of which impairment of assets other than goodwill | of which restructuring costs | Impairment of goodwill |
|---|---|---|---|---|---|---|
| | | | | | | 2012 |
| Zone Europe | 15 388 | 2 363 | (90) | (40) | (40) | — |
| Zone Americas | 28 613 | 5 346 | (247) | (13) | 15 | — |
| Zone Asia, Oceania and Africa | 18 875 | 3 579 | (10) | 9 | (19) | — |
| Nestlé Waters | 7 174 | 640 | (40) | (20) | (15) | (1) |
| Nestlé Nutrition | 7 858 | 1 509 | (32) | (3) | (6) | (12) |
| Other (b) | 11 813 | 2 064 | (60) | (5) | (23) | (1) |
| Unallocated items (c) | — | (2 037) | (17) | (2) | — | — |
| **Total** | **89 721** | **13 464** | **(496)** | **(74)** | **(88)** | **(14)** |

* included in Trading operating profit

(a) Inter-segment sales are not significant.
(b) Mainly Nespresso, Nestlé Professional and Nestlé Health Science.
(c) Refer to the Segment reporting section of Note 1 – Accounting policies for the definition of unallocated items.

Refer to Note 3.3 for the reconciliation from trading operating profit to profit before taxes, associates and joint ventures.

## Assets and other information

| In millions of CHF | | | | | 2013 |
|---|---|---|---|---|---|
| | Segment assets | of which goodwill and intangible assets | Capital additions | of which capital expenditure | Depreciation and amortisation of segment assets |
| Zone Europe | 11 779 | 2 229 | 980 | 964 | (517) |
| Zone Americas | 21 252 | 9 058 | 1 134 | 1 019 | (769) |
| Zone Asia, Oceania and Africa | 14 169 | 4 284 | 1 279 | 1 280 | (520) |
| Nestlé Waters | 6 033 | 1 575 | 405 | 377 | (442) |
| Nestlé Nutrition | 22 517 | 14 089 | 562 | 430 | (337) |
| Other [(a)] | 9 564 | 3 709 | 1 091 | 642 | (437) |
| Unallocated items [(b)] | 11 060 | 8 768 | 293 | 216 | (143) |
| Inter-segment eliminations | (2 021) | — | — | — | — |
| **Total segments** | **94 353** | **43 712** | **5 744** | **4 928** | **(3 165)** |
| Non-segment assets | 26 089 | | | | |
| **Total** | **120 442** | | | | |

| In millions of CHF | | | | | 2012 |
|---|---|---|---|---|---|
| | Segment assets | of which goodwill and intangible assets | Capital additions | of which capital expenditure | Depreciation and amortisation of segment assets |
| Zone Europe | 11 804 | 2 251 | 1 038 | 1 019 | (533) |
| Zone Americas | 22 485 | 9 555 | 1 149 | 1 073 | (899) |
| Zone Asia, Oceania and Africa | 14 329 | 4 454 | 1 699 | 1 564 | (553) |
| Nestlé Waters | 6 369 | 1 654 | 424 | 407 | (491) |
| Nestlé Nutrition | 24 279 | 15 515 | 10 902 | 426 | (176) |
| Other [(a)] | 9 081 | 3 460 | 596 | 550 | (295) |
| Unallocated items [(b)] | 11 208 | 8 817 | 236 | 234 | (102) |
| Inter-segment eliminations | (1 937) | — | — | — | — |
| **Total segments** | **97 618** | **45 706** | **16 044** | **5 273** | **(3 049)** |
| Non-segment assets | 28 259 | | | | |
| **Total** | **125 877** | | | | |

(a) Mainly Nespresso, Nestlé Professional and Nestlé Health Science.
(b) Refer to the Segment reporting section of Note 1 – Accounting policies for the definition of unallocated items.

## 3.2 Products
### Revenue and results

In millions of CHF

2013

| | Sales | Trading operating profit | Net other trading income/(expenses) * | of which impairment of assets other than goodwill | of which restructuring costs | Impairment of goodwill |
|---|---|---|---|---|---|---|
| Powdered and Liquid Beverages | 20 495 | 4 649 | (95) | (21) | (27) | — |
| Water | 6 773 | 678 | (21) | (9) | 3 | (5) |
| Milk products and Ice cream | 17 357 | 2 632 | (177) | (14) | (44) | — |
| Nutrition and HealthCare | 11 840 | 2 228 | (120) | (44) | (38) | (107) |
| Prepared dishes and cooking aids | 14 171 | 1 876 | (120) | (28) | (61) | — |
| Confectionery | 10 283 | 1 630 | (86) | (19) | (23) | — |
| PetCare | 11 239 | 2 163 | (117) | (1) | (17) | — |
| Unallocated items (a) | — | (1 809) | (109) | (7) | (67) | (2) |
| **Total** | **92 158** | **14 047** | **(845)** | **(143)** | **(274)** | **(114)** |

* included in Trading operating profit

In millions of CHF

2012

| | Sales | Trading operating profit | Net other trading income/(expenses) * | of which impairment of assets other than goodwill | of which restructuring costs | Impairment of goodwill |
|---|---|---|---|---|---|---|
| Powdered and Liquid Beverages | 20 248 | 4 445 | (92) | (8) | (31) | — |
| Water (b) | 6 747 | 636 | (39) | (20) | (15) | (1) |
| Milk products and Ice cream | 17 344 | 2 704 | (145) | (11) | (14) | — |
| Nutrition and HealthCare | 9 737 | 1 778 | (44) | (3) | (9) | (11) |
| Prepared dishes and cooking aids | 14 394 | 2 029 | (63) | (13) | (15) | (1) |
| Confectionery | 10 441 | 1 765 | (93) | (15) | (16) | — |
| PetCare | 10 810 | 2 144 | (3) | (2) | 12 | — |
| Unallocated items (a) | — | (2 037) | (17) | (2) | — | (1) |
| **Total** | **89 721** | **13 464** | **(496)** | **(74)** | **(88)** | **(14)** |

* included in Trading operating profit

(a) Refer to the Segment reporting section of Note 1 – Accounting policies for the definition of unallocated items.
(b) Beverages other than Water sold by Nestlé Waters (mainly RTD Teas and Juices) have been reclassified to Powdered and Liquid Beverages.

Refer to Note 3.3 for the reconciliation from trading operating profit to profit before taxes, associates and joint ventures.

## Assets and liabilities

In millions of CHF

| | Assets | of which goodwill and intangible assets | Liabilities |
|---|---|---|---|
| | | | 2013 |
| Powdered and Liquid Beverages | 11 044 | 477 | 4 607 |
| Water | 6 209 | 1 621 | 1 747 |
| Milk products and Ice cream | 14 805 | 5 220 | 3 773 |
| Nutrition and HealthCare | 28 699 | 18 648 | 3 838 |
| Prepared dishes and cooking aids | 13 289 | 6 373 | 2 761 |
| Confectionery | 8 190 | 2 071 | 2 611 |
| PetCare | 14 064 | 9 185 | 1 819 |
| Unallocated items (a) and intra-group eliminations | 1 081 | 2 146 | (2 821) |
| **Total** | **97 381** | **45 741** | **18 335** |

In millions of CHF

| | Assets | of which goodwill and intangible assets | Liabilities |
|---|---|---|---|
| | | | 2012 |
| Powdered and Liquid Beverages | 10 844 | 413 | 4 270 |
| Water (b) | 6 442 | 1 682 | 1 742 |
| Milk products and Ice cream | 14 995 | 5 336 | 3 607 |
| Nutrition and HealthCare | 19 469 | 11 475 | 3 212 |
| Prepared dishes and cooking aids | 13 479 | 6 451 | 2 753 |
| Confectionery | 8 343 | 2 104 | 2 374 |
| PetCare | 13 996 | 9 252 | 1 638 |
| Unallocated items (a) and intra-group eliminations | 1 004 | 2 151 | (2 806) |
| **Total** | **88 572** | **38 864** | **16 790** |

(a) Refer to the Segment reporting section of Note 1 – Accounting policies for the definition of unallocated items.
(b) Beverages other than Water sold by Nestlé Waters (mainly RTD Teas and Juices) have been reclassified to Powdered and Liquid Beverages.

### 3.3 Reconciliation from trading operating profit to profit before taxes, associates and joint ventures

In millions of CHF

| | 2013 | 2012 |
|---|---|---|
| Trading operating profit | 14 047 | 13 464 |
| Impairment of goodwill | (114) | (14) |
| Net other operating income/(expenses) excluding impairment of goodwill | (865) | (62) |
| **Operating profit** | **13 068** | **13 388** |
| Net financial income/(expense) | (631) | (705) |
| **Profit before taxes, associates and joint ventures** | **12 437** | **12 683** |

### 3.4 Customers

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

### 3.5 Geography (top ten countries and Switzerland)

In millions of CHF

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Sales | Non-current assets (a) | Sales | Non-current assets (a) |
| USA | 23 334 | 15 161 | 23 265 | 16 309 |
| Greater China Region | 6 618 | 5 414 | 5 118 | 5 109 |
| France | 5 578 | 1 683 | 5 538 | 1 652 |
| Brazil | 5 116 | 1 057 | 5 054 | 1 164 |
| Germany | 3 321 | 1 598 | 3 206 | 1 429 |
| Mexico | 3 179 | 697 | 3 169 | 673 |
| United Kingdom | 2 824 | 1 111 | 2 730 | 976 |
| Philippines | 2 410 | 877 | 2 060 | 981 |
| Italy | 2 098 | 849 | 2 169 | 875 |
| Canada | 2 064 | 552 | 2 141 | 615 |
| Switzerland (b) | 1 512 | 2 846 | 1 504 | 2 605 |
| Rest of the world and unallocated items | 34 104 | 38 762 | 33 767 | 39 894 |
| **Total** | **92 158** | **70 607** | **89 721** | **72 282** |

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

The analysis of sales by geographic area is stated by customer location.

# 4. Net other trading and operating income/(expenses)

## 4.1 Net other trading income/(expenses)

In millions of CHF

| | Notes | 2013 | 2012 |
|---|---|---|---|
| Profit on disposal of property, plant and equipment | | 24 | 53 |
| Miscellaneous trading income | | 96 | 88 |
| **Other trading income** | | **120** | **141** |
| | | | |
| Loss on disposal of property, plant and equipment | | (9) | (20) |
| Restructuring costs | | (274) | (88) |
| Impairment of assets other than goodwill | 8/10 | (143) | (74) |
| Litigations and onerous contracts [(a)] | | (380) | (369) |
| Miscellaneous trading expenses | | (159) | (86) |
| **Other trading expenses** | | **(965)** | **(637)** |
| | | | |
| **Total net other trading income/(expenses)** | | **(845)** | **(496)** |

(a) Mainly relates to numerous separate legal cases (for example labour, civil and tax litigations), liabilities linked to product withdrawals as well as several separate onerous contracts.

## 4.2 Net other operating income/(expenses)

In millions of CHF

| | Notes | 2013 | 2012 |
|---|---|---|---|
| Profit on disposal of businesses | | 33 | 105 |
| Miscellaneous operating income [(a)] | | 583 | 41 |
| **Other operating income** | | **616** | **146** |
| | | | |
| Loss on disposal of businesses | 2 | (1 221) | (3) |
| Impairment of goodwill | 9 | (114) | (14) |
| Miscellaneous operating expenses | | (260) | (205) |
| **Other operating expenses** | | **(1 595)** | **(222)** |
| | | | |
| **Total net other operating income/(expenses)** | | **(979)** | **(76)** |

(a) Mainly relates to the disposal of Givaudan shares, which were categorised as available for sale.

## 5. Net financial income/(expense)

In millions of CHF

| | Notes | 2013 | 2012 |
|---|---|---|---|
| Interest income | | 199 | 108 |
| Interest expense | | (580) | (552) |
| **Net financing cost** | | **(381)** | **(444)** |
| | | | |
| Interest income on defined benefit plans | 11 | 20 | 12 |
| Interest expense on defined benefit plans | 11 | (268) | (249) |
| **Net interest income/(expense) on defined benefit plans** | | **(248)** | **(237)** |
| | | | |
| Other | | (2) | (24) |
| **Net financial income/(expense)** | | **(631)** | **(705)** |

## 6. Inventories

In millions of CHF

| | 2013 | 2012 |
|---|---|---|
| Raw materials, work in progress and sundry supplies | 3 499 | 3 815 |
| Finished goods | 5 138 | 5 302 |
| Allowance for write-down to net realisable value | (255) | (178) |
| | **8 382** | **8 939** |

Inventories amounting to CHF 252 million (2012: CHF 238 million) are pledged as security for financial liabilities.

## 7. Trade and other receivables

### 7.1 By type

In millions of CHF

| | 2013 | 2012 |
|---|---|---|
| Trade receivables | 9 367 | 9 539 |
| Other receivables | 2 839 | 3 509 |
| | **12 206** | **13 048** |

The five major customers represent 11% (2012: 10%) of trade and other receivables, none of them individually exceeding 6% (2012: 5%).

### 7.2 Past due and impaired receivables

In millions of CHF

| | 2013 | 2012 |
|---|---|---|
| Not past due | 10 175 | 10 633 |
| Past due 1–30 days | 1 054 | 1 329 |
| Past due 31–60 days | 284 | 429 |
| Past due 61–90 days | 116 | 166 |
| Past due 91–120 days | 103 | 93 |
| Past due more than 120 days | 851 | 772 |
| Allowance for doubtful receivables | (377) | (374) |
| | **12 206** | **13 048** |

### 7.3 Allowance for doubtful receivables

In millions of CHF

| | 2013 | 2012 |
|---|---|---|
| At 1 January | 374 | 365 |
| Currency retranslations | (13) | (3) |
| Allowance made during the year | 95 | 87 |
| Amounts used and reversal of unused amounts | (74) | (75) |
| Modification of the scope of consolidation | (5) | — |
| **At 31 December** | **377** | **374** |

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

## 8. Property, plant and equipment

In millions of CHF

| | Land and buildings | Machinery and equipment | Tools, furniture and other equipment | Vehicles | Total |
|---|---|---|---|---|---|
| **Gross value** | | | | | |
| At 1 January 2012 | 13 812 | 25 895 | 7 645 | 955 | **48 307** |
| Currency retranslations | (147) | (642) | (30) | (28) | **(847)** |
| Capital expenditure [(a)] | 1 395 | 2 803 | 947 | 128 | **5 273** |
| Disposals | (168) | (543) | (609) | (94) | **(1 414)** |
| Reclassified as held for sale | (17) | (14) | (1) | — | **(32)** |
| Modification of the scope of consolidation [(b)] | 585 | 467 | (20) | (4) | **1 028** |
| **At 31 December 2012** | **15 460** | **27 966** | **7 932** | **957** | 52 315 |
| Currency retranslations | (655) | (1 398) | (222) | (27) | **(2 302)** |
| Capital expenditure [(a)] | 1 330 | 2 453 | 1 066 | 79 | **4 928** |
| Disposals | (82) | (339) | (774) | (104) | **(1 299)** |
| Reclassified as held for sale | (40) | (139) | (26) | (3) | **(208)** |
| Modification of the scope of consolidation | (25) | (110) | (159) | (22) | **(316)** |
| **At 31 December 2013** | **15 988** | **28 433** | **7 817** | **880** | **53 118** |
| | | | | | |
| **Accumulated depreciation and impairments** | | | | | |
| At 1 January 2012 | (4 982) | (14 140) | (5 225) | (500) | **(24 847)** |
| Currency retranslations | 65 | 259 | 63 | 10 | **397** |
| Depreciation | (381) | (1 399) | (773) | (102) | **(2 655)** |
| Impairments | 4 | (57) | (21) | — | **(74)** |
| Disposals | 120 | 486 | 551 | 78 | **1 235** |
| Reclassified as held for sale | 12 | 11 | 1 | — | **24** |
| Modification of the scope of consolidation [(b)] | 26 | 105 | 44 | 6 | **181** |
| **At 31 December 2012** | **(5 136)** | **(14 735)** | **(5 360)** | **(508)** | (25 739) |
| Currency retranslations | 187 | 602 | 190 | 17 | **996** |
| Depreciation | (428) | (1 360) | (970) | (106) | **(2 864)** |
| Impairments | (15) | (74) | (20) | — | **(109)** |
| Disposals | 57 | 269 | 739 | 83 | **1 148** |
| Reclassified as held for sale | 19 | 96 | 17 | 1 | **133** |
| Modification of the scope of consolidation | 16 | 104 | 81 | 11 | **212** |
| **At 31 December 2013** | **(5 300)** | **(15 098)** | **(5 323)** | **(502)** | **(26 223)** |
| | | | | | |
| **Net at 31 December 2012** | **10 324** | **13 231** | **2 572** | **449** | 26 576 |
| **Net at 31 December 2013** | **10 688** | **13 335** | **2 494** | **378** | **26 895** |

(a) Including borrowing costs.
(b) 2012 comparatives have been adjusted following the final valuation of the Wyeth Nutrition acquisition (see Note 2).

At 31 December 2013, property, plant and equipment include CHF 1510 million of assets under construction (2012: CHF 1322 million). Net property, plant and equipment held under finance leases amount to CHF 201 million (2012: CHF 154 million). Net property, plant and equipment of CHF 397 million are pledged as security for financial liabilities (2012: CHF 293 million). Fire risks, reasonably estimated, are insured in accordance with domestic requirements.

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

### Commitments for expenditure
At 31 December 2013, the Group was committed to expenditure amounting to CHF 724 million (2012: CHF 517 million).

## 9. Goodwill

In millions of CHF

| | Notes | 2013 | 2012 |
|---|---|---|---|
| **Gross value** | | | |
| At 1 January | | 34 387 | 30 554 |
| Currency retranslations | | (1 182) | (590) |
| Goodwill from acquisitions [(a)] | 2 | 254 | 4 686 |
| Disposals | | (558) | (263) |
| Reclassified as held for sale | 2 | (271) | — |
| **At 31 December** | | **32 630** | **34 387** |
| | | | |
| **Accumulated impairments** | | | |
| At 1 January | | (1 699) | (1 941) |
| Currency retranslations | | 25 | (7) |
| Impairments | | (114) | (14) |
| Disposals | | 20 | 263 |
| Reclassified as held for sale | 2 | 177 | — |
| **At 31 December** | | **(1 591)** | **(1 699)** |
| | | | |
| **Net at 31 December** | | **31 039** | **32 688** |

(a) 2012 comparatives have been adjusted following the final valuation of the Wyeth Nutrition acquisition (see Note 2).

### 9.1 Impairment charge during the year
The 2013 impairment charge mainly relates to the Performance Nutrition business (CHF 84 million – see Note 2.3).

### 9.2 Annual impairment tests
Goodwill impairment reviews have been conducted for more than 200 goodwill items allocated to some 50 Cash Generating Units (CGU).

Detailed results of the impairment tests are presented below for the four largest goodwill items, representing more than 50% of the net book value at 31 December 2013. For the purpose of the tests, they have been allocated to the following CGU: Wyeth Nutrition (WN), PetCare by geographical zone, Infant Nutrition excluding WN (IN), Frozen Pizza and Ice Cream USA. For each of the CGU, the recoverable amount is higher than its carrying amount. The recoverable amount has been determined based upon a value-in-use calculation. Deflated cash flow projections covering the next 50 years, discounted at a deflated pre-tax weighted average rate, were used in this calculation. The cash flows for the first five years were based upon financial plans approved by Group Management; years six to ten were based upon Group Management's best expectations, which are consistent with the Group's approved strategy for this period. WN cash flows were based on expectations for the first two years of activity and thereafter on the latest available business plan. Cash flows were assumed to be flat for years eleven to 50, although Group Management expects continuing growth for WN, PetCare and IN. A 1% increase per year has been assumed for years eleven to 50 for Frozen Pizza and Ice Cream USA. Cash flows have been adjusted to reflect the specific business risks.

### 9.2.1 Wyeth Nutrition

Goodwill related to the 2012 acquisition of Wyeth Nutrition has been allocated for impairment testing purposes to the CGU Wyeth Nutrition. As of 31 December 2013, the carrying amount of goodwill, denominated in various currencies, is CHF 4250 million (2012: CHF 4586 million). Intangible assets with indefinite useful life related to this CGU amount to CHF 4509 million (2012: CHF 4509 million).

#### Assumptions

A deflated pre-tax weighted average discount rate of 5.7% was used in this calculation.
The main assumptions were the following:
- sales: annual growth between 9.8 and 13.4% over the first ten-year period and flat thereafter;
- trading operating profit margin [(a)] evolution: improving over the ten-year period, in a range of 30 to 60 basis points per year.

#### Sensitivity analyses

The key sensitivity for the impairment test is the growth in sales and trading operating profit margin [(a)]. Assuming no sales growth and no improvement in trading operating profit margin [(a)] after year four would not result in the carrying amount exceeding the recoverable amount. An increase of 100 basis points in the discount rate assumption would not change the conclusions of the impairment test.

### 9.2.2 PetCare

The goodwill related to the acquisition of Ralston Purina in 2001 is allocated for impairment testing purposes to three distinct CGU corresponding to the three operating segments that are covering geographically the PetCare business: Zone Europe, Zone Americas and Zone Asia, Oceania and Africa.

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

| In millions of CHF | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | **Total** | of which Zone Europe | of which Zone Americas | **Total** | of which Zone Europe | of which Zone Americas |
| Goodwill | **8 665** | 1 773 | 6 833 | **8 781** | 1 753 | 6 957 |
| Intangible assets with indefinite useful life | **187** | — | 155 | **192** | — | 154 |
| | **8 852** | **1 773** | **6 988** | **8 973** | **1 753** | **7 111** |

(a) Before net other trading income/(expenses).

### Assumptions

The main assumptions for the two most important CGU, PetCare Zone Europe and PetCare Zone Americas, were the following:

| | Zone Europe | Zone Americas |
|---|---|---|
| Deflated pre-tax weighted average discount rate | 6.4% | 7.0% |
| Annual sales growth over the first ten-year period | between 3.0 and 6.9% | between 4.0 and 4.5% |
| Trading operating profit margin [(a)] evolution over the first ten-year period | steady improvement in a range of 10–60 basis points per year | generally flat |

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

### Sensitivity analyses

The key sensitivity for the impairment tests is the growth in sales and trading operating profit margin [(a)]. For Zone Americas and Zone Europe, assuming no sales growth and no improvement in trading operating profit margin [(a)] over the entire period would not result in the carrying amount exceeding the recoverable amount. An increase of 100 basis points in the discount rate assumption would not change the conclusions of the impairment tests.

## 9.2.3 Infant Nutrition excluding Wyeth Nutrition

Goodwill related to the 2007 acquisition of Gerber has been allocated for impairment testing purposes to the CGU of the Infant Nutrition businesses excluding WN on a worldwide basis. As at 31 December 2013, the carrying amount of goodwill, denominated in various currencies, is CHF 3384 million (2012: CHF 3516 million). Intangible assets with indefinite useful life related to this CGU amount to CHF 1184 million (2012: CHF 1217 million).

### Assumptions

A deflated pre-tax weighted average discount rate of 7.7% was used in this calculation.
The main assumptions, based on past experiences and current initiatives, were the following:

- sales: annual growth between 2.9 and 4.8% for North America over the first ten-year period and between 5.4 and 8.1% for the rest of the world over the first six-year period and flat thereafter;
- trading operating profit margin [(a)] evolution: improving over the ten-year period, in a range of 20 to 30 basis points per year.

### Sensitivity analyses

The key sensitivity for the impairment test is the growth in sales and trading operating profit margin [(a)]. Assuming no sales growth and no improvement in trading operating profit margin [(a)] over the entire period would not result in the carrying amount exceeding the recoverable amount. An increase of 100 basis points in the discount rate assumption would not change the conclusions of the impairment test.

(a) Before net other trading income/(expenses).

### 9.2.4 Frozen Pizza and Ice Cream USA

Goodwill related to the Group's Ice cream businesses in the USA (Nestlé Ice Cream Company and Dreyer's) and related to the 2010 acquisition of the Kraft Food's frozen pizza business in the USA has been allocated to the CGU Frozen Pizza and Ice Cream USA. As at 31 December 2013, the carrying amount of goodwill, denominated in USD, is CHF 4045 million (2012: CHF 4159 million). Intangible assets with indefinite useful life related to this CGU amount to CHF 1593 million (2012: CHF 1638 million).

#### Assumptions

A deflated pre-tax weighted average discount rate of 7.1% was used in this calculation.
The main assumptions, based on past experiences and current initiatives, were the following:
- sales: annual growth between 1.2 and 3.2% over the first ten-year period;
- trading operating profit margin [a] evolution: steadily improving over the first four-year period, in a range of 80 to 210 basis points per year and then from a range of 0 to 50 basis points per year from year five to ten.

#### Sensitivity analyses

The key sensitivity for the impairment test is the growth in sales and trading operating profit margin [a]. Decreasing by 20 basis points the projected annual sales growth over the first ten year period, with cash flows remaining flat after year ten would not result in the carrying amount exceeding the recoverable amount. Limiting the improvement of the trading operating profit margin [a] by only 60 basis points per year over the first ten year period, with cash flows remaining flat after year ten would not result in the carrying amount exceeding the recoverable amount. An increase of 100 basis points in the discount rate assumption would not change the conclusions of the impairment test.

(a) Before net other trading income/(expenses).

## 10. Intangible assets

In millions of CHF

| | Brands and intellectual property rights | Operating rights and others | Management information systems | **Total** | of which internally generated |
|---|---|---|---|---|---|
| **Gross value** | | | | | |
| At 1 January 2012 | 7 354 | 1 008 | 3 777 | **12 139** | 3 490 |
| of which indefinite useful life | 7 159 | — | — | **7 159** | — |
| Currency retranslations | (122) | (24) | (62) | **(208)** | (56) |
| Expenditure | 53 | 146 | 126 | **325** | 106 |
| Disposals | (37) | (38) | (6) | **(81)** | — |
| Modification of the scope of consolidation [(a)] | 4 461 | (2) | (2) | **4 457** | (2) |
| **At 31 December 2012** | **11 709** | **1 090** | **3 833** | **16 632** | **3 538** |
| of which indefinite useful life | 11 583 | 23 | — | **11 606** | — |
| Currency retranslations | (119) | (26) | (124) | **(269)** | (118) |
| Expenditure | 71 | 116 | 215 | **402** | 183 |
| Disposals | (1) | (52) | (11) | **(64)** | — |
| Reclassified as held for sale | (23) | — | (14) | **(37)** | (13) |
| Modification of the scope of consolidation | (209) | (45) | (60) | **(314)** | — |
| **At 31 December 2013** | **11 428** | **1 083** | **3 839** | **16 350** | **3 590** |
| of which indefinite useful life [(b)] | 11 305 | 35 | — | **11 340** | — |
| | | | | | |
| **Accumulated amortisation and impairments** | | | | | |
| At 1 January 2012 | (74) | (245) | (3 035) | **(3 354)** | (2 811) |
| Currency retranslations | 1 | 5 | 47 | **53** | 43 |
| Amortisation | (9) | (93) | (292) | **(394)** | (272) |
| Disposals | 37 | 37 | 5 | **79** | — |
| Modification of the scope of consolidation [(a)] | — | — | 2 | **2** | 2 |
| **At 31 December 2012** | **(45)** | **(296)** | **(3 273)** | **(3 614)** | **(3 038)** |
| Currency retranslations | 1 | 3 | 116 | **120** | 111 |
| Amortisation | (10) | (76) | (215) | **(301)** | (197) |
| Impairments | (31) | — | (3) | **(34)** | — |
| Disposals | 1 | 48 | 8 | **57** | — |
| Reclassified as held for sale | — | — | 12 | **12** | 12 |
| Modification of the scope of consolidation | 7 | 49 | 27 | **83** | — |
| **At 31 December 2013** | **(77)** | **(272)** | **(3 328)** | **(3 677)** | **(3 112)** |
| | | | | | |
| **Net at 31 December 2012** | **11 664** | **794** | **560** | **13 018** | **500** |
| **Net at 31 December 2013** | **11 351** | **811** | **511** | **12 673** | **478** |

(a) 2012 comparatives have been adjusted following the final valuation of the Wyeth Nutrition acquisition (see Note 2).
(b) Annual impairment tests are performed in connection with goodwill impairment tests (refer to Note 9). Depending on the items tested, the CGU is equivalent to the CGU for goodwill impairment test or is at a lower level.

Internally generated intangible assets consist mainly of management information systems.

### Commitments for expenditure

At 31 December 2013, the Group was committed to expenditure amounting to CHF 9 million (2012: CHF 2 million).

## 11. Employee benefits

**Salaries and welfare expenses**
The Group's total salaries and welfare expenses amount to CHF 15 526 million (2012: CHF 15 080 million). They are allocated to the appropriate headings of expenses by function.

**Pensions and retirement benefits**
Apart from legally required social security arrangements, the majority of Group employees are eligible for benefits in case of retirement, death in service, disability and in case of resignation. Those benefits are granted under defined contribution plans, as well as defined benefit plans based on pensionable remuneration and length of service. All pension plans comply with local tax and legal restrictions in their respective country, including funding obligations.

The Group manages its pension plans by geographic area and the major plans, classified as defined benefit plans under IAS 19, are located in Europe (Switzerland, UK and Germany) and in the Americas (USA). In accordance with applicable legal frameworks, these plans have Boards of Trustees or General Assemblies who are generally independent from the Group and are responsible for the management and governance of the plans.

In Switzerland, Nestlé's pension plan is a cash balance plan where contributions are expressed as a percentage of the pensionable salary. The pension plan guarantees the amount accrued on the members' savings accounts, as well as a minimum interest on those savings accounts. At retirement date, the savings accounts are converted into pensions. However, members may opt to receive a part of the pension as a lump sum. Increases of pensions in payment are granted on a discretionary basis by the Board of Trustees, subject to the financial situation of the plan. To be noted that there is also a defined benefit plan that has been closed to new entrants in 2013 and whose members below age 55 have been transferred to the cash balance plan. This heritage plan is an hybrid between a cash balance plan and a plan based on a final pensionable salary.

In the United Kingdom, Nestlé's pension plan is a career average plan with salary revaluation. Members accrue a pension defined on the average of their salaries during their career at Nestlé since 2010. The salaries are automatically revalued according to inflation subject to caps. Pensions earned before 2010 are also revalued according to inflation subject to a cap and similarly, pensions in payment are mandatorily adjusted, as well. At retirement, there is a lump sum option. Members have the option to switch between the defined benefit sections and a defined contribution section.

Nestlé's pension plan in Germany is a cash balance plan, where members benefit from a guarantee on their savings accounts. Contributions to the plan are expressed as a percentage of the pensionable salary. Increases to pensions in payment are granted in accordance with legal requirements. To be noted that there is also a heritage plan based on final pensionable salary, that has been closed to new entrants in 2006.

In the USA, Nestlé's primary pension plan is non-contributory for the employees. The plan is a pension equity design, under which members earn pension credits each year based on a schedule related to the sum of their age and service with Nestlé. A member's benefit is the sum of the annual pension credits earned multiplied by an average earning payable as a lump sum. However, in lieu of the lump sum, members have the option of converting the benefit to a monthly pension annuity. The plan does not provide for automatic pension increases.

**Post-employment medical benefits and other employee benefits**
Group companies, principally in the Americas, maintain medical benefit plans, classified as defined benefit plans under IAS 19, 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.

**Risks related to defined benefit plans**
The main risks to which the Group is exposed in relation to operating defined benefit plans are:

– mortality risk: the assumptions adopted by the Group make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the plans and consequently increases in the plans' liabilities. In order to minimise this risk, mortality assumptions are reviewed on a regular basis.

- market and liquidity risks: these are the risks that the investments do not meet the expected returns over the medium to long term. This also encompasses the mismatch between assets and liabilities. In order to minimise the risks, the structure of the portfolios is reviewed and asset-liability matching analyses are performed on a regular basis.

### Plan amendments and restructuring events

Plans within the Group are regularly reviewed as to whether they are aligned with market practice in the local context. Should a review indicate that a plan needs to be changed, prior agreement with the local Board of Trustees or the General Assembly, the regulator and, if applicable, the members, is sought before implementing plan changes.

During the year, the main plan amendments concerned the Swiss pension plan where benefits changed from a final salary plan to a cash balance plan, and the US medical plan, where retiree medical savings accounts for eligible employees were introduced to replace the former benefits based on years of service. These amendments have been recognised as past service costs, essentially impacting the Group headquarters and Zone Americas.

### Asset-liability management and funding arrangement

Plan trustees or General Assemblies are responsible for determining the mix of asset classes and target allocations of the Nestlé's plans with the support of investment advisors. Periodical reviews of the asset mix are made by mandating external consultants to perform asset-liability matching analyses. Such analyses aim at comparing dynamically the fair value of assets and the liabilities in order to determine the most adequate strategic asset allocation.

The overall investment policy and strategy for the Group's funded defined benefit plans is guided by the objective of achieving an investment return which, together with the contributions paid, is sufficient to maintain reasonable control over the various funding risks of the plans. As those risks evolve with the development of capital markets and asset management activities, the Group addresses the assessment and control process of the major investment pension risks. In order to protect the Group's defined benefit plans funding ratio and to mitigate the financial risks, protective measures on the investment strategies are in force. To the extent possible, the risks are shared equally amongst the different stakeholders.

## 11.1 Reconciliation of assets and liabilities recognised in the balance sheet

In millions of CHF

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Defined benefit retirement plans | Post-employment medical benefits and other benefits | **Total** | Defined benefit retirement plans | Post-employment medical benefits and other benefits | **Total** |
| Present value of funded obligations | 23 770 | 78 | **23 848** | 24 911 | 77 | **24 988** |
| Fair value of plan assets | (21 551) | (50) | **(21 601)** | (20 542) | (50) | **(20 592)** |
| Excess of liabilities/(assets) over funded obligations | 2 219 | 28 | **2 247** | 4 369 | 27 | **4 396** |
| | | | | | | |
| Present value of unfunded obligations | 693 | 1 690 | **2 383** | 707 | 2 031 | **2 738** |
| Unrecognised assets and minimum funding requirements | 106 | — | **106** | 42 | — | **42** |
| **Net defined benefit liabilities/(assets)** | **3 018** | **1 718** | **4 736** | **5 118** | **2 058** | **7 176** |
| | | | | | | |
| Liabilities from non-current deferred compensation and other | | | **927** | | | **1 032** |
| Liabilities from cash-settled share-based transactions [(a)] | | | **79** | | | **68** |
| **Net liabilities** | | | **5 742** | | | **8 276** |
| | | | | | | |
| Reflected in the balance sheet as follows: | | | | | | |
| Employee benefit assets | | | **(537)** | | | **(84)** |
| Employee benefit liabilities | | | **6 279** | | | **8 360** |
| **Net liabilities** | | | **5 742** | | | **8 276** |

(a) The intrinsic value of liabilities from cash-settled share-based transactions that are vested amounts to CHF 29 million (2012: CHF 25 million).

## 11.2 Funding situation by geographic area of defined benefit plans

In millions of CHF

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Europe | Americas | Asia, Oceania and Africa | **Total** | Europe | Americas | Asia, Oceania and Africa | **Total** |
| Present value of funded obligations | 17 757 | 4 250 | 1 841 | **23 848** | 17 819 | 5 078 | 2 091 | **24 988** |
| Fair value of plan assets | (15 334) | (4 530) | (1 737) | **(21 601)** | (14 157) | (4 621) | (1 814) | **(20 592)** |
| Excess of liabilities/(assets) over funded obligations | 2 423 | (280) | 104 | **2 247** | 3 662 | 457 | 277 | **4 396** |
| Present value of unfunded obligations | 342 | 1 757 | 284 | **2 383** | 339 | 2 113 | 286 | **2 738** |

## 11.3 Movement in the present value of defined benefit obligations

In millions of CHF

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Defined benefit retirement plans | Post-employment medical benefits and other benefits | **Total** | Defined benefit retirement plans | Post-employment medical benefits and other benefits | **Total** |
| At 1 January | 25 618 | 2 108 | **27 726** | 23 127 | 2 052 | **25 179** |
| of which funded defined benefit plans | 24 911 | 77 | **24 988** | 22 501 | 69 | **22 570** |
| of which unfunded defined benefit plans | 707 | 2 031 | **2 738** | 626 | 1 983 | **2 609** |
| Currency retranslations | (629) | (123) | **(752)** | (255) | (88) | **(343)** |
| Service cost | 343 | (80) | **263** | 681 | 14 | **695** |
| of which current service cost | 831 | 65 | **896** | 749 | 54 | **803** |
| of which past service cost | (488) | (145) | **(633)** | (68) | (40) | **(108)** |
| Interest expense | 865 | 100 | **965** | 940 | 116 | **1 056** |
| Actuarial (gains)/losses | (580) | (166) | **(746)** | 2 220 | 197 | **2 417** |
| Benefits paid on funded defined benefit plans | (1 082) | (5) | **(1 087)** | (1 132) | (8) | **(1 140)** |
| Benefits paid on unfunded defined benefit plans | (72) | (139) | **(211)** | (41) | (141) | **(182)** |
| Modification of the scope of consolidation [(a)] | — | — | **—** | 266 | (3) | **263** |
| Transfer from/(to) defined contribution plans | — | 73 | **73** | (188) | (31) | **(219)** |
| **At 31 December** | **24 463** | **1 768** | **26 231** | **25 618** | **2 108** | **27 726** |
| of which funded defined benefit plans | 23 770 | 78 | **23 848** | 24 911 | 77 | **24 988** |
| of which unfunded defined benefit plans | 693 | 1 690 | **2 383** | 707 | 2 031 | **2 738** |

(a) 2012 comparatives have been adjusted following the final valuation of the Wyeth Nutrition acquisition (see Note 2).

## 11.4 Movement in fair value of defined benefit plan assets

In millions of CHF

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Defined benefit retirement plans | Post-employment medical benefits and other benefits | **Total** | Defined benefit retirement plans | Post-employment medical benefits and other benefits | **Total** |
| At 1 January | (20 542) | (50) | **(20 592)** | (19 417) | (42) | **(19 459)** |
| Currency retranslations | 540 | (1) | **539** | 177 | (2) | **175** |
| Interest income | (717) | (2) | **(719)** | (818) | (2) | **(820)** |
| Actual return on plan assets, excluding interest income | (952) | 2 | **(950)** | (851) | (1) | **(852)** |
| Employees' contributions | (135) | — | **(135)** | (123) | — | **(123)** |
| Employer contributions | (879) | (4) | **(883)** | (667) | (11) | **(678)** |
| Benefits paid on funded defined benefit plans | 1 082 | 5 | **1 087** | 1 132 | 8 | **1 140** |
| Administration expenses | 19 | — | **19** | 24 | — | **24** |
| Modification of the scope of consolidation (a) | — | — | **—** | (197) | — | **(197)** |
| Transfer (from)/to defined contribution plans | 33 | — | **33** | 198 | — | **198** |
| **At 31 December** | **(21 551)** | **(50)** | **(21 601)** | **(20 542)** | **(50)** | **(20 592)** |

(a) 2012 comparatives have been adjusted following the final valuation of the Wyeth Nutrition acquisition (see Note 2).

The major categories of plan assets as a percentage of total plan assets of the Group's defined benefit plans are as follows:

| | 2013 | 2012 |
|---|---|---|
| Equities | 36% | 36% |
| of which US equities | 14% | 15% |
| of which European equities | 12% | 12% |
| of which other equities | 10% | 9% |
| Debts | 33% | 31% |
| of which government debts | 23% | 22% |
| of which corporate debts | 10% | 9% |
| Real estate | 8% | 8% |
| Alternative investments | 19% | 21% |
| of which hedge funds | 11% | 12% |
| of which private equities | 6% | 6% |
| of which commodities | 2% | 3% |
| Cash/Deposits | 4% | 4% |

Equity, debts and commodities represent 71% of the plan assets. Almost all of them are quoted in an active market. Real estate, hedge funds and private equities represent 25% of the plan assets. Almost all of them are not quoted in an active market.

The plan assets of funded defined benefit plans include property occupied by affiliated companies with a fair value of CHF 9 million (2012: CHF 9 million). Furthermore, funded defined benefit plans are invested in Nestlé S.A. (or related) shares to the extent of CHF 44 million (2012: CHF 46 million). The Group's investment management principles allow such investment only when the position in Nestlé S.A. (or related) shares is passive, i.e. in line with the weighting in the underlying benchmark.

The Group expects to contribute CHF 623 million to its funded defined benefit plans in 2014.

### 11.5 Movement in unrecognised assets and minimum funding requirements

In millions of CHF

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Defined benefit retirement plans | Post-employment medical benefits and other benefits | **Total** | Defined benefit retirement plans | Post-employment medical benefits and other benefits | **Total** |
| At 1 January | 42 | — | **42** | 75 | — | **75** |
| Currency retranslations | (2) | — | **(2)** | (3) | — | **(3)** |
| Limitation of interest income | 2 | — | **2** | 1 | — | **1** |
| Changes due to asset ceiling | 64 | — | **64** | (31) | — | **(31)** |
| **At 31 December** | **106** | **—** | **106** | **42** | **—** | **42** |

### 11.6 Expenses recognised in the income statement

In millions of CHF

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Defined benefit retirement plans | Post-employment medical benefits and other benefits | **Total** | Defined benefit retirement plans | Post-employment medical benefits and other benefits | **Total** |
| Service cost | 343 | (80) | **263** | 681 | 14 | **695** |
| Employees' contributions | (135) | — | **(135)** | (123) | — | **(123)** |
| Net interest (income)/expense | 150 | 98 | **248** | 123 | 114 | **237** |
| Administration expenses | 19 | — | **19** | 24 | — | **24** |
| **Defined benefit expenses** | **377** | **18** | **395** | **705** | **128** | **833** |
| **Defined contribution expenses** | | | **260** | | | **287** |
| **Total** | | | **655** | | | **1 120** |

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

## 11.7 Remeasurement of defined benefit plans reported in other comprehensive income

In millions of CHF

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Defined benefit retirement plans | Post-employment medical benefits and other benefits | **Total** | Defined benefit retirement plans | Post-employment medical benefits and other benefits | **Total** |
| Actual return on plan assets, excluding interest income | 952 | (2) | **950** | 851 | 1 | **852** |
| Experience adjustments on plan liabilities | (187) | (65) | **(252)** | (44) | 60 | **16** |
| Change in demographic assumptions on plan liabilities | (649) | (20) | **(669)** | (228) | 12 | **(216)** |
| Change in financial assumptions on plan liabilities | 1 416 | 251 | **1 667** | (1 948) | (269) | **(2 217)** |
| Transfer from/(to) unrecognised assets and other | (64) | — | **(64)** | 31 | — | **31** |
| **Remeasurement of defined benefit plans** | **1 468** | **164** | **1 632** | **(1 338)** | **(196)** | **(1 534)** |

## 11.8 Principal financial actuarial assumptions

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

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Europe | Americas | Asia, Oceania and Africa | **Total** | Europe | Americas | Asia, Oceania and Africa | **Total** |
| Discount rates | 3.4% | 5.8% | 4.7% | **4.1%** | 3.0% | 4.9% | 4.5% | **3.6%** |
| Expected rates of salary increases | 2.9% | 2.9% | 5.0% | **3.2%** | 2.8% | 2.9% | 4.2% | **3.0%** |
| Expected rates of pension adjustments | 1.8% | 0.6% | 1.8% | **1.5%** | 1.7% | 0.7% | 1.7% | **1.4%** |
| Medical cost trend rates | | 5.9% | | **6.0%** | | 6.2% | | **6.2%** |

### 11.9 Mortality tables and life expectancies by geographic area for Group's major defined benefit pension plans

| | | 2013 | 2012 | 2013 | 2012 |
|---|---|---|---|---|---|
| Country | Mortality table | Life expectancy at age 65 for a male member currently aged 65 (in years) | | Life expectancy at age 65 for a female member currently aged 65 (in years) | |
| Europe | | | | | |
| Switzerland | LPP 2010 | 20.7 | 19.0 | 23.1 | 21.5 |
| United Kingdom | S1NA 2008, CMI 2009 | 21.7 | 21.5 | 23.1 | 22.3 |
| Germany | Heubeck Richttafeln 1998 | 21.3 | 21.3 | 22.8 | 22.8 |
| Americas | | | | | |
| USA | RP–2000 | 19.3 | 19.2 | 21.1 | 21.0 |

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

### 11.10 Sensitivity analyses on present value of defined benefit obligations by geographic area

The table below presents the present value of the defined benefit obligations when major assumptions are changed.

In millions of CHF

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Europe | Americas | Asia, Oceania and Africa | **Total** | Europe | Americas | Asia, Oceania and Africa | **Total** |
| As reported | 18 099 | 6 007 | 2 125 | **26 231** | 18 158 | 7 191 | 2 377 | **27 726** |
| Discount rates | | | | | | | | |
| Increase of 50 basis points | 16 797 | 5 672 | 2 028 | **24 497** | 16 782 | 6 729 | 2 251 | **25 762** |
| Decrease of 50 basis points | 19 563 | 6 370 | 2 231 | **28 164** | 19 691 | 7 709 | 2 516 | **29 916** |
| Expected rates of salary increases | | | | | | | | |
| Increase of 50 basis points | 18 288 | 6 062 | 2 162 | **26 512** | 18 499 | 7 258 | 2 430 | **28 187** |
| Decrease of 50 basis points | 17 921 | 5 956 | 2 091 | **25 968** | 17 790 | 7 113 | 2 326 | **27 229** |
| Expected rates of pension adjustments | | | | | | | | |
| Increase of 50 basis points | 19 088 | 6 212 | 2 180 | **27 480** | 19 143 | 7 443 | 2 446 | **29 032** |
| Decrease of 50 basis points | 17 182 | 5 968 | 2 097 | **25 247** | 17 196 | 7 123 | 2 349 | **26 668** |
| Medical cost trend rates | | | | | | | | |
| Increase of 50 basis points | 18 099 | 6 056 | 2 127 | **26 282** | 18 158 | 7 275 | 2 381 | **27 814** |
| Decrease of 50 basis points | 18 099 | 5 967 | 2 122 | **26 188** | 18 158 | 7 126 | 2 374 | **27 658** |
| Mortality assumption | | | | | | | | |
| Setting forward the tables by 1 year | 17 547 | 5 829 | 2 096 | **25 472** | 17 602 | 6 971 | 2 345 | **26 918** |
| Setting back the tables by 1 year | 18 649 | 6 186 | 2 152 | **26 987** | 18 668 | 7 407 | 2 409 | **28 484** |

All sensitivities are calculated using the same actuarial method as for the disclosed present value of the defined benefit obligations at year-end.

### 11.11 Weighted average duration of defined benefit obligations by geographic area

| Expressed in years | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Europe | Americas | Asia, Oceania and Africa | **Total** | Europe | Americas | Asia, Oceania and Africa | **Total** |
| At 31 December | 15.8 | 12.3 | 10.0 | **14.5** | 16.4 | 14.3 | 11.6 | **15.4** |

# 12. Equity compensation plans

Select Group employees are eligible to receive long-term incentives in the form of equity compensation plans.

Equity compensation plans are settled either by remittance of Nestlé S.A. shares (accounted for as equity-settled share-based payment transactions) or by the payment of an equivalent amount in cash (accounted for as cash-settled share-based payment transactions).

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

| In millions of CHF | 2013 | 2012 |
|---|---|---|
| Equity-settled share-based payment costs | 155 | 157 |
| Cash-settled share-based payment costs | 53 | 43 |
| **Total share-based payment costs** | **208** | **200** |
| of which RSUP | 193 | 182 |

### Restricted Stock Unit Plan (RSUP)

Members of Group Management are awarded Restricted Stock Units (RSU) that entitle participants to receive freely disposable Nestlé S.A. shares (accounted for as equity-settled share-based payment transactions) or an equivalent amount in cash (accounted for as cash-settled share-based payment transactions) at the end of a three-year restriction period.

| Number of RSU in millions of units | 2013 | 2012 |
|---|---|---|
| Outstanding at 1 January | 10.0 | 10.6 |
| Granted | 3.3 | 3.7 |
| Settled | (3.3) | (4.2) |
| Forfeited | (0.1) | (0.1) |
| **Outstanding at 31 December** | **9.9** | **10.0** |
| of which vested at 31 December | 0.4 | 0.4 |
| of which cash-settled at 31 December | 1.9 | 1.6 |

The fair value of equity-settled RSU is determined on the basis of the market price of Nestlé S.A. shares at grant date, discounted at a risk-free interest rate and adjusted for the dividends that participants are not entitled to receive during the restricted period of three years. The weighted average fair value of the equity-settled RSU granted in 2013 is CHF 58.58 (2012: CHF 49.65).

For cash-settled outstanding RSU, the liability is re-measured at each reporting date based on subsequent changes in the market price of Nestlé S.A. shares. The average fair value of the cash-settled RSU outstanding at 31 December 2013 is CHF 63.36 (2012: CHF 57.72).

## 13. Provisions and contingencies

### 13.1 Provisions

In millions of CHF

| | Restructuring | Environmental | Litigation | Other | **Total** |
|---|---|---|---|---|---|
| At 1 January 2012 | 630 | 26 | 2 525 | 473 | **3 654** |
| Currency retranslations | 4 | (1) | (56) | (19) | **(72)** |
| Provisions made during the year [(a)] | 92 | 1 | 384 | 141 | **618** |
| Amounts used | (189) | (6) | (199) | (115) | **(509)** |
| Unused amounts reversed | (59) | (2) | (321) | (42) | **(424)** |
| Modification of the scope of consolidation [(b)] | 1 | — | — | 11 | **12** |
| **At 31 December 2012** | **479** | **18** | **2 333** | **449** | 3 279 |
| of which expected to be settled within 12 months | | | | | **452** |
| Currency retranslations | — | (1) | (78) | (16) | **(95)** |
| Provisions made during the year [(a)] | 244 | 1 | 455 | 162 | **862** |
| Amounts used | (167) | (2) | (205) | (85) | **(459)** |
| Unused amounts reversed | (35) | (1) | (258) | (63) | **(357)** |
| Modification of the scope of consolidation | — | — | (1) | 8 | **7** |
| **At 31 December 2013** | **521** | **15** | **2 246** | **455** | **3 237** |
| of which expected to be settled within 12 months | | | | | **523** |

(a) Including discounting of provisions.
(b) 2012 comparatives have been adjusted following the final valuation of the Wyeth Nutrition acquisition (see Note 2).

#### Restructuring

Restructuring provisions arise from a number of projects across the Group. These include plans to optimise production, sales and administration structures, mainly in Europe. Restructuring provisions are expected to result in future cash outflows when implementing the plans (usually over the following two to three years).

#### Litigation

Litigation provisions have been set up to cover tax, legal and administrative proceedings that arise in the ordinary course of the business. These provisions cover numerous separate cases whose detailed disclosure could be detrimental to the Group interests. The Group does not believe that any of these litigation proceedings will have a material adverse impact on its financial position. The timing of outflows is uncertain as it depends upon the outcome of the proceedings. In that instance, these provisions are not discounted because their present value would not represent meaningful information. Group Management does not believe it is possible to make assumptions on the evolution of the cases beyond the balance sheet date.

### Other

Other provisions are mainly constituted by onerous contracts and various damage claims having occurred during the year but not covered by insurance companies. Onerous contracts result from unfavourable leases, breach of contracts or supply agreements above market prices in which the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received or for which no benefits are expected to be received.

## 13.2 Contingencies

The Group is exposed to contingent liabilities amounting to a maximum potential payment of CHF 1669 million (2012: CHF 1823 million) representing potential litigations of CHF 1658 million (2012: CHF 1814 million) and other items of CHF 11 million (2012: CHF 9 million). Potential litigations relate mainly to labour, civil and tax litigations in Latin America.

Contingent assets for litigation claims in favour of the Group amount to a maximum potential recoverable amount of CHF 51 million (2012: CHF 189 million).

# 14. Financial instruments

## 14.1 Financial assets and liabilities

### 14.1a By class and by category

In millions of CHF

| Classes | 2013 Loans, receivables and liabilities at amortised cost [(a)] | 2013 At fair value to income statement | 2013 Available for sale | 2013 **Total categories** | 2012 Loans, receivables and liabilities at amortised cost [(a)] | 2012 At fair value to income statement | 2012 Available for sale | 2012 **Total categories** |
|---|---|---|---|---|---|---|---|---|
| Cash at bank and in hand | 4 524 | — | — | **4 524** | 3 499 | — | — | **3 499** |
| Commercial paper | — | — | 98 | **98** | — | — | 462 | **462** |
| Time deposits | — | — | 2 009 | **2 009** | — | — | 2 251 | **2 251** |
| Bonds and debt funds | — | 304 | 2 569 | **2 873** | — | 213 | 3 575 | **3 788** |
| Equity and equity funds | — | 356 | 161 | **517** | — | 312 | 1 970 | **2 282** |
| Other financial assets | 639 | 38 | 905 | **1 582** | 421 | 41 | 1 531 | **1 993** |
| Liquid assets [(b)] and non-current financial assets | 5 163 | 698 | 5 742 | **11 603** | 3 920 | 566 | 9 789 | **14 275** |
| Trade and other receivables | 12 206 | — | — | **12 206** | 13 048 | — | — | **13 048** |
| Derivative assets [(c)] | — | 230 | — | **230** | — | 576 | — | **576** |
| **Total financial assets** | **17 369** | **928** | **5 742** | **24 039** | **16 968** | **1 142** | **9 789** | **27 899** |
| Trade and other payables | (17 459) | — | — | **(17 459)** | (16 808) | — | — | **(16 808)** |
| Financial debt | (21 743) | — | — | **(21 743)** | (27 416) | — | — | **(27 416)** |
| Derivative liabilities [(c)] | — | (381) | — | **(381)** | — | (423) | — | **(423)** |
| **Total financial liabilities** | **(39 202)** | **(381)** | **—** | **(39 583)** | **(44 224)** | **(423)** | **—** | **(44 647)** |
| **Net financial position** | **(21 833)** | **547** | **5 742** | **(15 544)** | **(27 256)** | **719** | **9 789** | **(16 748)** |
| of which at fair value | — | 547 | 5 742 | **6 289** | — | 719 | 9 789 | **10 508** |

(a) Carrying amount of these instruments is a reasonable approximation of their fair value. For bonds included in financial debt, see section 14.1c.
(b) Liquid assets are composed of cash and cash equivalents and short-term investments.
(c) Include derivatives held in hedge relationships and those that are undesignated (categorised as held for trading). Refer to Note 14.1d Derivative assets and liabilities.

### 14.1b Fair value hierarchy of financial instruments

| In millions of CHF | 2013 |
|---|---|
| Derivative assets | 47 |
| Bonds and debt funds | 746 |
| Equity and equity funds | 249 |
| Other financial assets | 24 |
| Derivative liabilities | (44) |
| **Prices quoted in active markets (Level 1)** | **1 022** |
| | |
| Commercial paper | 98 |
| Time deposits | 2 009 |
| Derivative assets | 183 |
| Bonds and debt funds | 2 091 |
| Equity and equity funds | 245 |
| Other financial assets | 804 |
| Derivative liabilities | (337) |
| **Valuation techniques based on observable market data (Level 2)** | **5 093** |
| | |
| **Valuation techniques based on unobservable input (Level 3)** | **174** |
| | |
| **Total financial instruments at fair value** | **6 289** |

There have been no significant transfers between the different hierarchy levels in 2013.

## 14.1c Bonds

In millions of CHF

| Issuer | Face value in millions | Coupon | Effective interest rate | Year of issue/ maturity | Comments | Carrying amount 2013 | 2012 |
|---|---|---|---|---|---|---|---|
| Nestlé Holdings, Inc., USA | AUD 350 | 6.00% | 6.24% | 2009–2013 | | — | 332 |
| | CHF 450 | 2.50% | 2.57% | 2006–2013 | | — | 458 |
| | USD 275 | 2.00% | 2.26% | 2009–2013 | | — | 252 |
| | USD 550 | 2.13% | 2.13% | 2010–2014 | | 489 | 503 |
| | AUD 275 | 5.50% | 5.69% | 2011–2016 | (a) | 229 | 276 |
| | USD 200 | 2.00% | 2.06% | 2011–2016 | | 178 | 183 |
| | NOK 1000 | 3.38% | 3.59% | 2011–2016 | (a) | 150 | 167 |
| | AUD 200 | 4.00% | 4.11% | 2012–2017 | (b) | 158 | 189 |
| | NOK 1000 | 2.25% | 2.31% | 2012–2017 | (b) | 146 | 163 |
| | NOK 3000 | 2.50% | 2.66% | 2012–2017 | (b) | 437 | 488 |
| | USD 900 | 1.38% | 1.46% | 2012–2017 | | 799 | 820 |
| | GBP 250 | 1.63% | 1.71% | 2013–2017 | (a) | 364 | — |
| | CHF 250 | 2.63% | 2.66% | 2007–2018 | (a) | 270 | 278 |
| | USD 500 | 1.25% | 1.32% | 2012–2018 | | 444 | 456 |
| | AUD 175 | 3.75% | 3.84% | 2013–2018 | (a) | 138 | — |
| | AUD 200 | 3.88% | 4.08% | 2013–2018 | (b) | 157 | — |
| | AUD 400 | 4.13% | 4.33% | 2013–2018 | (c) | 315 | — |
| | USD 400 | 1.38% | 1.50% | 2013–2018 | | 354 | — |
| | USD 500 | 2.00% | 2.17% | 2013–2019 | | 441 | — |
| | USD 500 | 2.25% | 2.41% | 2013–2019 | | 441 | — |
| Nestlé Purina PetCare Company, USA | USD 48 | 7.75% | 6.25% | 1995–2015 | | 43 | 45 |
| | USD 63 | 9.30% | 6.46% | 1991–2021 | | 66 | 68 |
| | USD 79 | 8.63% | 6.46% | 1992–2022 | | 80 | 83 |
| | USD 44 | 8.13% | 6.47% | 1993–2023 | | 43 | 45 |
| | USD 51 | 7.88% | 6.45% | 1995–2025 | | 50 | 52 |
| Nestlé Finance International Ltd, Luxembourg | CHF 1200 | 2.00% | 2.04% | 2009–2013 | | — | 1 200 |
| | CHF 425 | 2.00% | 2.03% | 2009–2014 | | 425 | 425 |
| | CHF 275 | 2.13% | 2.13% | 2009–2014 | (d) | 275 | 275 |
| | AUD 450 | 5.75% | 5.81% | 2010–2014 | (a) | 371 | 445 |
| | NOK 1250 | 2.50% | 2.73% | 2010–2014 | (a) | 183 | 205 |
| | CHF 350 | 2.13% | 2.20% | 2009–2015 | (d) | 350 | 349 |
| | EUR 500 | 0.75% | 0.83% | 2012–2016 | | 612 | 600 |
| | AUD 125 | 4.63% | 4.86% | 2012–2017 | (b) | 98 | 118 |
| | EUR 500 | 1.50% | 1.61% | 2012–2019 | | 610 | 602 |
| | EUR 500 | 1.25% | 1.30% | 2013–2020 | | 611 | — |
| | EUR 500 | 2.13% | 2.20% | 2013–2021 | | 610 | — |
| | EUR 850 | 1.75% | 1.89% | 2012–2022 | | 1 030 | 1 013 |
| | GBP 400 | 2.25% | 2.34% | 2012–2023 | (e) | 539 | 590 |
| Other bonds | | | | | | 34 | 57 |
| **Total** | | | | | | **11 540** | **10 737** |
| of which due within one year | | | | | | 1 752 | 2 263 |
| of which due after one year | | | | | | 9 788 | 8 474 |

The fair value of bonds, based on prices quoted in active markets, amounts to CHF 11 675 million (2012: CHF 11 039 million). This value includes accrued interest of CHF 109 million (2012: CHF 105 million).

Most of the bonds are hedged by currency and/or interest derivatives. The fair value of these derivatives is shown under derivative assets for CHF 101 million (2012: CHF 483 million) and under derivative liabilities for CHF 152 million (2012: CHF 3 million).

(a) Subject to an interest rate and/or currency swap that creates a liability at floating rates in the currency of the issuer.
(b) Subject to an interest rate and currency swap that creates a liability at fixed rates in the currency of the issuer.
(c) This bond is composed of:
– AUD 300 million subject to an interest rate and currency swap that creates a liability at fixed rates in the currency of the issuer; and
– AUD 100 million subject to an interest rate and/or currency swap that creates a liability at floating rates in the currency of the issuer.
(d) Subject to currency swaps that hedge the CHF face value and coupon exposure.
(e) Subject to an interest rate swap.

## 14.1d Derivative assets and liabilities
### By type

In millions of CHF

| | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| | Contractual or notional amounts | Fair value assets | Fair value liabilities | Contractual or notional amounts | Fair value assets | Fair value liabilities |
| Fair value hedges | | | | | | |
| Currency forwards, futures and swaps | 4 198 | 14 | 27 | 5 138 | 5 | 40 |
| Interest rate forwards, futures and swaps | 588 | — | 48 | 706 | 2 | 1 |
| Interest rate and currency swaps | 3 009 | 99 | 104 | 3 234 | 490 | — |
| Cash flow hedges | | | | | | |
| Currency forwards, futures, swaps and options | 4 397 | 62 | 39 | 4 565 | 54 | 29 |
| Interest rate forwards, futures and swaps | 1 379 | — | 103 | 2 461 | — | 242 |
| Commodity futures and options | 1 142 | 46 | 46 | 1 570 | 12 | 90 |
| Undesignated derivatives | | | | | | |
| Currency forwards, futures, swaps and options | 677 | 7 | 3 | 1 471 | 13 | 4 |
| Interest rate forwards, futures, swaps and options | 96 | — | 9 | 96 | — | 14 |
| Commodity futures and options | 47 | 2 | 2 | 8 | — | 3 |
| | **15 533** | **230** | **381** | **19 249** | **576** | **423** |
| | | | | | | |
| Conditional offsets [(a)] | | | | | | |
| Derivative assets and liabilities | | (48) | (48) | | (49) | (49) |
| Use of cash collateral received or deposited | | — | (90) | | — | (58) |
| Balances after conditional offsets | | 182 | 243 | | 527 | 316 |

(a) Represent amounts that would be offset in case of default, insolvency or bankrupcy of counterparties.

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

### Impact on the income statement of fair value hedges

In millions of CHF

| | 2013 | 2012 |
|---|---|---|
| on hedged items | 476 | (346) |
| on hedging instruments | (497) | 334 |

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

## 14.2 Financial risks

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

Financial risk management is an integral part of the way the Group is managed. The Board of Directors determines the financial control principles as well as the principles of financial planning. The Chief Executive Officer organises, manages and monitors all financial asset and liability matters. The Asset and Liability Management Committee (ALMC), under the supervision of the Chief Financial Officer, is the governing body for the establishment and subsequent execution of the Nestlé Group's Financial Asset and Liability Management Policy. It ensures implementation of strategies and achievement of objectives of the Group's financial asset and liabilities management, which are executed by the Centre Treasury, the Regional Treasury Centres and, in specific local circumstances, by the affiliated companies. The activities of the Centre Treasury and of the Regional Treasury Centres are supervised by an independent Middle Office, which verifies the compliance of the strategies proposed and/or operations executed within the approved guidelines and limits set by the ALMC. Approved Treasury Management Guidelines define and classify risks as well as determine, by category of transaction, specific approval, limit and monitoring procedures. In accordance with the aforementioned policies, the Group only enters into derivative transactions relating to assets, liabilities or anticipated future transactions.

### 14.2a Credit risk

#### Credit risk management

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

The Group sets credit limits based on a counterparty value and a probability of default. The methodology used to set the list of counterparty limits includes Enterprise Value (EV), counterparty Credit Ratings (CR) and Credit Default Swaps (CDS). Evolution of counterparties is monitored daily, taking into consideration EV, CR and CDS evolution. As a result of this daily review, changes on credit limits and risk allocation are carried out. The Group avoids the concentration of credit risk on its liquid assets by spreading them over several institutions and sectors.

Trade receivables are subject to credit limits, control and approval procedures in all the affiliated companies. Due to its large geographic base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables (refer to Note 7). Nevertheless global commercial counterparties are constantly monitored following the same methodology used for financial counterparties.

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

### Credit rating of financial assets

This includes cash at bank and in hand, financial assets at fair value to income statement and available for sale financial assets.

| In millions of CHF | 2013 | 2012 |
|---|---|---|
| Investment grade A– and above | 8 451 | 9 279 |
| Investment grade BBB+, BBB and BBB– | 1 458 | 2 579 |
| Non-investment grade (BB+ and below) | 337 | 497 |
| Not rated [a] | 948 | 2 075 |
| | **11 194** | **14 430** |

(a) Mainly equity securities and other investments for which no credit rating is available.

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

## 14.2b Liquidity risk

### Liquidity risk management

Liquidity risk arises when a company encounters difficulties to meet commitments associated with liabilities and other payment obligations. Such risk may result from inadequate market depth or disruption or refinancing problems. The Group's objective is to manage this risk by limiting exposures in instruments that may be affected by liquidity problems and by maintaining sufficient back-up facilities. The Group does not expect any refinancing issues and has successfully completed a EUR 5.0 billion 13-months revolving credit facility replacing an older facility of EUR 5.0 billion. Additionally, the Group successfully completed the refinancing of the EUR 5.0 billion revolving credit facility until October 2018, which originally matured in 2015. The facility currently serves primarily as a backstop to its short-term debt. In total, the Group's revolving credit facilities amount to EUR 10.0 billion.

## Contractual maturities of financial liabilities and derivatives (including interest)

In millions of CHF

| | | In the first year | In the second year | In the third to the fifth year | After the fifth year | Contractual amount | Carrying amount |
|---|---|---|---|---|---|---|---|
| 2013 | **Financial assets** | | | | | | **23 809** |
| | **Trade and other payables** | **(16 072)** | **(176)** | **(55)** | **(1 216)** | **(17 519)** | **(17 459)** |
| | Commercial paper [(a)] | (7 243) | — | — | — | (7 243) | (7 241) |
| | Bonds [(a)] | (2 002) | (622) | (5 377) | (4 867) | (12 868) | (11 540) |
| | Other financial debt | (2 529) | (227) | (330) | (106) | (3 192) | (2 962) |
| | **Total financial debt** | **(11 774)** | **(849)** | **(5 707)** | **(4 973)** | **(23 303)** | **(21 743)** |
| | **Financial liabilities** | **(27 846)** | **(1 025)** | **(5 762)** | **(6 189)** | **(40 822)** | **(39 202)** |
| | Non-currency derivative assets | 48 | — | — | — | 48 | 48 |
| | Non-currency derivative liabilities | (85) | (45) | (44) | (45) | (219) | (208) |
| | Gross amount receivable from currency derivatives | 10 096 | 77 | 2 402 | — | 12 575 | 12 544 |
| | Gross amount payable from currency derivatives | (10 040) | (22) | (2 500) | — | (12 562) | (12 535) |
| | **Net derivatives** | **19** | **10** | **(142)** | **(45)** | **(158)** | **(151)** |
| | **Net financial position** | | | | | | **(15 544)** |
| | of which derivatives under cash flow hedges [(b)] | (20) | (40) | (28) | 8 | (80) | (80) |
| 2012 | **Financial assets** | | | | | | **27 323** |
| | **Trade and other payables** | **(14 627)** | **(1 098)** | **(70)** | **(1 152)** | **(16 947)** | **(16 808)** |
| | Commercial paper [(a)] | (13 503) | — | — | — | (13 503) | (13 490) |
| | Bonds [(a)] | (2 505) | (2 051) | (3 823) | (3 441) | (11 820) | (10 737) |
| | Other financial debt | (2 752) | (171) | (372) | (116) | (3 411) | (3 189) |
| | **Total financial debt** | **(18 760)** | **(2 222)** | **(4 195)** | **(3 557)** | **(28 734)** | **(27 416)** |
| | **Financial liabilities** | **(33 387)** | **(3 320)** | **(4 265)** | **(4 709)** | **(45 681)** | **(44 224)** |
| | Non-currency derivative assets | 14 | — | — | — | 14 | 14 |
| | Non-currency derivative liabilities | (160) | (37) | (92) | (69) | (358) | (350) |
| | Gross amount receivable from currency derivatives | 12 053 | 909 | 1 535 | 257 | 14 754 | 14 538 |
| | Gross amount payable from currency derivatives | (11 799) | (777) | (1 374) | (186) | (14 136) | (14 049) |
| | **Net derivatives** | **108** | **95** | **69** | **2** | **274** | **153** |
| | **Net financial position** | | | | | | **(16 748)** |
| | of which derivatives under cash flow hedges [(b)] | (129) | (43) | (92) | (36) | (300) | (295) |

(a) Commercial paper of CHF 6483 million (2012: CHF 7711 million) and bonds of CHF 551million (2012: CHF 290 million) have maturities of less than three months.
(b) The periods when the cash flow hedges affect the income statement do not differ significantly from the maturities disclosed above.

### 14.2c Market risk
The Group is exposed to risk from movements in foreign currency exchange rates, interest rates and market prices that affect its assets, liabilities and anticipated future transactions.

#### Foreign currency risk
Foreign currency risk management
The Group is exposed to foreign currency risk from transactions and translation. Transactional exposures are managed within a prudent and systematic hedging policy in accordance with the Group's specific business needs. Translation exposure arises from the consolidation of the financial statements of foreign operations in Swiss francs, which is, in principle, not hedged. The Group's objective is to manage its foreign currency exposure through the use of currency forwards, futures, swaps and options.

Exchange differences recorded in the income statement represented a loss of CHF 173 million in 2013 (2012: loss of CHF 71 million). They are allocated to the appropriate headings of expenses by function.

#### Interest rate risk
Interest risk management
Interest rate risk comprises the interest price risk that results from borrowings at fixed rates and the interest cash flow risk that results from borrowings at variable rates. The ALMC is responsible for setting the overall duration and interest management targets. The Group's objective is to manage its interest rate exposure through the use of interest rate forwards, futures and swaps.

Interest structure of non-current financial debt (including interest effects of derivatives)

| In millions of CHF | 2013 | 2012 |
|---|---|---|
| Financial debt at variable rates | 1 784 | 2 001 |
| Financial debt at fixed rates | 8 579 | 7 007 |
| | **10 363** | **9 008** |

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

The Group's objective is to minimise the impact of commodity price fluctuations and this exposure is hedged in accordance with the commodity risk management policies set by the Board of Directors. The regional Commodity Purchasing Competence Centres are responsible for managing commodity price risk on the basis of internal directives and centrally determined limits. They ensure that the Group benefits from guaranteed financial hedges through the use of exchange-traded commodity derivatives. The commodity price risk exposure of anticipated future purchases is managed using a combination of derivatives (futures and options) and executory contracts (differentials and ratios). As a result of the short product business cycle of the Group, the majority of the anticipated future raw material transactions outstanding at the balance sheet date are expected to occur in the next period.

#### Equity price risk
The Group is exposed to equity price risk on investments held. To manage the price risk arising from these investments, the Group diversifies its portfolios in accordance with the Guidelines set by the Board of Directors.

### 14.2d Settlement risk

Settlement risk results from the fact that the Group may not receive financial instruments from its counterparties at the expected time. This risk is managed by monitoring counterparty activity and settlement limits.

### 14.2e Value at Risk (VaR)

#### Description of the method

The VaR is a single measure to assess market risk. The VaR estimates the size of losses given current positions and possible changes in financial markets. The Group uses simulation to calculate VaR based on the historic data for a 250 day period. The VaR calculation is based on 95% confidence level and, accordingly, does not take into account losses that might occur beyond this level of confidence. The VaR is calculated on the basis of unhedged exposures outstanding at the close of business and does not necessarily reflect intra-day exposures.

#### Objective of the method

The Group uses the described VaR analysis to estimate the potential one-day loss in the fair value of its financial and commodity instruments. The Group cannot predict the actual future movements in market rates and prices, therefore the below VaR numbers neither represent actual losses nor consider the effects of favourable movements in underlying variables. Accordingly, these VaR numbers may only be considered indicative of future movements to the extent the historic market patterns repeat in the future.

#### VaR figures

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

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

| In millions of CHF | 2013 | 2012 |
|---|---|---|
| Foreign currency | 1 | 2 |
| Interest rate | — | 1 |
| Security price | 7 | 237 |
| Foreign currency, interest rate and security price combined | 7 | 233 |

The estimated potential one-day loss from the Group's commodity price risk sensitive instruments, as calculated using the above described historic VaR model, is not significant.

### 14.2f Capital risk management

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

The Board of Directors seeks to maintain a prudent balance between different components of the Group's capital. The ALMC monitors the capital structure and the net financial debt by currency. Net financial debt is defined as current and non-current financial liabilities less cash and cash equivalent and short-term investments.

The operating cash flow-to-net financial debt ratio highlights the ability of a business to repay its debts. As at 31 December 2013, the ratio was 102.1% (2012: 86.5%). The Group's subsidiaries have complied with local statutory capital requirements as appropriate.

# 15. Taxes

## 15.1 Taxes recognised in the income statement

In millions of CHF

| | 2013 | 2012 |
|---|---|---|
| Components of taxes | | |
| Current taxes [a] | 2 970 | 3 113 |
| Deferred taxes | 846 | (209) |
| Taxes reclassified to other comprehensive income | (558) | 355 |
| Taxes reclassified to equity | (2) | — |
| **Total taxes** | **3 256** | **3 259** |
| | | |
| Reconciliation of taxes | | |
| Expected tax expense at weighted average applicable tax rate | 2 812 | 3 202 |
| Tax effect of non-deductible or non-taxable items | 8 | (203) |
| Prior years' taxes | (243) | (361) |
| Transfers to unrecognised deferred tax assets | 59 | 46 |
| Transfers from unrecognised deferred tax assets | (6) | (11) |
| Changes in tax rates | 15 | 7 |
| Withholding taxes levied on transfers of income | 381 | 364 |
| Other | 230 | 215 |
| **Total taxes** | **3 256** | **3 259** |

(a) Current taxes related to prior years represent a tax expense of CHF 172 million (2012: tax expense of CHF 28 million).

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

## 15.2 Taxes recognised in other comprehensive income

In millions of CHF

| | 2013 | 2012 |
|---|---|---|
| Tax effects relating to | | |
| Currency retranslations | 317 | 41 |
| Fair value adjustments on available-for-sale financial instruments | 64 | (24) |
| Fair value adjustments on cash flow hedges | (91) | (48) |
| Remeasurement of defined benefit plans | (848) | 386 |
| | **(558)** | **355** |

## 15.3 Reconciliation of deferred taxes by type of temporary differences recognised on the balance sheet

In millions of CHF

| | Property, plant and equipment | Goodwill and intangible assets | Employee benefits | Inventories, receivables, payables and provisions | Unused tax losses and unused tax credits | Other | **Total** |
|---|---|---|---|---|---|---|---|
| At 1 January 2012 | (1 348) | (1 483) | 2 080 | 804 | 358 | 23 | **434** |
| Currency retranslations | 38 | 27 | (63) | (27) | (29) | 4 | **(50)** |
| Deferred tax (expense)/income | (151) | (111) | 380 | 59 | 60 | (28) | **209** |
| Modification of the scope of consolidation [(a)] | (47) | 18 | (1) | 19 | 61 | 16 | **66** |
| **At 31 December 2012** | **(1 508)** | **(1 549)** | **2 396** | **855** | **450** | **15** | **659** |
| Currency retranslations | 53 | 31 | (68) | (47) | (47) | (79) | **(157)** |
| Deferred tax (expense)/income | (80) | (94) | (871) | 52 | 38 | 109 | **(846)** |
| Reclassified as held for sale | — | — | — | — | (10) | (3) | **(13)** |
| Modification of the scope of consolidation | 36 | — | (1) | (3) | (1) | (74) | **(43)** |
| **At 31 December 2013** | **(1 499)** | **(1 612)** | **1 456** | **857** | **430** | **(32)** | **(400)** |

(a) 2012 comparatives have been adjusted following the final valuation of the Wyeth Nutrition acquisition (see Note 2).

In millions of CHF

| | 2013 | 2012 |
|---|---|---|
| Reflected in the balance sheet as follows: | | |
| Deferred tax assets | 2 243 | 2 899 |
| Deferred tax liabilities | (2 643) | (2 240) |
| **Net assets/(liabilities)** | **(400)** | **659** |

## 15.4 Unrecognised deferred taxes

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

In millions of CHF

| | 2013 | 2012 |
|---|---|---|
| Within one year | 18 | 43 |
| Between one and five years | 365 | 317 |
| More than five years | 1 642 | 1 557 |
| | **2 025** | **1 917** |

At 31 December 2013, the unrecognised deferred tax assets amount to CHF 512 million (2012: CHF 493 million). In addition, the Group has not recognised deferred tax liabilities in respect of unremitted earnings that are considered indefinitely reinvested in foreign subsidiaries. At 31 December 2013, these earnings amount to CHF 17.1 billion (2012: CHF 15.6 billion). They could be subject to withholding and other taxes on remittance.

# 16. Associates and joint ventures

In millions of CHF

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | L'Oréal | Other associates | Joint ventures | Total | L'Oréal | Other associates | Joint ventures | Total |
| At 1 January | 8 785 | 1 068 | 1 733 | **11 586** | 7 708 | 921 | 1 688 | **10 317** |
| Currency retranslations | 137 | (3) | (45) | **89** | (58) | (2) | (7) | **(67)** |
| Investments | — | 106 | (78) | **28** | — | 86 | (7) | **79** |
| Share of results | 1 083 | (9) | 190 | **1 264** | 1 031 | 29 | 193 | **1 253** |
| Share of other comprehensive income | 115 | — | (28) | **87** | 497 | — | 5 | **502** |
| Dividends and interest received | (506) | (12) | (139) | **(657)** | (431) | (15) | (139) | **(585)** |
| Modification of the scope of consolidation [(a)] | — | — | — | **—** | — | 7 | — | **7** |
| Other | (89) | 6 | 1 | **(82)** | 38 | 42 | — | **80** |
| **At 31 December** | **9 525** | **1 156** | **1 634** | **12 315** | **8 785** | **1 068** | **1 733** | **11 586** |

(a) 2012 comparatives have been adjusted following the final valuation of the Wyeth Nutrition acquisition (see Note 2).

### 16.1 L'Oréal

The Group holds 178 381 021 shares in L'Oréal, the world leader in cosmetics, representing a 29.7% participation in its equity after consideration of its own shares (2012: 178 381 021 shares representing a 29.8% participation). At 31 December 2013, the market value of the shares held amounts to CHF 27.9 billion (2012: CHF 22.6 billion).

### Summarised financial information

In billions of CHF

| | 2013 | 2012 |
|---|---|---|
| Total current assets | 11.4 | 9.9 |
| Total non-current assets | 26.9 | 25.7 |
| **Total assets** | **38.3** | **35.6** |
| | | |
| Total current liabilities | 8.1 | 7.7 |
| Total non-current liabilities | 2.5 | 2.6 |
| **Total liabilities** | **10.6** | **10.3** |
| | | |
| **Total equity** | **27.7** | **25.3** |
| | | |
| **Total sales** | **28.2** | **27.1** |
| | | |
| Profit from continuing operations | 3.6 | 3.5 |
| Other comprehensive income | 0.4 | 1.7 |
| **Total comprehensive income** | **4.0** | **5.2** |

### Reconciliation of the carrying amount

| In billions of CHF | 2013 | 2012 |
|---|---|---|
| Share held by the Group in the equity of L'Oréal | 8.2 | 7.5 |
| Goodwill and other adjustments | 1.3 | 1.3 |
| **Carrying amount** | **9.5** | **8.8** |

### 16.2 Other associates
The Group holds a number of other associates that are individually not material for the Group.

### 16.3 Joint ventures
The Group holds 50% of a number of joint ventures operating in the food and beverages and in pharmaceutical activities. These joint ventures are individually not material for the Group, the main ones being Galderma and Cereal Partners Worldwide.

## 17. Earnings per share

| | 2013 | 2012 |
|---|---|---|
| Basic earnings per share (in CHF) | 3.14 | 3.21 |
| Net profit (in millions of CHF) | 10 015 | 10 228 |
| Weighted average number of shares outstanding (in millions of units) | 3 191 | 3 186 |
| | | |
| Diluted earnings per share (in CHF) | 3.13 | 3.20 |
| Net profit, net of effects of dilutive potential ordinary shares (in millions of CHF) | 10 015 | 10 228 |
| Weighted average number of shares outstanding, net of effects of dilutive potential ordinary shares (in millions of units) | 3 200 | 3 195 |
| | | |
| Reconciliation of weighted average number of shares outstanding (in millions of units) | | |
| Weighted average number of shares outstanding used to calculate basic earnings per share | 3 191 | 3 186 |
| Adjustment for share-based payment schemes, where dilutive | 9 | 9 |
| Weighted average number of shares outstanding used to calculate diluted earnings per share | 3 200 | 3 195 |

# 18. Cash flow statement

## 18.1 Operating profit

In millions of CHF

| | 2013 | 2012 |
|---|---|---|
| Profit for the year | 10 445 | 10 677 |
| Share of results of associates and joint ventures | (1 264) | (1 253) |
| Taxes | 3 256 | 3 259 |
| Financial income | (219) | (120) |
| Financial expense | 850 | 825 |
| | **13 068** | **13 388** |

## 18.2 Non-cash items of income and expense

In millions of CHF

| | 2013 | 2012 |
|---|---|---|
| Depreciation of property, plant and equipment | 2 864 | 2 655 |
| Impairment of property, plant and equipment | 109 | 74 |
| Impairment of goodwill | 114 | 14 |
| Amortisation of intangible assets | 301 | 394 |
| Impairment of intangible assets | 34 | — |
| Net result on disposal of businesses | 1 188 | (102) |
| Net result on disposal of assets | 67 | 49 |
| Non-cash items in financial assets and liabilities | (577) | (44) |
| Equity compensation plans | 154 | 156 |
| Other | 98 | 21 |
| | **4 352** | **3 217** |

## 18.3 Decrease/(increase) in working capital

In millions of CHF

| | 2013 | 2012 |
|---|---|---|
| Inventories | (157) | 287 |
| Trade and other receivables | (257) | (26) |
| Prepayments and accrued income | (48) | 14 |
| Trade and other payables | 1 585 | 1 655 |
| Accruals and deferred income | 237 | 85 |
| | **1 360** | **2 015** |

## 18.4 Variation of other operating assets and liabilities

In millions of CHF

| | 2013 | 2012 |
|---|---|---|
| Variation of employee benefits assets and liabilities | (887) | (174) |
| Variation of provisions | 84 | (50) |
| Other | 229 | 129 |
| | **(574)** | **(95)** |

## 18.5 Net cash flows from treasury activities

| In millions of CHF | 2013 | 2012 |
|---|---|---|
| Interest paid | (505) | (559) |
| Interest and dividends received | 105 | 115 |
| Net cash flows from derivatives used to hedge foreign operations | 29 | 133 |
| Net cash flows from trading derivatives | 20 | (13) |
| | **(351)** | **(324)** |

## 18.6 Reconciliation of free cash flow and net financial debt

| In millions of CHF | 2013 | 2012 |
|---|---|---|
| Operating cash flow | 14 992 | 15 668 |
| Capital expenditure | (4 928) | (5 273) |
| Expenditure on intangible assets | (402) | (325) |
| Sale of property, plant and equipment | 86 | 130 |
| Investments (net of divestments) in associates and joint ventures | (28) | (79) |
| Inflows from other investing activities | 1 187 | 89 |
| Outflows from other investing activities | (421) | (305) |
| **Free cash flow** | **10 486** | **9 905** |
| | | |
| Acquisition of businesses | (321) | (10 916) |
| Financial liabilities and short-term investments acquired in business combinations | (1) | (8) |
| Disposal of businesses | 421 | 142 |
| Financial liabilities and short-term investments transferred on disposal of businesses | 11 | — |
| Acquisition (net of disposal) of non-controlling interests | (337) | (165) |
| Dividend paid to shareholders of the parent | (6 552) | (6 213) |
| Purchase of treasury shares | (481) | (532) |
| Sale of treasury shares | 60 | 1 199 |
| Reclassification of financial investments from non-current financial assets to net financial debt | 366 | 2 841 |
| Outflows from non-current treasury investments | (244) | (192) |
| Dividends paid to non-controlling interests | (328) | (204) |
| Cash inflows from hedging derivatives on net debt | 41 | 250 |
| Currency retranslations and exchange differences | 399 | 47 |
| Other movements | (90) | 54 |
| **(Increase)/decrease of net financial debt** | **3 430** | **(3 792)** |
| | | |
| Net financial debt at beginning of year | (18 120) | (14 328) |
| **Net financial debt at end of year** | **(14 690)** | **(18 120)** |

### 18.7 Cash and cash equivalents at end of year

| In millions of CHF | 2013 | 2012 |
| --- | --- | --- |
| Cash at bank and in hand | 4 524 | 3 499 |
| Time deposits [(a)] | 1 829 | 1 800 |
| Commercial paper [(a)] | 62 | 414 |
| | **6 415** | **5 713** |

(a) With maturity of three months or less as from the initial recognition.

## 19. Equity

### 19.1 Share capital issued
The ordinary share capital of Nestlé S.A. authorised, issued and fully paid is composed of 3 224 800 000 registered shares with a nominal value of CHF 0.10 each. Each share confers the right to one vote. No shareholder may be registered with the right to vote for shares which it holds, directly or indirectly, in excess of 5% of the share capital. Shareholders have the right to receive dividends.

### 19.2 Conditional share capital
The conditional capital of Nestlé S.A. amounts to CHF 10 million as in the preceding year. It confers the right to increase the ordinary share capital, through the exercise of conversion or option rights in connection with debentures and other financial market instruments, by a maximum of CHF 10 million by the issue of a maximum of 100 000 000 registered shares with a nominal value of CHF 0.10 each. Thus the Board of Directors has at its disposal a flexible instrument enabling it, if necessary, to finance the activities of the Company through convertible debentures.

### 19.3 Treasury shares

| Number of shares in millions of units | Notes | 2013 | 2012 |
| --- | --- | --- | --- |
| Purpose of holding | | | |
| Trading | | 18.2 | 18.0 |
| Long-Term Incentive Plans | 12 | 17.0 | 18.2 |
| | | **35.2** | **36.2** |

At 31 December 2013, the treasury shares held by the Group represent 1.1% of the share capital (2012: 1.1%). Their market value amounts to CHF 2300 million (2012: CHF 2160 million).

## 19.4 Number of shares outstanding

Number of shares in millions of units

| | Shares issued | Treasury shares | **Outstanding shares** |
|---|---|---|---|
| At 1 January 2012 | 3 300.0 | (128.0) | **3 172.0** |
| Purchase of treasury shares | — | (9.1) | **(9.1)** |
| Sale of treasury shares | — | 20.2 | **20.2** |
| Treasury shares delivered in respect of options exercised | — | 1.5 | **1.5** |
| Treasury shares delivered in respect of equity compensation plans | — | 4.0 | **4.0** |
| Treasury shares cancelled | (75.2) | 75.2 | **—** |
| **At 31 December 2012** | **3 224.8** | **(36.2)** | 3 188.6 |
| Purchase of treasury shares | — | (7.7) | **(7.7)** |
| Treasury shares delivered in respect of options exercised | — | 1.3 | **1.3** |
| Treasury shares delivered in respect of equity compensation plans | — | 3.3 | **3.3** |
| Treasury shares delivered in respect of the acquisition of a business | — | 4.1 | **4.1** |
| **At 31 December 2013** | **3 224.8** | **(35.2)** | **3 189.6** |

### 19.5 Translation reserve

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

### 19.6 Retained earnings and other reserves

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

The fair value reserve includes the gains and losses on remeasuring available-for-sale financial instruments. At 31 December 2013, the reserve is CHF 50 million positive (2012: CHF 573 million positive).

The hedging reserve consists of the effective portion of the gains and losses on hedging instruments related to hedged transactions that have not yet occurred. At 31 December 2013, the reserve is CHF 42 million negative (2012: CHF 283 million negative).

### 19.7 Non-controlling interests

The non-controlling interests comprise the portion of equity of subsidiaries that are not owned, directly or indirectly, by Nestlé S.A. These non-controlling interests are individually not material for the Group.

### 19.8 Other comprehensive income

In millions of CHF

| | | Translation reserve | Retained earnings and other reserves | **Total attributable to shareholders of the parent** | Non-controlling interests | **Total** |
|---|---|---|---|---|---|---|
| 2013 | Currency retranslations | (2 887) | — | **(2 887)** | (59) | **(2 946)** |
| | Fair value adjustments on available-for-sale financial instruments | — | (523) | **(523)** | — | **(523)** |
| | Fair value adjustments on cash flow hedges | — | 246 | **246** | — | **246** |
| | Remeasurement of defined benefit plans | — | 1 632 | **1 632** | — | **1 632** |
| | Taxes | — | (558) | **(558)** | — | **(558)** |
| | Share of other comprehensive income of associates and joint ventures | — | 87 | **87** | — | **87** |
| | **Other comprehensive income for the year** | **(2 887)** | **884** | **(2 003)** | **(59)** | **(2 062)** |
| 2012 | Currency retranslations | (997) | — | **(997)** | (56) | **(1 053)** |
| | Fair value adjustments on available-for-sale financial instruments | — | 325 | **325** | — | **325** |
| | Fair value adjustments on cash flow hedges | — | 150 | **150** | — | **150** |
| | Remeasurement of defined benefit plans | — | (1 534) | **(1 534)** | — | **(1 534)** |
| | Taxes | — | 355 | **355** | — | **355** |
| | Share of other comprehensive income of associates and joint ventures | — | 502 | **502** | — | **502** |
| | **Other comprehensive income for the year** | **(997)** | **(202)** | **(1 199)** | **(56)** | **(1 255)** |

### 19.9 Dividend

The dividend related to 2012 was paid on 18 April 2013 in accordance with the decision taken at the Annual General Meeting on 11 April 2013. Shareholders approved the proposed dividend of CHF 2.05 per share, resulting in a total dividend of CHF 6552 million.

Dividend payable is not accounted for until it has been ratified at the Annual General Meeting. At the meeting on 10 April 2014, a dividend of CHF 2.15 per share will be proposed, resulting in a total dividend of CHF 6927 million. For further details, refer to the Financial Statements of Nestlé S.A.

The Financial Statements for the year ended 31 December 2013 do not reflect this proposed distribution, which will be treated as an appropriation of profit in the year ending 31 December 2014.

## 20. Lease commitments

### 20.1 Operating leases

In millions of CHF

| | 2013 | 2012 |
|---|---|---|
| Minimum lease payments | Future value | |
| Within one year | 621 | 625 |
| In the second year | 499 | 519 |
| In the third to the fifth year | 1 042 | 1 066 |
| After the fifth year | 619 | 657 |
| | **2 781** | **2 867** |

Lease commitments relate mainly to buildings, industrial equipment, vehicles and IT equipment. The operating lease charge for the year 2013 amounts to CHF 734 million (2012: CHF 720 million).

### 20.2 Finance leases

In millions of CHF

| | | 2013 | | 2012 |
|---|---|---|---|---|
| Minimum lease payments | Present value | Future value | Present value | Future value |
| Within one year | 44 | 49 | 52 | 55 |
| In the second year | 42 | 49 | 39 | 45 |
| In the third to the fifth year | 101 | 133 | 90 | 126 |
| After the fifth year | 55 | 84 | 45 | 89 |
| | **242** | **315** | **226** | **315** |

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

## 21. Transactions with related parties

### 21.1 Compensation of the Board of Directors and the Executive Board

#### Board of Directors

With the exception of the Chairman and the CEO, members of the Board of Directors receive an annual compensation that varies with the Board and the Committee responsibilities as follows:
– Board members: CHF 280 000;
– members of the Chairman's and Corporate Governance Committee: additional CHF 200 000;
– members of the Compensation Committee: additional CHF 40 000 (Chair CHF 100 000);
– members of the Nomination Committee: additional CHF 40 000 (Chair CHF 100 000); and
– members of the Audit Committee: additional CHF 100 000 (Chair CHF 150 000).

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

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

The Chairman is entitled to a cash compensation, as well as Nestlé S.A. shares which are blocked for three years.

#### Executive Board

The total annual remuneration of the members of the Executive Board comprises a salary, a bonus (based on the individual's performance and the achievement of the Group's objectives), equity compensation and other benefits. Members of the Executive Board can choose to receive part or all of their bonus in Nestlé S.A. shares at the average closing price of the last ten trading days of January of the year of the payment of the bonus. These shares are subject to a three-year blocking period.

| In millions of CHF | 2013 | 2012 |
|---|---|---|
| Board of Directors [(a)] | | |
| Chairman's compensation | 8 | 9 |
| Other Board members | | |
| Remuneration – cash | 3 | 3 |
| Shares | 2 | 2 |
| | | |
| Executive Board [(a)] | | |
| Remuneration – cash | 16 | 16 |
| Bonus – cash | 5 | 6 |
| Bonus – shares | 9 | 10 |
| Equity compensation plans [(b)] | 10 | 14 |
| Pension | 6 | 7 |

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

### 21.2 Transactions with associates and joint ventures

There are no significant transactions between the Group companies and associates.

The main transactions with joint ventures are loans granted by the Group whose outstanding balances as at 31 December 2013 amount to CHF 945 million (2012: CHF 1020 million) and dividends and interest received which represent an amount of CHF 139 million (2012: CHF 139 million).

### 21.3 Other transactions

Nestlé Capital Advisers SA (NCA), one of the Group's subsidiaries, is an unregulated investment and actuarial adviser, based in Switzerland. Further to actuarial advice, NCA renders investment consulting services to some of the Group's pension funds, either directly or indirectly via the Robusta mutual fund umbrella, but NCA never executes trading and investment transactions. The fees received by NCA in 2013 for those activities amounted to CHF 15 million (2012: CHF 15 million).

Nestlé Capital Management Ltd (NCM), a 100% subsidiary of NCA, is an asset manager authorised and regulated by the Financial Conduct Authority, in the United Kingdom. NCM manages some of the assets of the Group's pension funds. In this function, NCM executes trading and investment transactions on behalf of these pension funds directly or for the Robusta mutual funds pension investment vehicles. The fees received by NCM in 2013 for those activities amounted to CHF 22 million (2012: CHF 14 million). The assets under direct management represented an amount of CHF 11.8 billion at 31 December 2013 (2012: CHF 11.8 billion).

In addition, Robusta Asset Management Ltd (RAML), a 100% subsidiary of NCA, is in charge of selecting and monitoring investment managers for the Robusta mutual funds pension investment vehicles. RAML has delegated most of its activities to third-parties, including NCA and hence no fee income is generated by RAML. Any remaining expenses are covered by means of fees deducted from its assets under management. The assets under supervision of RAML amounted to CHF 10.0 billion at 31 December 2013 (2012: CHF 8.8 billion). Of this amount CHF 6.8 billion (2012: CHF 5.3 billion) of assets are under direct management of NCM.

Furthermore, throughout 2013, no director of the Group had a personal interest in any transaction of significance for the business of the Group.

## 22. Restatements and adjustments of 2012 comparatives

Following the implementation of IFRS 11 – Joint Arrangements and IAS 19 Revised 2011 – Employee Benefits described in the accounting policies, 2012 comparatives have been restated as follows:

### Consolidated income statement for the year ended 31 December 2012

In millions of CHF

| | Notes | As originally published | IAS 19 | IFRS 11 | **Restated** |
|---|---|---|---|---|---|
| **Sales** | 3 | **92 186** | **—** | **(2 465)** | **89 721** |
| | | | | | |
| Other revenue | | 138 | — | 72 | **210** |
| Cost of goods sold | | (48 398) | (22) | 920 | **(47 500)** |
| Distribution expenses | | (8 167) | (7) | 157 | **(8 017)** |
| Marketing and administration expenses | | (19 688) | (254) | 901 | **(19 041)** |
| Research and development costs | | (1 544) | (1) | 132 | **(1 413)** |
| Other trading income | 4 | 141 | — | — | **141** |
| Other trading expenses | 4 | (656) | — | 19 | **(637)** |
| **Trading operating profit** | 3 | **14 012** | **(284)** | **(264)** | **13 464** |
| | | | | | |
| Other operating income | 4 | 146 | — | — | **146** |
| Other operating expenses | 4 | (226) | — | 4 | **(222)** |
| **Operating profit** | | **13 932** | **(284)** | **(260)** | **13 388** |
| | | | | | |
| Financial income | 5 | 110 | 12 | (2) | **120** |
| Financial expense | 5 | (591) | (254) | 20 | **(825)** |
| **Profit before taxes, associates and joint ventures** | | **13 451** | **(526)** | **(242)** | **12 683** |
| | | | | | |
| Taxes | 15 | (3 451) | 143 | 49 | **(3 259)** |
| Share of results of associates and joint ventures | 16 | 1 060 | — | 193 | **1 253** |
| **Profit for the year** | | **11 060** | **(383)** | **—** | **10 677** |
| of which attributable to non-controlling interests | | 449 | — | — | **449** |
| of which attributable to shareholders of the parent (Net profit) | | 10 611 | (383) | — | **10 228** |
| | | | | | |
| **Earnings per share** (in CHF) | | | | | |
| Basic earnings per share | 17 | 3.33 | (0.12) | — | **3.21** |
| Diluted earnings per share | 17 | 3.32 | (0.12) | — | **3.20** |

## Consolidated statement of comprehensive income for the year ended 31 December 2012

In millions of CHF

| | Notes | As originally published | IAS 19 | IFRS 11 | **Restated** |
|---|---|---|---|---|---|
| **Profit for the year recognised in the income statement** | | **11 060** | **(383)** | **—** | **10 677** |
| Currency retranslations | | | | | |
| – Recognised in translation reserve | | (1 052) | — | (1) | **(1 053)** |
| – Reclassified from translation reserve to income statement | | — | — | — | **—** |
| Fair value adjustments on available-for-sale financial instruments | | | | | |
| – Recognised in fair value reserve | | 309 | — | 1 | **310** |
| – Reclassified from fair value reserve to income statement | | 16 | — | (1) | **15** |
| Fair value adjustments on cash flow hedges | | | | | |
| – Recognised in hedging reserve | | (110) | — | (6) | **(116)** |
| – Reclassified from hedging reserve | | 272 | — | (6) | **266** |
| Taxes | 15 | (32) | — | 1 | **(31)** |
| Share of other comprehensive income of associates and joint ventures | 16 | 566 | — | 12 | **578** |
| Items that are or may be reclassified subsequently to the income statement | | (31) | — | — | **(31)** |
| Remeasurement of defined benefit plans | 11 | (2 063) | 517 | 12 | **(1 534)** |
| Taxes | 15 | 533 | (142) | (5) | **386** |
| Share of other comprehensive income of associates and joint ventures | 16 | (69) | — | (7) | **(76)** |
| Items that will never be reclassified to the income statement | | (1 599) | 375 | — | **(1 224)** |
| **Other comprehensive income for the year** | 19 | **(1 630)** | **375** | **—** | **(1 255)** |
| **Total comprehensive income for the year** | | **9 430** | **(8)** | **—** | **9 422** |
| of which attributable to non-controlling interests | | 393 | — | — | **393** |
| of which attributable to shareholders of the parent | | 9 037 | (8) | — | **9 029** |

## Consolidated balance sheet as at 1 January 2012

In millions of CHF

| | Notes | As originally published | IAS 19 | IFRS 11 | **Restated** |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 14/18 | 4 938 | — | (169) | **4 769** |
| Short-term investments | 14 | 3 050 | — | (37) | **3 013** |
| Inventories | 6 | 9 255 | — | (160) | **9 095** |
| Trade and other receivables | 7/14 | 13 340 | — | (349) | **12 991** |
| Prepayments and accrued income | | 900 | — | (21) | **879** |
| Derivative assets | 14 | 731 | — | (9) | **722** |
| Current income tax assets | | 1 094 | — | (41) | **1 053** |
| Assets held for sale | 2 | 16 | — | — | **16** |
| **Total current assets** | | **33 324** | **—** | **(786)** | **32 538** |
| | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 8 | 23 971 | — | (511) | **23 460** |
| Goodwill | 9 | 29 008 | — | (395) | **28 613** |
| Intangible assets | 10 | 9 356 | — | (571) | **8 785** |
| Investments in associates and joint ventures | 16 | 8 629 | — | 1 688 | **10 317** |
| Financial assets | 14 | 7 161 | — | (8) | **7 153** |
| Employee benefits assets | 11 | 127 | — | — | **127** |
| Current income tax assets | | 39 | — | — | **39** |
| Deferred tax assets | 15 | 2 476 | (5) | (63) | **2 408** |
| **Total non-current assets** | | **80 767** | **(5)** | **140** | **80 902** |
| | | | | | |
| **Total assets** | | **114 091** | **(5)** | **(646)** | **113 440** |

## Consolidated balance sheet as at 1 January 2012 (continued)

In millions of CHF

| | Notes | As originally published | IAS 19 | IFRS 11 | Restated |
|---|---|---|---|---|---|
| **Liabilities and equity** | | | | | |
| | | | | | |
| Current liabilities | | | | | |
| Financial debt | 14 | 16 100 | — | (155) | **15 945** |
| Trade and other payables | 14 | 13 584 | — | (40) | **13 544** |
| Accruals and deferred income | | 2 909 | — | (129) | **2 780** |
| Provisions | 13 | 576 | — | (1) | **575** |
| Derivative liabilities | 14 | 646 | — | (14) | **632** |
| Current income tax liabilities | | 1 417 | — | (38) | **1 379** |
| **Total current liabilities** | | **35 232** | **—** | **(377)** | **34 855** |
| | | | | | |
| Non-current liabilities | | | | | |
| Financial debt | 14 | 6 207 | — | (42) | **6 165** |
| Employee benefits liabilities | 11 | 7 105 | (91) | (102) | **6 912** |
| Provisions | 13 | 3 094 | — | (15) | **3 079** |
| Deferred tax liabilities | 15 | 2 060 | 18 | (104) | **1 974** |
| Other payables | 14 | 2 119 | — | (6) | **2 113** |
| **Total non-current liabilities** | | **20 585** | **(73)** | **(269)** | **20 243** |
| | | | | | |
| **Total liabilities** | | **55 817** | **(73)** | **(646)** | **55 098** |
| | | | | | |
| Equity | 19 | | | | |
| Share capital | | 330 | — | — | **330** |
| Treasury shares | | (6 722) | — | — | **(6 722)** |
| Translation reserve | | (16 927) | — | — | **(16 927)** |
| Retained earnings and other reserves | | 80 116 | 68 | — | **80 184** |
| **Total equity attributable to shareholders of the parent** | | **56 797** | **68** | **—** | **56 865** |
| Non-controlling interests | | 1 477 | — | — | **1 477** |
| **Total equity** | | **58 274** | **68** | **—** | **58 342** |
| | | | | | |
| **Total liabilities and equity** | | **114 091** | **(5)** | **(646)** | **113 440** |

## Consolidated balance sheet as at 31 December 2012

In millions of CHF

| | Notes | As originally published | IAS 19 | IFRS 11 | **Restated** | Adjustments of Wyeth Nutrition (a) | **Restated and adjusted** |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| | | | | | | | |
| Current assets | | | | | | | |
| Cash and cash equivalents | 14/18 | 5 840 | — | (127) | **5 713** | — | **5 713** |
| Short-term investments | 14 | 3 585 | — | (2) | **3 583** | — | **3 583** |
| Inventories | 6 | 9 125 | — | (176) | **8 949** | (10) | **8 939** |
| Trade and other receivables | 7/14 | 13 404 | — | (359) | **13 045** | 3 | **13 048** |
| Prepayments and accrued income | | 844 | — | (22) | **822** | (1) | **821** |
| Derivative assets | 14 | 586 | — | (10) | **576** | — | **576** |
| Current income tax assets | | 1 028 | — | (57) | **971** | 1 | **972** |
| Assets held for sale | 2 | 793 | — | — | **793** | (425) | **368** |
| **Total current assets** | | **35 205** | **—** | **(753)** | **34 452** | **(432)** | **34 020** |
| | | | | | | | |
| Non-current assets | | | | | | | |
| Property, plant and equipment | 8 | 26 903 | — | (557) | **26 346** | 230 | **26 576** |
| Goodwill | 9 | 32 615 | — | (398) | **32 217** | 471 | **32 688** |
| Intangible assets | 10 | 13 643 | — | (546) | **13 097** | (79) | **13 018** |
| Investments in associates and joint ventures | 16 | 9 846 | — | 1 733 | **11 579** | 7 | **11 586** |
| Financial assets | 14 | 5 003 | — | (8) | **4 995** | (16) | **4 979** |
| Employee benefits assets | 11 | 84 | 1 | (2) | **83** | 1 | **84** |
| Current income tax assets | | 27 | — | — | **27** | — | **27** |
| Deferred tax assets | 15 | 2 903 | (5) | (43) | **2 855** | 44 | **2 899** |
| **Total non-current assets** | | **91 024** | **(4)** | **179** | **91 199** | **658** | **91 857** |
| | | | | | | | |
| **Total assets** | | **126 229** | **(4)** | **(574)** | **125 651** | **226** | **125 877** |

(a) The balance sheet as at 31 December 2012 has been adjusted following the final valuation of the Wyeth Nutrition acquisition (see Note 2).

## Consolidated balance sheet as at 31 December 2012 (continued)

In millions of CHF

| | Notes | As originally published | IAS 19 | IFRS 11 | **Restated** | Adjustments of Wyeth Nutrition (a) | **Restated and adjusted** |
|---|---|---|---|---|---|---|---|
| **Liabilities and equity** | | | | | | | |
| | | | | | | | |
| Current liabilities | | | | | | | |
| Financial debt | 14 | 18 568 | — | (160) | **18 408** | — | **18 408** |
| Trade and other payables | 14 | 14 455 | — | (18) | **14 437** | 190 | **14 627** |
| Accruals and deferred income | | 3 229 | — | (150) | **3 079** | (1) | **3 078** |
| Provisions | 13 | 441 | — | — | **441** | 11 | **452** |
| Derivative liabilities | 14 | 428 | — | (5) | **423** | — | **423** |
| Current income tax liabilities | | 1 631 | — | (34) | **1 597** | 11 | **1 608** |
| Liabilities directly associated with assets held for sale | | 1 | — | — | **1** | — | **1** |
| **Total current liabilities** | | **38 753** | **—** | **(367)** | **38 386** | **211** | **38 597** |
| | | | | | | | |
| Non-current liabilities | | | | | | | |
| Financial debt | 14 | 9 009 | — | (1) | **9 008** | — | **9 008** |
| Employee benefits liabilities | 11 | 8 554 | (82) | (113) | **8 359** | 1 | **8 360** |
| Provisions | 13 | 2 842 | — | (16) | **2 826** | 1 | **2 827** |
| Deferred tax liabilities | 15 | 2 276 | 18 | (69) | **2 225** | 15 | **2 240** |
| Other payables | 14 | 2 191 | — | (8) | **2 183** | (2) | **2 181** |
| **Total non-current liabilities** | | **24 872** | **(64)** | **(207)** | **24 601** | **15** | **24 616** |
| | | | | | | | |
| **Total liabilities** | | **63 625** | **(64)** | **(574)** | **62 987** | **226** | **63 213** |
| | | | | | | | |
| Equity | 19 | | | | | | |
| Share capital | | 322 | — | — | **322** | — | **322** |
| Treasury shares | | (2 078) | — | — | **(2 078)** | — | **(2 078)** |
| Translation reserve | | (17 923) | — | (1) | **(17 924)** | — | **(17 924)** |
| Retained earnings and other reserves | | 80 626 | 60 | 1 | **80 687** | — | **80 687** |
| **Total equity attributable to shareholders of the parent** | | **60 947** | **60** | **—** | **61 007** | **—** | **61 007** |
| Non-controlling interests | | 1 657 | — | — | **1 657** | — | **1 657** |
| **Total equity** | | **62 604** | **60** | **—** | **62 664** | **—** | **62 664** |
| | | | | | | | |
| **Total liabilities and equity** | | **126 229** | **(4)** | **(574)** | **125 651** | **226** | **125 877** |

(a) The balance sheet as at 31 December 2012 has been adjusted following the final valuation of the Wyeth Nutrition acquisition (see Note 2).

## Consolidated cash flow statement for the year ended 31 December 2012

In millions of CHF

| | Notes | As originally published | IAS 19 | IFRS 11 | **Restated** |
|---|---|---|---|---|---|
| Operating activities | | | | | |
| Operating profit | 18 | 13 932 | (284) | (260) | **13 388** |
| Non-cash items of income and expense | 18 | 3 316 | — | (99) | **3 217** |
| **Cash flow before changes in operating assets and liabilities** | | **17 248** | **(284)** | **(359)** | **16 605** |
| Decrease/(increase) in working capital | 18 | 1 988 | — | 27 | **2 015** |
| Variation of other operating assets and liabilities | 18 | (375) | 284 | (4) | **(95)** |
| **Cash generated from operations** | | **18 861** | **—** | **(336)** | **18 525** |
| Net cash flows from treasury activities | 18 | (334) | — | 10 | **(324)** |
| Taxes paid | | (3 201) | — | 83 | **(3 118)** |
| Dividends and interest from associates and joint ventures | 16 | 446 | — | 139 | **585** |
| **Operating cash flow** | | **15 772** | **—** | **(104)** | **15 668** |
| | | | | | |
| Investing activities | | | | | |
| Capital expenditure | 8 | (5 368) | — | 95 | **(5 273)** |
| Expenditure on intangible assets | 10 | (343) | — | 18 | **(325)** |
| Sale of property, plant and equipment | | 130 | — | — | **130** |
| Acquisition of businesses | 2 | (10 918) | — | 2 | **(10 916)** |
| Disposal of businesses | 2 | 144 | — | (2) | **142** |
| Investments (net of divestments) in associates and joint ventures | 16 | (86) | — | 7 | **(79)** |
| Outflows from non-current treasury investments | | (192) | — | — | **(192)** |
| Inflows from non-current treasury investments | | 1 561 | — | — | **1 561** |
| Inflows/(outflows) from short-term treasury investments | | 711 | — | (34) | **677** |
| Inflows from other investing activities | | 100 | — | (11) | **89** |
| Outflows from other investing activities | | (326) | — | 21 | **(305)** |
| **Cash flow from investing activities** | | **(14 587)** | **—** | **96** | **(14 491)** |
| | | | | | |
| Financing activities | | | | | |
| Dividend paid to shareholders of the parent | 19 | (6 213) | — | — | **(6 213)** |
| Dividends paid to non-controlling interests | | (204) | — | — | **(204)** |
| Acquisition (net of disposal) of non-controlling interests | | (165) | — | — | **(165)** |
| Purchase of treasury shares | | (532) | — | — | **(532)** |
| Sale of treasury shares | | 1 199 | — | — | **1 199** |
| Inflows from bonds and other non-current financial debt | | 5 226 | — | — | **5 226** |
| Outflows from bonds and other non-current financial debt | | (1 680) | — | 30 | **(1 650)** |
| Inflows/(outflows) from current financial debt | | 2 312 | — | 13 | **2 325** |
| **Cash flow from financing activities** | | **(57)** | **—** | **43** | **(14)** |
| | | | | | |
| Currency retranslations | | (226) | — | 7 | **(219)** |
| **Increase/(decrease) in cash and cash equivalents** | | **902** | **—** | **42** | **944** |
| | | | | | |
| Cash and cash equivalents at beginning of year | | 4 938 | — | (169) | **4 769** |
| **Cash and cash equivalents at end of year** | | **5 840** | **—** | **(127)** | **5 713** |

## 23. Guarantees

At 31 December 2013, the Group has given guarantees to third parties for an amount of CHF 772 million (2012: CHF 534 million). The most significant balance relates to the Nestlé UK pension fund.

## 24. Group risk management

The Nestlé Group Enterprise Risk Management (ERM) is a process applied across the enterprise, designed to identify potential events that may affect the Company, to manage risk to be within its risk appetite, and to provide reasonable assurance regarding the achievement of objectives. Risk management is an integral element of the Governance, Risk management and Compliance (GRC) model.

GRC is an integrated, holistic approach ensuring that the organisation acts in accordance with its risk appetite, internal policies and guidelines, and external regulations. GRC is thereby promoting a proactive risk management and the effectiveness of internal controls.

ERM enables Nestlé's management to raise risk awareness, to anticipate risks early and to make sound business decisions throughout the Group by understanding relative business impact of different types of risks, root causes and correlations among interdependent risks or major impact of the Company on its social and physical environment.

A global risk appetite is defined by the Executive Board and reviewed and validated on an annual basis by the Board of Directors.

The complexity of the Nestlé Group requires a two-tiered (centralised and decentralised) approach to the evaluation of risk. To allow for this complexity, the ERM has been developed using both "Top-Down" and "Bottom-Up" assessments.

Implementation of this Framework has allowed the Group to achieve the following objectives:

- identification and quantification of tangible (financial, operational, physical, human assets, etc.) and intangible (reputation, brand image, intellectual property, etc.) risks in a transparent manner;
- development of a common language for communicating and consolidating risk; and
- prioritisation and identification of where to focus management resources and activity.

The "Top-Down" assessment occurs annually and focuses on the Group's global risk portfolio. It is performed with all members of the Executive Board and addresses the most relevant risks related to the strategic development of the Nestlé Group. An annual Compliance Risk Assessment is also performed by the functions represented in the Group Compliance Committee. The individual "Top-Down" assessments of Zones, Globally Managed Businesses, and all markets are consolidated, presented and discussed with the Executive Board. It is intended to provide a high-level mapping of Group risk and allow Group Management to make sound decisions on the future operations of the Company. Risk assessments are the responsibility of line management; this applies equally to a business, a market or a function, and any mitigating actions identified in the assessments are the responsibility of the individual line management. If a Group-level intervention is required, responsibility for mitigating actions will generally be determined by the Executive Board.

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

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

Financial risks management is described in more detail in Note 14.

## 25. Events after the balance sheet date

On 11 February 2014, the Group announced its intention to sell 48.5 million of its L'Oréal shares to L'Oréal for EUR 6.0 billion. The shares will be cancelled. Upon completion of the transaction the Group will continue to account for its remaining stake in L'Oréal using the equity method.

Part of the proceeds will be used to acquire the remaining 50% of the shares of Galderma currently owned by L'Oréal for EUR 2.6 billion, subject to regulatory approvals which are expected to be received during the first half of 2014. In addition, the Group intends to use the remaining EUR 3.4 billion to launch a share buy-back programme.

The main financial effects of the transaction are expected to result in incremental annual sales of CHF 2 billion following the consolidation of Galderma, and a one-off gain of approximately CHF 7.5 billion (including a revaluation gain on the 50% stake in Galderma already held by the Group).

At 12 February 2014, the date of approval for issue of the Consolidated Financial Statements by the Board of Directors, the Group has no other subsequent events that warrant a modification of the value of its assets and liabilities or any additional disclosure.

## 26. Group companies

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

# Report of the Statutory Auditor on the Consolidated Financial Statements

to the General Meeting of Nestlé S.A.

As statutory auditor, we have audited the consolidated financial statements (income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes on pages 74 to 148) of the Nestlé Group for the year ended 31 December 2013.

***Board of Directors' responsibility***

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

***Auditor's responsibility***

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

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

***Opinion***

In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

## Report on other legal requirements

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

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

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

KPMG SA

Scott Cormack
Licensed Audit Expert
Auditor in charge

Fabien Lussu
Licensed Audit Expert

Geneva, 12 February 2014

# Financial information – 5 year review

In millions of CHF (except for per share data and personnel)

| | 2013 | | 2012 (f) |
|---|---|---|---|
| **Results** | | | |
| Sales (a) | 92 158 | | 89 721 |
| Trading operating profit (a) | 14 047 | | 13 464 |
| *as % of sales (a)* | *15.2%* | | *15.0%* |
| Sales | — | | — |
| EBIT * | — | | — |
| *as % of sales* | — | | — |
| Taxes | 3 256 | | 3 259 |
| Profit for the year attributable to shareholders of the parent (Net profit) | 10 015 | | 10 228 |
| *as % of sales (a)* | *10.9%* | | *11.4%* |
| Total amount of dividend | 6 927 | (e) | 6 552 |
| Depreciation of property, plant and equipment | 2 864 | | 2 655 |
| | | | |
| **Balance sheet and Cash flow statement** | | | |
| Current assets | 30 066 | | 34 020 |
| Non-current assets | 90 376 | | 91 857 |
| Total assets | 120 442 | | 125 877 |
| Current liabilities | 32 917 | | 38 597 |
| Non-current liabilities | 23 386 | | 24 616 |
| Equity attributable to shareholders of the parent | 62 575 | | 61 007 |
| Non-controlling interests | 1 564 | | 1 657 |
| Net financial debt | 14 690 | | 18 120 |
| Operating cash flow (b) | 14 992 | | 15 668 |
| *as % of net financial debt* | *102.1%* | | *86.5%* |
| Free cash flow (c) | 10 486 | | 9 905 |
| Capital expenditure | 4 928 | | 5 273 |
| *as % of sales (a)* | *5.3%* | | *5.9%* |
| | | | |
| **Data per share** | | | |
| Weighted average number of shares outstanding (in millions of units) | 3 191 | | 3 186 |
| Total basic earnings per share | 3.14 | | 3.21 |
| Equity attributable to shareholders of the parent | 19.61 | | 19.15 |
| Dividend | 2.15 | (e) | 2.05 |
| Pay-out ratio based on Total basic earnings per share | 68.5% | (e) | 63.9% |
| Stock prices (high) | 70.00 | | 62.30 |
| Stock prices (low) | 59.20 | | 52.50 |
| Yield (d) | 3.1/3.6 | (e) | 3.3/3.9 |
| | | | |
| **Market capitalisation** | **208 279** | | **190 038** |
| | | | |
| **Number of personnel (in thousands)** | **333** | | **333** |

* Earnings Before Interest, Taxes, restructuring and impairments.
(a) 2010 restated following the changes of presentation made to the Income Statement as of 1 January 2011 (refer to Note 1 – Accounting Policies of the 2011 Consolidated Financial Statements).
(b) 2011 restated following the changes in the cash flow statement (refer to Note 1 – Accounting Policies of the 2012 Consolidated Financial Statements).
(c) Refer to Note 18.6 for definition. As from 2012, movements with non-controlling interests are no longer deducted. 2011 comparatives have been restated accordingly.

| 2011 | 2010 | | 2009 | |
|---|---|---|---|---|
| | | | | **Results** |
| 83 642 | 93 015 | | — | Sales (a) |
| 12 538 | 14 832 | | — | Trading operating profit (a) |
| *15.0%* | *15.9%* | | — | *as % of sales (a)* |
| — | 109 722 | | 107 618 | Sales |
| — | 16 194 | | 15 699 | EBIT * |
| — | *14.8%* | | *14.6%* | *as % of sales* |
| 3 112 | 3 693 | | 3 362 | Taxes |
| 9 487 | 34 233 | (g) | 10 428 | Profit for the year attributable to shareholders of the parent (Net profit) |
| *11.3%* | *36.8%* | (g) | *9.7%* | *as % of sales (a)* |
| 6 213 | 5 939 | | 5 443 | Total amount of dividend |
| 2 422 | 2 552 | | 2 713 | Depreciation of property, plant and equipment |
| | | | | |
| | | | | **Balance sheet and Cash flow statement** |
| 33 324 | 38 997 | | 39 870 | Current assets |
| 80 767 | 72 644 | | 71 046 | Non-current assets |
| 114 091 | 111 641 | | 110 916 | Total assets |
| 35 232 | 30 146 | | 36 083 | Current liabilities |
| 20 585 | 18 897 | | 21 202 | Non-current liabilities |
| 56 797 | 61 867 | | 48 915 | Equity attributable to shareholders of the parent |
| 1 477 | 731 | | 4 716 | Non-controlling interests |
| 14 319 | 3 854 | | 18 085 | Net financial debt |
| 10 180 | 13 608 | | 17 934 | Operating cash flow (b) |
| *71.1%* | *353.2%* | (g) | *99.2%* | *as % of net financial debt* |
| 4 757 | 7 761 | | 12 369 | Free cash flow (c) |
| 4 779 | 4 576 | | 4 641 | Capital expenditure |
| *5.7%* | *4.9%* | | *4.3%* | *as % of sales (a)* |
| | | | | |
| | | | | **Data per share** |
| 3 196 | 3 371 | | 3 572 | Weighted average number of shares outstanding (in millions of units) |
| 2.97 | 10.16 | (g) | 2.92 | Total basic earnings per share |
| 17.77 | 18.35 | | 13.69 | Equity attributable to shareholders of the parent |
| 1.95 | 1.85 | | 1.60 | Dividend |
| 65.7% | 18.2% | | 54.8% | Pay-out ratio based on Total basic earnings per share |
| 55.45 | 56.90 | | 51.25 | Stock prices (high) |
| 43.50 | 48.18 | | 35.04 | Stock prices (low) |
| 3.5/4.5 | 3.3/3.8 | | 3.1/4.6 | Yield (d) |
| | | | | |
| **171 287** | **178 316** | | **174 294** | **Market capitalisation** |
| | | | | |
| **328** | **281** | | **278** | **Number of personnel (in thousands)** |

(d) Calculated on the basis of the dividend for the year concerned, which is paid in the following year, and on high/low stock prices.
(e) As proposed by the Board of Directors of Nestlé S.A.
(f) 2012 restated following the implementation of IFRS 11 and IAS 19 revised, and adjusted following the final valuation of the Wyeth Nutrition acquisition.
(g) Impacted by the profit on disposal of 52% of Alcon outstanding capital.

# Companies of the Nestlé Group

Principal affiliated companies [(a)], including joint arrangements and associates, which operate in the Food and Beverages business, with the exception of those marked with an ° which are engaged in the health and beauty activities.

(a) In the context of the SIX Swiss Exchange Directive on Information relating to Corporate Governance, the disclosure criteria are as follows:
– operating companies are disclosed if their sales exceed CHF 10 million or equivalent;
– financial companies are disclosed if either their equity exceed CHF 10 million or equivalent and/or the total balance sheet is higher than CHF 50 million or equivalent.

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

All companies listed below are fully consolidated unless stated otherwise.

1) Joint ventures accounted for using the equity method.
2) Joint operations accounted for in proportion to the Nestlé contractual specified share (usually 50%).
3) Associates accounted for using the equity method.

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

| Companies | | City | % capital shareholdings | Currency | Capital |
|---|---|---|---|---|---|
| **Europe** | | | | | |
| **Austria** | | | | | |
| C.P.A. Cereal Partners Handelsgesellschaft M.B.H. & Co. OHG | 1) | Wien | 50% | EUR | 145 346 |
| Nespresso Österreich GmbH & Co. OHG | | Wien | 100% | EUR | 35 000 |
| Nestlé Österreich GmbH | | Wien | 100% | EUR | 7 270 000 |
| **Azerbaijan** | | | | | |
| Nestlé Azerbaijan Llc | | Baku | 100% | USD | 200 000 |
| **Belgium** | | | | | |
| Centre de Coordination Nestlé S.A. | ◊ | Bruxelles | 100% | EUR | 3 298 971 818 |
| Davigel Belgilux S.A. | | Bruxelles | 100% | EUR | 1 487 361 |
| Nespresso Belgique S.A. | | Bruxelles | 100% | EUR | 550 000 |
| Nestlé Belgilux S.A. | | Bruxelles | 100% | EUR | 64 924 438 |
| Nestlé Catering Services N.V. | | Bruxelles | 100% | EUR | 14 035 500 |
| Nestlé Waters Benelux S.A. | | Etalle | 100% | EUR | 5 601 257 |
| **Bosnia and Herzegovina** | | | | | |
| Nestlé Adriatic B&H d.o.o. | | Sarajevo | 100% | BAM | 2 000 |
| **Bulgaria** | | | | | |
| Nestlé Bulgaria A.D. | | Sofia | 100% | BGN | 10 234 933 |
| **Croatia** | | | | | |
| Nestlé Adriatic d.o.o. | | Zagreb | 100% | HRK | 14 685 500 |
| **Czech Republic** | | | | | |
| Cereal Partners Czech Republic | 1) | Praha | 50% | CZK | 23 100 000 |
| Nestlé Cesko s.r.o. | | Praha | 100% | CZK | 300 000 000 |

| Companies | | City | % capital shareholdings | Currency | Capital |
|---|---|---|---|---|---|
| **Denmark** | | | | | |
| Glycom A/S | 3) | Copenhagen | 36.1% | DKK | 149 000 000 |
| Nestlé Danmark A/S | | Copenhagen | 100% | DKK | 44 000 000 |
| Oscar A/S | | Rønnede | 100% | DKK | 12 000 000 |
| **Finland** | | | | | |
| Puljonki Oy | | Helsinki | 100% | EUR | 85 000 |
| Suomen Nestlé Oy | | Helsinki | 100% | EUR | 10 000 000 |
| **France** | | | | | |
| Centres de Recherche et Développement Nestlé S.A.S. | | Beauvais | 100% | EUR | 3 138 230 |
| Cereal Partners France SNC | 1) | Noisiel | 50% | EUR | 3 000 000 |
| Davigel S.A.S. | | Martin Eglise | 100% | EUR | 7 681 250 |
| Galderma International S.A.S.° | 1) | Courbevoie | 50% | EUR | 940 020 |
| Galderma Q-Med S.A.S.° | 1) | Paris | 50% | EUR | 3 769 870 |
| Galderma Research and Development SNC° | 1) | Biot | 50% | EUR | 70 518 259 |
| Herta S.A.S. | | Noisiel | 100% | EUR | 12 908 610 |
| Houdebine S.A.S. | | Noyal Pontivy | 100% | EUR | 726 000 |
| L'Oréal S.A.° | Δ 3) | Paris | 29.7% | EUR | 121 180 377 |
| *Listed on the Paris stock exchange, market capitalisation EUR 77.4 billion, quotation code (ISIN) FR0000120321* | | | | | |
| Laboratoires Galderma S.A.S.° | 1) | Alby-sur-Chéran | 50% | EUR | 14 015 454 |
| Laboratoires Innéov SNC° | 1) | Nanterre | 50% | EUR | 950 000 |
| Lactalis Nestlé Produits Frais S.A.S. | 3) | Laval | 40% | EUR | 69 208 832 |
| Nespresso France S.A.S. | | Paris | 100% | EUR | 1 360 000 |
| Nestlé Clinical Nutrition France S.A.S. | | Noisiel | 100% | EUR | 57 943 072 |
| Nestlé Entreprises S.A.S. | ◊ | Noisiel | 100% | EUR | 739 559 392 |
| Nestlé France M.G. S.A.S. | | Noisiel | 100% | EUR | 50 000 |
| Nestlé France S.A.S. | | Noisiel | 100% | EUR | 130 925 520 |
| Nestlé Grand Froid S.A. | | Noisiel | 100% | EUR | 3 120 000 |
| Nestlé Purina PetCare France S.A.S. | | Rueil-Malmaison | 100% | EUR | 21 091 872 |
| Nestlé Waters S.A.S. | ◊ | Issy-les-Moulineaux | 100% | EUR | 254 893 080 |
| Nestlé Waters France S.A.S. | ◊ | Issy-les-Moulineaux | 100% | EUR | 44 856 149 |
| Nestlé Waters Management & Technology S.A.S. | | Issy-les-Moulineaux | 100% | EUR | 38 113 |
| Nestlé Waters Marketing & Distribution S.A.S. | | Issy-les-Moulineaux | 100% | EUR | 26 740 940 |
| Nestlé Waters Services S.A.S. | | Issy-les-Moulineaux | 100% | EUR | 1 356 796 |
| Nestlé Waters Supply Centre S.A.S. | | Issy-les-Moulineaux | 100% | EUR | 2 577 000 |
| Nestlé Waters Supply Est S.A.S. | | Issy-les-Moulineaux | 100% | EUR | 17 539 660 |
| Nestlé Waters Supply Sud S.A.S. | | Issy-les-Moulineaux | 100% | EUR | 7 309 106 |
| Société de Bouchages Emballages Conditionnement Moderne S.A.S. | 3) | Lavardac | 50% | EUR | 10 200 000 |
| Société des Produits Alimentaires de Caudry S.A.S. | | Noisiel | 100% | EUR | 1 440 000 |
| Société Française des Eaux Régionales S.A.S. | ◊ | Issy-les-Moulineaux | 100% | EUR | 1 490 098 |
| Société Immobilière de Noisiel S.A. | ◊ | Noisiel | 100% | EUR | 22 753 550 |
| Société Industrielle de Transformation de Produits Agricoles S.A.S. | | Noisiel | 100% | EUR | 9 718 000 |

| Companies | | City | % capital shareholdings | Currency | Capital |
|---|---|---|---|---|---|
| **Germany** | | | | | |
| Alois Dallmayr Kaffee OHG | 3) | München | 25% | EUR | 10 250 000 |
| C.P.D. Cereal Partners Deutschland GmbH & Co. OHG | 1) | Frankfurt am Main | 50% | EUR | 511 292 |
| Erlenbacher Backwaren GmbH | | Darmstadt | 100% | EUR | 2 582 024 |
| Galderma Laboratorium GmbH° | 1) | Düsseldorf | 50% | EUR | 800 000 |
| Nestlé Deutschland AG | | Frankfurt am Main | 100% | EUR | 214 266 628 |
| Nestlé Product Technology Centre Lebensmittelforschung GmbH | | Singen | 100% | EUR | 52 000 |
| Nestlé Unternehmungen Deutschland GmbH | ◊ | Frankfurt am Main | 100% | EUR | 60 000 000 |
| Nestlé Waters Deutschland GmbH | | Mainz | 100% | EUR | 10 566 000 |
| Spirig Pharma GmbH° | 1) | Düsseldorf | 50% | EUR | 155 000 |
| Trinks GmbH | 3) | Goslar | 25% | EUR | 2 360 000 |
| Trinks Süd GmbH | 3) | München | 25% | EUR | 260 000 |
| **Greece** | | | | | |
| C.P.W. Hellas Breakfast Cereals S.A. | 1) | Maroussi | 50% | EUR | 201 070 |
| Nespresso Hellas S.A. | | Maroussi | 100% | EUR | 500 000 |
| Nestlé Hellas S.A. | | Maroussi | 100% | EUR | 39 119 726 |
| **Hungary** | | | | | |
| Cereal Partners Hungária Kft. | 1) | Budapest | 50% | HUF | 22 000 000 |
| Kékkúti Ásvànyvíz Zrt. | | Budapest | 100% | HUF | 238 326 000 |
| Nestlé Hungária Kft. | | Budapest | 100% | HUF | 6 000 000 000 |
| **Italy** | | | | | |
| Fastlog S.p.A. | | Milano | 100% | EUR | 154 935 |
| Galderma Italia S.p.A.° | 1) | Milano | 50% | EUR | 612 000 |
| Nespresso Italiana S.p.A. | | Milano | 100% | EUR | 250 000 |
| Nestlé Italiana S.p.A. | | Milano | 100% | EUR | 25 582 492 |
| Sanpellegrino S.p.A. | | Milano | 100% | EUR | 58 742 145 |
| **Kazakhstan** | | | | | |
| Nestlé Food Kazakhstan LLP | | Almaty | 100% | KZT | 91 900 |
| **Lithuania** | | | | | |
| UAB "Nestlé Baltics" | | Vilnius | 100% | LTL | 110 000 |
| **Luxemburg** | | | | | |
| Compagnie Financière du Haut-Rhin S.A. | ◊ | Luxembourg | 100% | EUR | 105 200 000 |
| Nespresso Luxembourg Sàrl | | Luxembourg | 100% | EUR | 12 525 |
| Nestlé Finance International Ltd | ◊ | Luxembourg | 100% | EUR | 440 000 |
| Nestlé Treasury International S.A. | ◊ | Luxembourg | 100% | EUR | 1 000 000 |
| NTC-Europe S.A. | ◊ | Luxembourg | 100% | EUR | 3 565 000 |
| **Macedonia** | | | | | |
| Nestlé Adriatik Makedonija d.o.o.e.l. | | Skopje-Karpos | 100% | MKD | 31 065 780 |

| Companies | | City | % capital shareholdings | Currency | Capital |
|---|---|---|---|---|---|
| **Malta** | | | | | |
| Nestlé Malta Ltd | | Lija | 100% | EUR | 116 470 |
| **Netherlands** | | | | | |
| East Springs International N.V. | ◊ | Amsterdam | 100% | EUR | 25 370 000 |
| Galderma BeNeLux B.V.° | 1) | Rotterdam | 50% | EUR | 18 002 |
| Nespresso Nederland B.V. | | Amsterdam | 100% | EUR | 680 670 |
| Nestlé Nederland B.V. | | Amstelveen | 100% | EUR | 11 346 000 |
| **Norway** | | | | | |
| A/S Nestlé Norge | | Oslo | 100% | NOK | 81 250 000 |
| Kaffeknappen Norge AS | | Oslo | 87.5% | NOK | 100 000 |
| **Poland** | | | | | |
| Cereal Partners Poland Torun-Pacific Sp. Z o.o. | 1) | Torun | 50% | PLN | 14 572 838 |
| Galderma Polska Z o.o.° | 1) | Warszawa | 50% | PLN | 93 000 |
| Nestlé Polska S.A. | | Warszawa | 100% | PLN | 50 000 000 |
| Nestlé Waters Polska S.A. | | Warszawa | 100% | PLN | 196 100 000 |
| **Portugal** | | | | | |
| Cereal Associados Portugal A.E.I.E. | 1) | Oeiras | 50% | EUR | 99 760 |
| Nestlé Portugal S.A. | | Oeiras | 100% | EUR | 30 000 000 |
| Nestlé Waters direct Portugal, comércio e distribuição de produtos alimentares, S.A. | | Loures | 100% | EUR | 1 000 000 |
| Prolacto-Lacticinios de São Miguel S.A. | | Ponta Delgada | 100% | EUR | 700 000 |
| **Republic of Ireland** | | | | | |
| Nestlé (Ireland) Ltd | | Dublin | 100% | EUR | 41 964 052 |
| Pfizer Nutritionals Ireland Limited | | Askeaton | 100% | USD | 885 599 990 |
| **Republic of Serbia** | | | | | |
| Nestlé Adriatic S d.o.o., Beograd-Surcin | | Beograd-Surcin | 100% | RSD | 7 996 397 614 |
| **Romania** | | | | | |
| Nestlé Romania S.R.L. | | Bucharest | 100% | RON | 77 906 800 |
| **Russia** | | | | | |
| Cereal Partners Rus, LLC | 1) | Moscow | 50% | RUB | 20 420 000 |
| LLC Nestlé Watercoolers Service | | Moscow | 100% | RUB | 20 372 926 |
| Nestlé Kuban LLC | | Timashevsk | 100% | RUB | 11 041 793 |
| Nestlé Rossiya LLC | | Moscow | 100% | RUB | 840 153 854 |
| ooo Galderma LLC° | 1) | Moscow | 50% | RUB | 25 000 000 |
| **Slovak Republic** | | | | | |
| Nestlé Slovensko s.r.o. | | Prievidza | 100% | EUR | 13 277 568 |
| **Slovenia** | | | | | |
| Nestlé Adriatic Trgovina d.o.o. | | Ljubljana | 100% | EUR | 8 763 |

| Companies | | City | % capital shareholdings | Currency | Capital |
|---|---|---|---|---|---|
| **Spain** | | | | | |
| Aquarel Iberica S.A. | | Barcelona | 100% | EUR | 300 505 |
| Cereal Partners España A.E.I.E. | 1) | Esplugues de Llobregat (Barcelona) | 50% | EUR | 120 202 |
| Davigel España S.A. | | Sant Just Desvern (Barcelona) | 100% | EUR | 984 000 |
| Helados y Postres S.A. | | Vitoria (Alava) | 100% | EUR | 103 900 300 |
| Innéov España S.A.° | 1) | Madrid | 50% | EUR | 120 000 |
| Laboratorios Galderma, S.A.° | 1) | Madrid | 50% | EUR | 432 480 |
| Nestlé España S.A. | | Esplugues de Llobregat (Barcelona) | 100% | EUR | 100 000 000 |
| Nestlé Purina PetCare España S.A. | | Castellbisbal (Barcelona) | 100% | EUR | 12 000 000 |
| Nestlé Waters España, S.A. | | Barcelona | 100% | EUR | 300 000 |
| Productos del Café S.A. | | Reus (Tarragona) | 100% | EUR | 6 600 000 |
| **Sweden** | | | | | |
| Galderma Holding AB° | ◊ 1) | Bromma | 50% | SEK | 50 000 |
| Galderma Nordic AB° | 1) | Bromma | 50% | SEK | 31 502 698 |
| Kaffeknappen AB | ◊ | Stockholm | 100% | SEK | 100 000 |
| Kaffeknappen Sverige AB | | Stockholm | 100% | SEK | 100 000 |
| Nestlé Sverige AB | | Helsingborg | 100% | SEK | 20 000 000 |
| Q-Med AB° | 1) | Uppsala | 50% | SEK | 24 845 500 |
| Q-Med Holding Sweden AB° | 1) | Uppsala | 50% | SEK | 100 000 |
| Q-Med Production AB° | 1) | Uppsala | 50% | SEK | 100 000 |
| **Switzerland** | | | | | |
| Beverage Partners Worldwide (Europe) AG | ◊ 1) | Zürich | 50% | CHF | 14 000 000 |
| CPW Operations Sàrl | 1) | Prilly | 50% | CHF | 20 000 |
| CPW S.A. | 1) | Prilly | 50% | CHF | 10 000 000 |
| Eckes-Granini (Suisse) S.A. | 2) | Henniez | 49% | CHF | 2 000 000 |
| Entreprises Maggi S.A. | ◊ | Cham | 100% | CHF | 100 000 |
| Galderma Pharma S.A.° | ◊ 1) | Lausanne | 50% | CHF | 48 900 000 |
| Galderma S.A.° | 1) | Cham | 50% | CHF | 178 100 |
| Intercona Re AG | ◊ | Châtel-St-Denis | 100% | CHF | 35 000 000 |
| Nestec S.A. | | Vevey | 100% | CHF | 5 000 000 |
| Nestlé Finance S.A. | ◊ | Cham | 100% | CHF | 30 000 000 |
| Nestlé Health Science S.A. | | Vevey | 100% | CHF | 100 000 |
| Nestlé Institute of Health Sciences S.A. | | Ecublens | 100% | CHF | 100 000 |
| Nestlé International Travel Retail S.A. | | Vevey | 100% | CHF | 3 514 000 |
| Nestlé Nespresso S.A. | | Lausanne | 100% | CHF | 2 000 000 |
| Nestlé Operational Services Worldwide S.A. | | Bussigny-près-Lausanne | 100% | CHF | 100 000 |
| Nestlé Waters (Suisse) S.A. | | Henniez | 100% | CHF | 5 000 000 |
| Nestrade S.A. | | La Tour-de-Peilz | 100% | CHF | 6 500 000 |
| Nutrition-Wellness Venture AG | ◊ | Vevey | 100% | CHF | 100 000 |
| Rive-Reine S.A. | ◊ | La Tour-de-Peilz | 100% | CHF | 2 000 000 |
| S.I. En Bergère Vevey S.A. | ◊ | Vevey | 100% | CHF | 19 500 000 |
| Société des Produits Nestlé S.A. | | Vevey | 100% | CHF | 54 750 000 |
| Sofinol S.A. | | Manno | 100% | CHF | 3 000 000 |
| Spirig Phama AG° | 1) | Egerkingen | 50% | CHF | 600 000 |

| Companies | City | % capital shareholdings | Currency | Capital |
|---|---|---|---|---|
| **Turkey** | | | | |
| Balaban Gida Sanayi ve Ticaret A.S. | Sakarya | 50.9% | TRY | 21 424 364 |
| Cereal Partners Gida Ticaret Limited Sirketi [1] | Istanbul | 50% | TRY | 25 020 000 |
| Erikli Dagitim ve Pazarlama A.S. | Bursa | 100% | TRY | 3 849 975 |
| Erikli Su ve Mesrubat Sanayi ve Ticaret A.S. | Bursa | 100% | TRY | 12 700 000 |
| NDB Gida Sanayi ve Ticaret A.S. ◊ | Istanbul | 50.9% | TRY | 66 611 123 |
| Nestlé Türkiye Gida Sanayi A.S. | Istanbul | 99.9% | TRY | 35 000 000 |
| Nestlé Waters Gida ve Mesrubat Sanayi Ticaret A.S. | Bursa | 100% | TRY | 8 000 000 |
| **Ukraine** | | | | |
| LLC Nestlé Ukraine | Kyiv | 100% | USD | 150 000 |
| LLC Technocom | Kharkiv | 100% | UAH | 119 658 066 |
| PJSC "Lviv Confectionery Factory Svitoch" | Lviv | 97% | UAH | 88 111 060 |
| PRJSC Volynholding | Torchyn | 100% | UAH | 100 000 |
| **United Kingdom** | | | | |
| Buxton Mineral Waters Ltd ◊ | Rickmansworth | 100% | GBP | 14 000 000 |
| Cereal Partners UK [1] | Herts | 50% | GBP | — |
| Galderma (UK) Ltd° [1] | Watford | 50% | GBP | 1 500 000 |
| Nespresso UK Ltd | Gatwick | 100% | GBP | 275 000 |
| Nestec York Ltd | Gatwick | 100% | GBP | 500 000 |
| Nestlé Holdings (UK) PLC ◊ | Gatwick | 100% | GBP | 77 940 000 |
| Nestlé Purina PetCare (UK) Ltd | Gatwick | 100% | GBP | 44 000 000 |
| Nestlé UK Ltd | Gatwick | 100% | GBP | 129 972 342 |
| Nestlé Waters GB Ltd ◊ | Rickmansworth | 100% | GBP | 14 000 000 |
| Nestlé Waters UK Ltd | Gatwick | 100% | GBP | 640 |
| Nestlé Waters (UK) Holdings Ltd ◊ | Gatwick | 100% | GBP | 6 500 002 |
| Vitaflo (International) Ltd | Liverpool | 100% | GBP | 625 379 |

| Companies | City | % capital shareholdings | Currency | Capital |
|---|---|---|---|---|
| **Africa** | | | | |
| **Algeria** | | | | |
| Nestlé Algérie SpA | Alger | 70% | DZD | 7 000 000 |
| Nestlé Waters Algérie SpA | Blida | 100% | DZD | 1 622 551 965 |
| **Angola** | | | | |
| Nestlé Angola Lda | Luanda | 100% | AOA | 24 000 000 |
| **Burkina Faso** | | | | |
| Nestlé Burkina Faso S.A.U. | Ouagadougou | 100% | XOF | 50 000 000 |
| **Cameroon** | | | | |
| Nestlé Cameroun | Douala | 100% | XAF | 650 000 000 |
| **Côte d'Ivoire** | | | | |
| Nestlé Côte d'Ivoire Δ | Abidjan | 86.5% | XOF | 5 517 600 000 |
| *Listed on the Abidjan stock exchange, market capitalisation XOF 71.7 billion, quotation code (ISIN) CI0009240728* | | | | |
| **Democratic Republic of the Congo** | | | | |
| Nestlé Congo s.p.r.l. | Kinshasa | 100% | USD | 33 200 000 |
| **Egypt** | | | | |
| Nestlé Egypt S.A.E. | Giza | 100% | EGP | 80 722 000 |
| Nestlé Waters Distribution Company | Cairo | 64% | EGP | 15 200 000 |
| Nestlé Waters Egypt S.A.E. | Cairo | 63.7% | EGP | 81 500 000 |
| **Gabon** | | | | |
| Nestlé Gabon | Libreville | 90% | XAF | 344 000 000 |
| **Ghana** | | | | |
| Nestlé Central and West Africa Ltd | Accra | 100% | GHS | 46 000 |
| Nestlé Ghana Ltd | Accra | 76% | GHS | 20 100 000 |
| **Guinea** | | | | |
| Nestlé Guinée S.A. | Conakry | 99% | GNF | 3 424 000 000 |
| **Kenya** | | | | |
| Nestlé Equatorial African Region Limited | Nairobi | 100% | KES | 132 000 000 |
| Nestlé Kenya Ltd | Nairobi | 100% | KES | 172 958 400 |
| **Mali** | | | | |
| Nestlé Mali S.A.U. | Bamako | 100% | XOF | 10 000 000 |
| **Mauritius** | | | | |
| Nestlé SEA Trading Ltd | Port Louis | 100% | USD | 2 |
| Nestlé's Products (Mauritius) Ltd | Port Louis | 100% | BSD | 71 500 |

| Companies | | City | % capital shareholdings | Currency | Capital |
|---|---|---|---|---|---|
| **Morocco** | | | | | |
| Nestlé Maghreb S.A. | | Casablanca | 100% | MAD | 300 000 |
| Nestlé Maroc S.A. | | El Jadida | 94.5% | MAD | 156 933 000 |
| **Mozambique** | | | | | |
| Nestlé Mocambique Lda | | Maputo | 100% | MZN | 4 000 |
| **Niger** | | | | | |
| Nestlé Niger S.A. | | Niamey | 99.6% | XOF | 50 000 000 |
| **Nigeria** | | | | | |
| Nestlé Nigeria Plc | Δ | Ilupeju | 63.5% | NGN | 396 328 126 |
| *Listed on the Nigerian Stock Exchange, market capitalisation NGN 951.2 billion, quotation code (ISIN) NGNESTLE0006* | | | | | |
| **Senegal** | | | | | |
| Nestlé Sénégal | | Dakar | 100% | XOF | 1 620 000 000 |
| **South Africa** | | | | | |
| Galderma Laboratories South Africa (Pty) Ltd° | 1) | Randburg | 50% | ZAR | 375 000 |
| Nestlé (South Africa) (Pty) Ltd | | Johannesburg | 100% | ZAR | 553 400 000 |
| **Togo** | | | | | |
| Nestlé Togo S.A.U. | | Lome | 100% | XOF | 50 000 000 |
| **Tunisia** | | | | | |
| Nestlé Tunisie Distribution S.A. | | Tunis | 99.5% | TND | 100 000 |
| Nestlé Tunisie S.A. | | Tunis | 99.5% | TND | 8 438 280 |
| **Zambia** | | | | | |
| Nestlé Zambia Trading Ltd | | Lusaka | 100% | ZMK | 2 317 500 000 |
| **Zimbabwe** | | | | | |
| Nestlé Zimbabwe (Private) Ltd | | Harare | 100% | USD | 2 100 000 |

| Companies | | City | % capital shareholdings | Currency | Capital |
|---|---|---|---|---|---|
| **Americas** | | | | | |
| **Argentina** | | | | | |
| Cereales Partners LLC - Union Transitoria de Empresas | 1) | Buenos Aires | 50% | ARS | — |
| Dairy Partners Americas Manufacturing Argentina S.A. | 2) | Buenos Aires | 50% | ARS | 272 500 |
| Eco de Los Andes S.A. | | Buenos Aires | 50.9% | ARS | 92 524 285 |
| Galderma Argentina S.A.° | 1) | Buenos Aires | 50% | ARS | 9 900 000 |
| Nestlé Argentina S.A. | | Buenos Aires | 100% | ARS | 10 809 000 |
| Nestlé Waters Argentina S.A. | | Buenos Aires | 100% | ARS | 8 420 838 |
| **Barbados** | | | | | |
| Lacven Corporation | ◊ 1) | Barbados | 50% | USD | 60 000 000 |
| **Bermuda** | | | | | |
| Centram Holdings Ltd | ◊ | Hamilton | 100% | USD | 12 000 |
| DPA Manufacturing Holdings Ltd | ◊ 2) | Hamilton | 50% | USD | 23 639 630 |
| **Bolivia** | | | | | |
| Industrias Alimentícias Fagal S.r.l. | | Santa Cruz | 100% | BOB | 133 100 000 |
| Nestlé Bolivia S.A. | | Santa Cruz | 100% | BOB | 191 900 |
| **Brazil** | | | | | |
| Chocolates Garoto S.A. | | Vila Velha | 100% | BRL | 161 450 000 |
| CPW Brasil Ltda | 1) | São Paulo | 50% | BRL | 7 885 520 |
| Dairy Partners Americas Brasil Ltda | 1) | São Paulo | 50% | BRL | 27 606 368 |
| Dairy Partners Americas Manufacturing Brasil Ltda | 2) | São Paulo | 50% | BRL | 39 468 974 |
| Dairy Partners Americas Nordeste – Produtos Alimentícios Ltda | 1) | Garanhuns | 50% | BRL | 100 000 |
| Galderma Brasil Ltda° | 1) | São Paulo | 50% | BRL | 19 741 602 |
| Innéov Brasil Nutricosmeticos Ltda° | 1) | Duque de Caxias | 50% | BRL | 20 000 |
| Nestlé Brasil Ltda | | São Paulo | 100% | BRL | 450 092 396 |
| Nestlé Nordeste Alimentos e Bebidas Ltda | | Feira de Santana | 100% | BRL | 12 713 641 |
| Nestlé Sudeste Alimentos e Bebidas Ltda | | São Paulo | 100% | BRL | 109 317 818 |
| Nestlé Sul Alimentos e Bebidas Ltda | | Carazinho | 100% | BRL | 73 049 736 |
| Nestlé Waters Brasil – Bebidas e Alimentos Ltda | | São Paulo | 100% | BRL | 87 248 341 |
| **Canada** | | | | | |
| G. Production Canada Inc.° | 1) | Baie D'Urfé (Québec) | 50% | CAD | 100 |
| Galderma Canada Inc.° | 1) | New Brunswick | 50% | CAD | 100 |
| Nestlé Canada Inc. | | Toronto (Ontario) | 100% | CAD | 47 165 540 |
| Nestlé Capital Canada Ltd | ◊ | Toronto (Ontario) | 100% | CAD | 1 010 |
| Nestlé Globe Inc. | | Toronto (Ontario) | 100% | CAD | 106 000 100 |
| **Cayman Islands** | | | | | |
| Hsu Fu Chi International Limited | | Grand Cayman | 60% | SGD | 7 950 000 |

| Companies | | City | % capital shareholdings | Currency | Capital |
|---|---|---|---|---|---|
| **Chile** | | | | | |
| Aguas CCU – Nestlé Chile S.A. | 3) | Santiago de Chile | 49.8% | CLP | 49 799 375 321 |
| Cereales CPW Chile Ltda | 1) | Santiago de Chile | 50% | CLP | 3 026 156 114 |
| Comercializadora de Productos Nestlé S.A. | | Santiago de Chile | 99.7% | CLP | 1 000 000 |
| Nestlé Chile S.A. | | Santiago de Chile | 99.7% | CLP | 11 832 926 000 |
| **Colombia** | | | | | |
| Comestibles La Rosa S.A. | | Bogotá | 100% | COP | 126 397 400 |
| Dairy Partners Americas Manufacturing Colombia Ltda | 2) | Bogotá | 50% | COP | 200 000 000 |
| Nestlé de Colombia S.A. | | Bogotá | 100% | COP | 1 291 305 400 |
| Nestlé Purina PetCare de Colombia S.A. | | Bogotá | 100% | COP | 17 030 000 000 |
| **Costa Rica** | | | | | |
| Compañía Nestlé Costa Rica S.A. | | Barreal de Heredia | 100% | CRC | 18 000 000 |
| Gerber Ingredients, S.A. | | San José | 100% | CRC | 10 000 |
| **Cuba** | | | | | |
| Coralac S.A. | | La Habana | 60% | USD | 6 350 000 |
| Los Portales S.A. | | La Habana | 50% | USD | 24 110 000 |
| **Dominican Republic** | | | | | |
| Nestlé Dominicana S.A. | | Santo Domingo | 97.4% | DOP | 48 500 000 |
| Silsa Dominicana S.A. | | Santo Domingo | 97.4% | USD | 50 000 |
| **Ecuador** | | | | | |
| Ecuajugos S.A. | 1) | Quito | 50% | USD | 521 583 |
| Industrial Surindu S.A. | | Quito | 100% | USD | 3 000 000 |
| Nestlé Ecuador S.A. | | Quito | 100% | USD | 1 776 760 |
| Nestlé Servicios S.A. SerNest | | Quito | 100% | USD | 50 000 |
| **El Salvador** | | | | | |
| Nestlé El Salvador, S.A. de C.V. | | San Salvador | 100% | USD | 4 457 200 |
| **Guatemala** | | | | | |
| Malher S.A. | | Guatemala | 96% | GTQ | 100 000 000 |
| Malher Export S.A. | | Guatemala | 96% | GTQ | 5 000 |
| Nestlé Guatemala S.A. | | Mixco | 100% | GTQ | 23 460 600 |
| **Honduras** | | | | | |
| Nestlé Hondureña S.A. | | Tegucigalpa | 100% | PAB | 200 000 |
| **Jamaica** | | | | | |
| Nestlé Jamaica Ltd | | Kingston | 100% | JMD | 49 200 000 |

| Companies | | City | % capital shareholdings | Currency | Capital |
|---|---|---|---|---|---|
| **Mexico** | | | | | |
| CPW México, S. de R.L. de C.V. | 1) | México, D.F. | 50% | MXN | 43 138 000 |
| Galderma México, S.A. de C.V.° | 1) | México, D.F. | 50% | MXN | 2 385 000 |
| Manantiales La Asunción, S.A.P.I. de C.V. | | México, D.F. | 40% | MXN | 1 205 827 492 |
| Marcas Nestlé, S.A. de C.V. | | México, D.F. | 100% | MXN | 500 050 000 |
| Nescalín, S.A. de C.V. | ◊ | México, D.F. | 100% | MXN | 445 826 740 |
| Nespresso México, S.A. de C.V. | | México, D.F. | 100% | MXN | 10 050 000 |
| Nestlé México, S.A. de C.V. | | México, D.F. | 100% | MXN | 607 532 730 |
| Nestlé Servicios Corporativos, S.A. de C.V. | | México, D.F. | 100% | MXN | 170 100 000 |
| Nestlé Servicios Industriales, S.A. de C.V. | | México, D.F. | 100% | MXN | 1 050 000 |
| Productos Gerber, S.A. de C.V. | | México, D.F. | 100% | MXN | 5 252 440 |
| Ralston Purina México, S.A. de C.V. | | México, D.F. | 100% | MXN | 9 257 112 |
| Waters Partners Services México, S.A.P.I. de C.V. | | México, D.F. | 40% | MXN | 600 000 |
| **Nicaragua** | | | | | |
| Compañía Centroaméricana de Productos Lácteos, S.A. | | Managua | 92.6% | NIO | 10 294 900 |
| Nestlé Nicaragua, S.A. | | Managua | 100% | USD | 150 000 |
| **Panama** | | | | | |
| Food Products (Holdings), S.A. | ◊ | Panamá City | 100% | PAB | 286 000 |
| Garma Enterprises, S.A. | ◊ | Panamá City | 96% | PAB | 0 |
| Lacteos de Centroamérica, S.A. | | Panamá City | 100% | USD | 1 500 000 |
| Nestlé Centroamérica, S.A. | | Panamá City | 100% | USD | 1 000 000 |
| Nestlé Panamá, S.A. | | Panamá City | 100% | PAB | 17 500 000 |
| Unilac, Inc. | ◊ | Panamá City | 100% | USD | 750 000 |
| **Paraguay** | | | | | |
| Nestlé Paraguay S.A. | | Asunción | 100% | PYG | 100 000 000 |
| **Peru** | | | | | |
| Nestlé Marcas Perú, S.A.C. | | Lima | 100% | PEN | 1 000 |
| Nestlé Perú, S.A. | | Lima | 99.6% | PEN | 120 683 387 |
| **Puerto Rico** | | | | | |
| Nestlé Puerto Rico, Inc. | | San Juan | 100% | USD | 500 000 |
| Payco Foods Corporation | | Bayamon | 100% | USD | 890 000 |
| SWIRL Corporation | | Guyanabo | 100% | USD | 100 |
| **Trinidad and Tobago** | | | | | |
| Nestlé Caribbean, Inc. | | Valsayn | 100% | USD | 100 000 |
| Nestlé Trinidad and Tobago Ltd | | Valsayn | 100% | TTD | 35 540 000 |

| Companies | | City | % capital shareholdings | Currency | Capital |
|---|---|---|---|---|---|
| **United States** | | | | | |
| Beverage Partners Worldwide (North America) | 1) | Wilmington (Delaware) | 50% | USD | — |
| Checkerboard Holding Company, Inc. | ◊ | Wilmington (Delaware) | 100% | USD | 1 001 |
| Dreyer's Grand Ice Cream Holdings, Inc. | ◊ | Wilmington (Delaware) | 100% | USD | 10 |
| Galderma Laboratories, Inc.° | 1) | Fort Worth (Texas) | 50% | USD | 981 |
| Galderma Research and Development, LLC.° | 1) | Delaware | 50% | USD | 2 050 000 |
| Gerber Life Insurance Company | | New York | 100% | USD | 148 500 000 |
| Gerber Products Company | | Fremont (Michigan) | 100% | USD | 1 000 |
| Nespresso USA, Inc. | | Wilmington (Delaware) | 100% | USD | 1 000 |
| Nestlé Capital Corporation | ◊ | Wilmington (Delaware) | 100% | USD | 1 000 000 |
| Nestlé Dreyer's Ice Cream Company | | Wilmington (Delaware) | 100% | USD | 1 |
| Nestlé HealthCare Nutrition, Inc. | | Wilmington (Delaware) | 100% | USD | 50 000 |
| Nestlé Health Science-Pamlab, Inc. | | Wilmington (Delaware) | 100% | USD | 1 |
| Nestlé Holdings, Inc. | ◊ | Wilmington (Delaware) | 100% | USD | 100 000 |
| Nestlé Insurance Holdings, Inc. | | Wilmington (Delaware) | 100% | USD | 10 |
| Nestlé Nutrition R&D Centers, Inc. | | Wilmington (Delaware) | 100% | USD | 10 000 |
| Nestlé Prepared Foods Company | | Philadelphia (Pennsylvania) | 100% | USD | 476 760 |
| Nestlé Purina PetCare Company | | St. Louis (Missouri) | 100% | USD | 1 000 |
| Nestlé Purina PetCare Global Resources, Inc. | | Wilmington (Delaware) | 100% | USD | 1 000 |
| Nestlé R&D Center, Inc. | | Wilmington (Delaware) | 100% | USD | 10 000 |
| Nestlé Transportation Company | | Wilmington (Delaware) | 100% | USD | 100 |
| Nestlé USA, Inc. | | Wilmington (Delaware) | 100% | USD | 1 000 |
| Nestlé Waters North America Holdings, Inc. | ◊ | Wilmington (Delaware) | 100% | USD | 10 000 000 |
| Nestlé Waters North America, Inc. | | Wilmington (Delaware) | 100% | USD | 10 700 000 |
| NiMCo US, Inc. | ◊ | Wilmington (Delaware) | 100% | USD | 1 |
| Prometheus Laboratories Inc. | | Los Angeles (California) | 100% | USD | 100 |
| Red Maple Insurance Company | | Williston (Vermont) | 100% | USD | 1 200 000 |
| Sweet Leaf Tea Company | | Austin (Texas) | 100% | USD | 10 |
| The Stouffer Corporation | ◊ | Cleveland (Ohio) | 100% | USD | 0 |
| Tradewinds Beverage Company | | Cincinnati (Ohio) | 100% | USD | 0 |
| TSC Holdings, Inc. | ◊ | Wilmington (Delaware) | 100% | USD | 100 000 |
| Vitality Foodservice, Inc. | | Dover (Delaware) | 100% | USD | 1 240 |
| **Uruguay** | | | | | |
| Nestlé del Uruguay S.A. | | Montevideo | 100% | UYU | 9 495 189 |
| **Venezuela** | | | | | |
| Corporación Inlaca, C.A. | 1) | Caracas | 50% | VEF | 6 584 590 |
| Laboratorios Galderma Venezuela, S.A.° | 1) | Caracas | 50% | VEF | 5 000 |
| Nestlé Cadipro, S.A. | | Caracas | 100% | VEF | 50 633 501 |
| Nestlé Venezuela, S.A. | | Caracas | 100% | VEF | 516 590 |

| Companies | | City | % capital shareholdings | Currency | Capital |
|---|---|---|---|---|---|
| **Asia** | | | | | |
| **Bahrain** | | | | | |
| Nestlé Bahrain Trading WLL | | Manama | 49% | BHD | 200 000 |
| **Bangladesh** | | | | | |
| Nestlé Bangladesh Limited | | Dhaka | 100% | BDT | 100 000 000 |
| **Greater China Region** | | | | | |
| Anhui Yinlu Foods Co., Ltd. | | Chuzhou | 60% | CNY | 303 990 000 |
| Beverage Partners Worldwide (Pacific) Limited | | Hong Kong | 50% | HKD | 352 000 000 |
| CPW Tianjin Limited | 1) | Tianjin | 50% | CNY | 305 000 000 |
| Dongguan Andegu Plastic Packaging Material Limited | | Dongguan | 60% | HKD | 10 000 000 |
| Dongguan Hsu Chi Food Co., Limited | | Dongguan | 60% | HKD | 700 000 000 |
| Galderma Hong Kong Limited° | 1) | Hong Kong | 50% | HKD | 10 000 |
| Guangzhou Refrigerated Foods Limited | | Guangzhou | 95.5% | CNY | 390 000 000 |
| Henan Hsu Fu Chi Foods Co., Limited | | Zhumadian | 60% | CNY | 210 000 000 |
| Hsu Fu Chi International Holdings Limited | ◊ | Hong Kong | 60% | USD | 100 000 |
| Hubei Yinlu Foods Co., Limited | | Hanchuan | 60% | CNY | 353 000 000 |
| Nestlé (China) Limited | | Beijing | 100% | CNY | 250 000 000 |
| Nestlé Dongguan Limited | | Dongguan | 100% | CNY | 536 000 000 |
| Nestlé Hong Kong Limited | | Hong Kong | 100% | HKD | 250 000 000 |
| Nestlé Hulunbeir Limited | | Hulunbeir | 100% | CNY | 158 000 000 |
| Nestlé Nespresso Beijing Limited | | Beijing | 100% | CNY | 7 000 000 |
| Nestlé Purina PetCare Tianjin Limited | | Tianjin | 100% | CNY | 40 000 000 |
| Nestlé Qingdao Limited | | Laixi | 100% | CNY | 930 000 000 |
| Nestlé R&D (China) Limited | | Beijing | 100% | CNY | 40 000 000 |
| Nestlé Shanghai Limited | | Shanghai | 95% | CNY | 200 000 000 |
| Nestlé Shuangcheng Limited | | Shuangcheng | 97% | CNY | 435 000 000 |
| Nestlé Sources Shanghai Limited | | Shanghai | 100% | CNY | 211 000 000 |
| Nestlé Sources Tianjin Limited | | Tianjin | 95% | CNY | 204 000 000 |
| Nestlé Taiwan Limited | | Taipei | 100% | TWD | 100 000 000 |
| Nestlé Tianjin Limited | | Tianjin | 100% | CNY | 785 000 000 |
| Q-Med International Limited° | 1) | Hong Kong | 50% | HKD | 10 000 |
| Q-Med International Trading (Shanghai) Limited° | 1) | Shanghai | 50% | USD | 600 000 |
| Shandong Yinlu Foods Co. Limited | | Jinan | 60% | CNY | 146 880 000 |
| Shanghai Nestlé Product Services Limited | | Shanghai | 100% | CNY | 83 000 000 |
| Shanghai Totole First Food Limited | | Shanghai | 80% | CNY | 72 000 000 |
| Shanghai Totole Food Limited | | Shanghai | 80% | USD | 7 800 000 |
| Sichuan Haoji Food Co. Limited | | Puge | 80% | CNY | 80 000 000 |
| Wyeth (Shanghai) Trading Company Limited (China) | | Shanghai | 100% | USD | 1 000 000 |
| Wyeth Nutritional (China) Co., Limited | | Suzhou | 100% | CNY | 900 000 000 |
| Xiamen Yinlu Foods Group Co., Limited | | Xiamen | 60% | CNY | 496 590 000 |
| Yunnan Dashan Drinks Co., Limited | | Kunming | 100% | CNY | 35 000 000 |
| **India** | | | | | |
| Galderma India Private Ltd° | 1) | Mumbai | 50% | INR | 24 156 000 |
| Nestlé India Ltd | Δ | New Delhi | 62.8% | INR | 964 157 160 |
| *Listed on the Mumbai stock exchange, market capitalisation INR 510.7 billion, quotation code (ISIN) INE239A01016* | | | | | |

| Companies | | City | % capital shareholdings | Currency | Capital |
|---|---|---|---|---|---|
| **Indonesia** | | | | | |
| P. T. Nestlé Indofood Citarasa Indonesia | 1) | Jakarta | 50% | IDR | 200 000 000 000 |
| P. T. Nestlé Indonesia | | Jakarta | 90.2% | IDR | 152 753 440 000 |
| P. T. Wyeth Nutrition Indonesia | | Jakarta | 90% | IDR | 2 000 000 000 |
| **Iran** | | | | | |
| Anahita Polour Industrial Mineral Water Company | | Tehran | 100% | IRR | 35 300 000 000 |
| Nestlé Iran (Private Joint Stock Company) | | Tehran | 89.7% | IRR | 358 538 000 000 |
| **Israel** | | | | | |
| Nespresso Israel Ltd | | Tel-Aviv | 100% | ILS | 1 000 |
| OSEM Investments Ltd | Δ | Shoam | 63.7% | ILS | 110 644 444 |
| *Listed on the Tel-Aviv stock exchange, market capitalisation ILS 9.4 billion, quotation code (ISIN) IL0003040149* | | | | | |
| **Japan** | | | | | |
| Galderma K.K.° | 1) | Tokyo | 50% | JPY | 10 000 000 |
| Nestlé Japan Ltd | | Kobe | 100% | JPY | 20 000 000 000 |
| Nestlé Nespresso K.K. | | Kobe | 100% | JPY | 10 000 000 |
| **Jordan** | | | | | |
| Ghadeer Mineral Water Co. WLL | | Amman | 75% | JOD | 1 785 000 |
| Nestlé Jordan Trading Company Ltd | | Amman | 77.8% | JOD | 410 000 |
| **Kuwait** | | | | | |
| Nestlé Kuwait General Trading Company WLL | | Safat | 49% | KWD | 300 000 |
| **Lebanon** | | | | | |
| Société des Eaux Minérales Libanaises S.A.L. | | Hazmieh | 100% | LBP | 1 610 000 000 |
| Société pour l'Exportation des Produits Nestlé S.A. | | Baabda | 100% | CHF | 1 750 000 |
| SOHAT Distribution S.A.L. | | Hazmieh | 100% | LBP | 160 000 000 |
| **Malaysia** | | | | | |
| Cereal Partners (Malaysia) Sdn. Bhd. | 1) | Petaling Jaya | 50% | MYR | 2 500 000 |
| Nestlé (Malaysia) Bhd. | Δ | Petaling Jaya | 72.6% | MYR | 234 500 000 |
| *Listed on the Kuala Lumpur stock exchange, market capitalisation MYR 15.9 billion, quotation code (ISIN) MYL4707OO005* | | | | | |
| Nestlé Asean (Malaysia) Sdn. Bhd. | | Petaling Jaya | 72.6% | MYR | 42 000 000 |
| Nestlé Manufacturing (Malaysia) Sdn. Bhd. | | Petaling Jaya | 72.6% | MYR | 132 500 000 |
| Nestlé Products Sdn. Bhd. | | Petaling Jaya | 72.6% | MYR | 25 000 000 |
| Purina PetCare (Malaysia) Sdn. Bhd. | | Petaling Jaya | 100% | MYR | 1 100 000 |
| Wyeth Nutrition (Malaysia) Sdn. Bhd. | | Petaling Jaya | 100% | MYR | 61 969 505 |
| **Oman** | | | | | |
| Nestlé Oman Trading LLC | | Muscat | 49% | OMR | 300 000 |
| **Pakistan** | | | | | |
| Nestlé Pakistan Ltd | Δ | Lahore | 59% | PKR | 453 495 840 |
| *Listed on the Karachi and the Lahore stock exchanges, market capitalisation PKR 342.4 billion, quotation code (ISIN) PK0025101012* | | | | | |

| Companies | | City | % capital shareholdings | Currency | Capital |
|---|---|---|---|---|---|
| **Palestinian Territories** | | | | | |
| Nestlé Trading Private Limited Company | | Bethlehem | 97.5% | JOD | 200 000 |
| **Philippines** | | | | | |
| CPW Philippines, Inc. | 1) | Makati City | 50% | PHP | 7 500 000 |
| Galderma Philippines, Inc.° | 1) | Manila | 50% | PHP | 12 500 000 |
| Nestlé Business Services AOA, Inc. | | Bulacan | 100% | PHP | 70 000 000 |
| Nestlé Philippines, Inc. | | Cabuyao | 100% | PHP | 2 300 927 400 |
| Penpro, Inc. | | Makati City | 88.5% | PHP | 630 000 000 |
| Wyeth Philippines, Inc. | | Manila | 100% | PHP | 610 418 100 |
| **Qatar** | | | | | |
| Al Manhal Water Factory Co. Ltd WLL | | Doha | 51% | QAR | 5 500 000 |
| Nestlé Qatar Trading LLC | | Doha | 49% | QAR | 1 680 000 |
| **Republic of Korea** | | | | | |
| Galderma Korea Ltd° | 1) | Seoul | 50% | KRW | 500 000 000 |
| Nestlé Korea Ltd | | Seoul | 100% | KRW | 22 141 560 000 |
| Pulmuone Waters Co., Ltd | | Gyeonggi-Do | 51% | KRW | 6 778 760 000 |
| **Saudi Arabia** | | | | | |
| Al Anhar Water Factory Co. Ltd | | Jeddah | 64% | SAR | 7 500 000 |
| Al Manhal Water Factory Co. Ltd | | Riyadh | 64% | SAR | 7 000 000 |
| Nestlé Saudi Arabia LLC | | Jeddah | 75% | SAR | 27 000 000 |
| Nestlé Water Factory Co. Ltd | | Riyadh | 64% | SAR | 15 000 000 |
| Saudi Food Industries Co. Ltd | 3) | Jeddah | 51% | SAR | 51 000 000 |
| SHAS Company for Water Services Ltd | | Riyadh | 64% | SAR | 13 500 000 |
| Springs Water Factory Co. Ltd | | Dammam | 64% | SAR | 5 000 000 |
| **Singapore** | | | | | |
| Galderma Singapore Private Ltd° | 1) | Singapore | 50% | SGD | 1 387 000 |
| Nestlé R&D Center (Pte) Ltd | | Singapore | 100% | SGD | 20 000 000 |
| Nestlé Singapore (Pte) Ltd | | Singapore | 100% | SGD | 1 000 000 |
| Nestlé TC Asia Pacific Pte Ltd | ◊ | Singapore | 100% | JPY | 10 000 000 000 |
| | | | | SGD | 2 |
| Wyeth Nutritionals (Singapore) Pte Ltd | | Singapore | 100% | SGD | 2 159 971 715 |
| **Sri Lanka** | | | | | |
| Nestlé Lanka PLC | Δ | Colombo | 90.8% | LKR | 537 254 630 |
| *Listed on the Colombo stock exchange, market capitalisation LKR 112.9 billion, quotation code (ISIN) LK0128N00005* | | | | | |
| **Syria** | | | | | |
| Nestlé Syria S.A. | | Damascus | 100% | SYP | 800 000 000 |
| **Thailand** | | | | | |
| Nestlé (Thai) Ltd | | Bangkok | 100% | THB | 880 000 000 |
| Perrier Vittel (Thailand) Ltd | | Bangkok | 100% | THB | 235 000 000 |
| Quality Coffee Products Ltd | | Bangkok | 50% | THB | 500 000 000 |

| Companies | | City | % capital shareholdings | Currency | Capital |
|---|---|---|---|---|---|
| **United Arab Emirates** | | | | | |
| CP Middle East FZCO | 1) | Dubai | 50% | AED | 600 000 |
| Nestlé Dubai Manufacturing LLC | | Dubai | 49% | AED | 300 000 |
| Nestlé Middle East FZE | | Dubai | 100% | AED | 3 000 000 |
| Nestlé Treasury Centre-Middle East & Africa Ltd | ◊ | Dubai | 100% | USD | 2 997 343 684 |
| Nestlé UAE LLC | | Dubai | 49% | AED | 2 000 000 |
| Nestlé Waters Factory H&O LLC | | Dubai | 48% | AED | 22 300 000 |
| **Uzbekistan** | | | | | |
| Nestlé Uzbekistan MChJ | | Namangan | 99.2% | USD | 33 965 463 |
| OJSC Namangansut (Nafosat) | | Namangan | 80% | USZ | 46 227 969 |
| **Vietnam** | | | | | |
| La Vie Limited Liability Company | | Long An | 65% | USD | 2 663 400 |
| Nestlé Vietnam Ltd | | Dongnai | 100% | USD | 155 266 000 |

| Companies | | City | % capital shareholdings | Currency | Capital |
|---|---|---|---|---|---|
| **Oceania** | | | | | |
| **Australia** | | | | | |
| Cereal Partners Australia Pty Ltd | 1) | Sydney | 50% | AUD | 107 800 000 |
| Galderma Australia Pty Ltd° | 1) | Sydney | 50% | AUD | 2 500 300 |
| Nestlé Australia Ltd | | Sydney | 100% | AUD | 274 000 000 |
| Vitaflo Australia Pty Ltd | | Vic | 100% | AUD | 5 |
| **Fiji** | | | | | |
| Nestlé (Fiji) Ltd | | Lami | 100% | FJD | 3 000 000 |
| **French Polynesia** | | | | | |
| Nestlé Polynésie S.A.S. | | Papeete | 100% | XPF | 5 000 000 |
| **New Caledonia** | | | | | |
| Nestlé Nouvelle-Calédonie S.A.S. | | Nouméa | 100% | XPF | 250 000 000 |
| **New Zealand** | | | | | |
| CPW New Zealand | 1) | Auckland | 50% | NZD | — |
| Nestlé New Zealand Limited | | Auckland | 100% | NZD | 300 000 |
| **Papua New Guinea** | | | | | |
| Nestlé (PNG) Ltd | | Lae | 100% | PGK | 11 850 000 |

# Technical assistance, research and development units

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

| | | City of operations | | | |
|---|---|---|---|---|---|
| **Switzerland** | | | | | |
| Nestec S.A. | | Vevey | | TA | |

Technical, scientific, commercial and business assistance company whose units, specialised in all areas of the business, supply permanent know-how and assistance to operating companies in the Group within the framework of licence and equivalent contracts. It is also responsible for all scientific research and technological development, which it undertakes itself or through affiliated companies.

| The units involved are: | | | | | |
|---|---|---|---|---|---|
| Clinical Development Unit | | Lausanne | | R | |
| CPW R&D Centre | 1) | Orbe | | R&D | |
| Nestlé Institute of Health Sciences | | Ecublens | | R | |
| Nestlé Product Technology Centre | | Konolfingen | | PTC | |
| Nestlé Product Technology Centre | | Orbe | | PTC | |
| Nestlé R&D Centre | | Broc | | R&D | |
| Nestlé R&D Centre | | Orbe | | R&D | |
| Nestlé Research Centre | | Lausanne | | R | |
| Nestlé System Technology Centre | | Orbe | | PTC | |
| **Australia** | | | | | |
| CPW R&D Centre | 1) | Rutherglen | | R&D | |
| **Chile** | | | | | |
| Nestlé R&D Centre | | Santiago de Chile | | R&D | |
| **Côte d'Ivoire** | | | | | |
| Nestlé R&D Centre | | Abidjan | | R&D | |
| **France** | | | | | |
| Galderma R&D Centre° | 1) | Biot | | R&D | |
| Nestlé Product Technology Centre | | Beauvais | | PTC | |
| Nestlé Product Technology Centre | | Lisieux | | PTC | |
| Nestlé Product Technology Centre | | Vittel | | PTC | |
| Nestlé R&D Centre | | Aubigny | | R&D | |
| Nestlé R&D Centre | | Tours | | R&D | |
| **Germany** | | | | | |
| Nestlé Product Technology Centre | | Singen | | PTC | |

| | | City of operations | | | |
|---|---|---|---|---|---|
| **Greater China Region** | | | | | |
| Nestlé R&D Centre | | Beijing | | R&D | |
| Nestlé R&D Centre | | Shanghai | | R&D | |
| **India** | | | | | |
| Nestlé R&D Centre | | Gurgaon | | R&D | |
| **Israel** | | | | | |
| Nestlé R&D Centre | | Sderot | | R&D | |
| **Italy** | | | | | |
| Nestlé R&D Centre | | Sansepolcro | | R&D | |
| **Mexico** | | | | | |
| Nestlé R&D Centre | | Queretaro | | R&D | |
| **Republic of Ireland** | | | | | |
| Nestlé R&D Centre | | Askeaton | | R&D | |
| **Singapore** | | | | | |
| Nestlé R&D Centre | | Singapore | | R&D | |
| **Sweden** | | | | | |
| Galderma R&D Centre° | 1) | Uppsala | | R&D | |
| **United Kingdom** | | | | | |
| Nestlé Product Technology Centre | | York | | PTC | |
| **United States** | | | | | |
| Galderma R&D Centre° | 1) | Cranbury (New Jersey) | | R&D | |
| Nestlé Product Technology Centre | | Fremont (Michigan) | | PTC | |
| Nestlé Product Technology Centre | | Marysville (Ohio) | | PTC | |
| Nestlé Product Technology Centre | | St. Louis (Missouri) | | PTC | |
| Nestlé R&D Centre | | Bakersfield (California) | | R&D | |
| Nestlé R&D Centre | | Minneapolis (Minnesota) | | R&D | |
| Nestlé R&D Centre | | San Diego (California) | | R&D | |
| Nestlé R&D Centre | | Solon (Ohio) | | PTC | |
| Nestlé R&D Centre | | St. Joseph (Missouri) | | R&D | |
| Nestlé R&D Centre | | King of Prussia (Pennsylvania) | | R&D | |

# 147th Financial Statements of Nestlé S.A.

# Income statement
# for the year ended 31 December 2013

In millions of CHF

| | Notes | 2013 | 2012 |
|---|---|---|---|
| Income | | | |
| Income from Group companies | 2 | 8 089 | 7 699 |
| Financial income | 3 | 208 | 492 |
| Profit on disposal of assets | 4 | 1 247 | 52 |
| Other income | | 128 | 111 |
| **Total income** | | **9 672** | **8 354** |
| | | | |
| Expenses | | | |
| Investment write downs | 5 | (1 376) | (1 828) |
| Administration and other expenses | 6 | (249) | (337) |
| Financial expense | 7 | (52) | (71) |
| **Total expenses before taxes** | | **(1 677)** | **(2 236)** |
| | | | |
| **Profit before taxes** | | **7 995** | **6 118** |
| | | | |
| Taxes | 8 | (537) | (422) |
| **Profit for the year** | 21 | **7 458** | **5 696** |

# Balance sheet
# as at 31 December 2013

**before appropriations**

| In millions of CHF | Notes | 2013 | 2012 |
|---|---|---|---|
| **Assets** | | | |
| | | | |
| Current assets | | | |
| Liquid assets | 9 | 2 709 | 1 366 |
| Receivables | 10 | 1 026 | 2 522 |
| Prepayments and accrued income | | 7 | 9 |
| **Total current assets** | | **3 742** | **3 897** |
| | | | |
| Non-current assets | | | |
| Financial assets | 11 | 41 620 | 41 188 |
| Intangible assets | 15 | 367 | 1 994 |
| Tangible fixed assets | 16 | — | — |
| **Total non-current assets** | | **41 987** | **43 182** |
| | | | |
| **Total assets** | | **45 729** | **47 079** |
| | | | |
| | | | |
| **Liabilities and equity** | | | |
| | | | |
| Liabilities | | | |
| Short-term payables | 17 | 4 045 | 6 333 |
| Accruals and deferred income | | 11 | 18 |
| Long-term payables | 18 | 154 | 155 |
| Provisions | 19 | 751 | 711 |
| **Total liabilities** | | **4 961** | **7 217** |
| | | | |
| Equity | | | |
| Share capital | 20/21 | 322 | 322 |
| Legal reserves | 21 | 3 818 | 3 788 |
| Special reserve | 21 | 29 165 | 29 371 |
| Profit brought forward | 21 | 5 | 685 |
| Profit for the year | 21 | 7 458 | 5 696 |
| **Total equity** | | **40 768** | **39 862** |
| | | | |
| **Total liabilities and equity** | | **45 729** | **47 079** |

## 1. Accounting policies

**General**
Nestlé S.A. (the Company) is the ultimate holding company of the Nestlé Group which comprises subsidiaries, associated companies and joint ventures throughout the world. The accounts are prepared in accordance with accounting principles required by Swiss law. They are prepared under the historical cost convention and on the accruals basis.

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

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

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

**Income statement**
Not currently transferable income is recognised only upon receipt. Dividends paid out of pre-acquisition profits are not included under income from Group companies; instead they are credited against the carrying value of the participation.

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

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

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

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

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

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

Own shares held to cover option rights in favour of members of the Group's Management are carried at exercise price if lower than cost. Own shares held for trading purposes are carried at cost as are own shares earmarked to cover other Long-Term Incentive Plans. Own shares repurchased for the Share Buy-Back Programme are carried at cost. All gains and losses on own shares are recorded in the income statement.

**Intangible assets**
Trademarks and other industrial property rights are written off on acquisition or exceptionally over a longer period.

**Tangible fixed assets**
The Company owns land and buildings which have been depreciated in the past to one franc. Office furniture and equipment are fully depreciated on acquisition.

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

**Employee benefits**
In Switzerland, Nestlé's pension plan is a cash balance plan where contributions are expressed as a percentage of the pensionable salary. The pension plan guarantees the amount accrued on the members' savings accounts, as well as a minimum interest on those savings accounts. At retirement date, the savings accounts are converted into pensions. However, members may opt to receive a part of the pension as a lump sum. Increases of pensions in payment are granted on a discretionary basis by the Board of Trustees, subject to the financial situation of the plan. To be noted that there is also a defined benefit plan that has been closed to new entrants in 2013 and whose members below age 55 have been transferred to the cash balance plan. This heritage plan is an hybrid between a cash balance plan and a plan based on a final pensionable salary.

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

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

## 2. Income from Group companies

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

## 3. Financial income

| In millions of CHF | 2013 | 2012 |
|---|---|---|
| Net result on loans to Group companies | 113 | 433 |
| Other financial income | 95 | 59 |
| | **208** | **492** |

## 4. Profit on disposal of assets

This represents mainly the net gains realised on the sale of financial assets, trademarks and other industrial property rights previously written down.

## 5. Investment write downs

| In millions of CHF | 2013 | 2012 |
|---|---|---|
| Participations and loans | 939 | 1 204 |
| Trademarks and other industrial property rights | 437 | 624 |
| | **1 376** | **1 828** |

## 6. Administration and other expenses

| In millions of CHF | 2013 | 2012 |
|---|---|---|
| Salaries and welfare expenses | 114 | 101 |
| Other expenses | 135 | 236 |
| | **249** | **337** |

## 7. Financial expense

| In millions of CHF | 2013 | 2012 |
|---|---|---|
| Net result on loans from Group companies | 52 | 71 |
| Other financial expenses | — | — |
| | **52** | **71** |

## 8. Taxes

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

## 9. Liquid assets

| In millions of CHF | 2013 | 2012 |
|---|---|---|
| Cash and cash equivalents | 2 709 | 1 366 |
| Marketable securities | — | — |
| | **2 709** | **1 366** |

Cash and cash equivalents include deposits with maturities of less than three months. Marketable securities consist of commercial paper with maturities from three to six months.

## 10. Receivables

| In millions of CHF | 2013 | 2012 |
|---|---|---|
| Amounts owed by Group companies (current accounts) | 963 | 1 907 |
| Other receivables | 63 | 615 |
| | **1 026** | **2 522** |

## 11. Financial assets

| In millions of CHF | Notes | 2013 | 2012 |
|---|---|---|---|
| Participations in Group companies | 12 | 30 297 | 28 617 |
| Loans to Group companies | 13 | 10 391 | 11 574 |
| Own shares | 14 | 932 | 946 |
| Other investments | | — | 51 |
| | | **41 620** | **41 188** |

## 12. Participations in Group companies

| In millions of CHF | 2013 | 2012 |
|---|---|---|
| At 1 January | 28 617 | 28 131 |
| Net increase/(decrease) | 1 971 | 820 |
| Write downs | (291) | (334) |
| **At 31 December** | **30 297** | **28 617** |

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 Consolidated Financial Statements of the Nestlé Group.

## 13. Loans to Group companies

| In millions of CHF | 2013 | 2012 |
|---|---|---|
| At 1 January | 11 574 | 13 233 |
| New loans | 1 638 | 4 691 |
| Repayments and write downs | (2 625) | (6 169) |
| Realised exchange differences | (70) | (63) |
| Unrealised exchange differences | (126) | (118) |
| **At 31 December** | **10 391** | **11 574** |

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

## 14. Own shares

In millions of CHF

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| Management Stock Option Plan | 6 768 355 | 335 | 8 054 705 | 389 |
| Restricted Stock Unit Plan | 8 259 480 | 481 | 8 659 704 | 475 |
| Performance Share Unit Plan | 403 945 | 23 | 332 120 | 18 |
| Future Long-Term Incentive Plans | 1 603 644 | 93 | 1 155 184 | 64 |
| | **17 035 424** | **932** | **18 201 713** | **946** |

The Company held 6 768 355 shares to cover management option rights and 10 267 069 shares to cover the other incentives plans. The Management Stock Option Plan is valued at strike price if lower than acquisition cost, while the shares held for the other plans are valued at acquisition cost. During the year 4 568 909 shares were delivered as part of the Nestlé Group remuneration plans for a total value of CHF 274 million.

## 15. Intangible assets

This amount represents the balance of the trademarks and other industrial property rights capitalised in relation with the acquisition of Kraft Foods' frozen pizza.

## 16. Tangible fixed assets

These are principally the land and buildings at Cham. The "En Bergère" head office building in Vevey is held by a service company, which is wholly owned by Nestlé S.A.

The fire insurance value of buildings, furniture and office equipment at 31 December 2013 amounted to CHF 9.5 million (2012: CHF 25 million).

## 17. Short-term payables

In millions of CHF

| | 2013 | 2012 |
|---|---|---|
| Amounts owed to Group companies | 3 992 | 6 218 |
| Other payables | 53 | 115 |
| | **4 045** | **6 333** |

## 18. Long-term payables

Amounts owed to Group companies represent a long-term loan issued in 1989.

## 19. Provisions

In millions of CHF

| | 2013 | | | | | 2012 |
|---|---|---|---|---|---|---|
| | Uninsured risks | Exchange risks | Swiss & foreign taxes | Other | **Total** | **Total** |
| At 1 January | 475 | 6 | 122 | 108 | **711** | **878** |
| Provisions made in the period | — | — | 142 | 46 | **188** | **194** |
| Amounts used | — | — | (92) | (36) | **(128)** | **(347)** |
| Unused amounts reversed | — | (6) | (3) | (11) | **(20)** | **(14)** |
| **At 31 December** | **475** | **—** | **169** | **107** | **751** | **711** |

## 20. Share capital

In millions of CHF

| | 2013 | 2012 |
|---|---|---|
| Number of registered shares of nominal value CHF 0.10 each | 3 224 800 000 | 3 224 800 000 |
| In millions of CHF | 322 | 322 |

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

At 31 December 2013, the share register showed 153 005 registered shareholders. If unprocessed applications for registration, the indirect holders of shares under American Depositary Receipts and the beneficial owners of shareholders registered as nominees are also taken into account, the total number of shareholders probably exceeds 250 000. The Company was not aware of any shareholder holding, directly or indirectly, 5% or more of the share capital. Group companies were holding together 1.1% of the Nestlé S.A. share capital as at 31 December 2013.

### Conditional share capital

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

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

## 21. Changes in equity

In millions of CHF

| | Share capital | General reserve [a] | Reserve for own shares [a][b] | Special reserve | Retained earnings | **Total** |
|---|---|---|---|---|---|---|
| At 1 January 2013 | 322 | 1 913 | 1 875 | 29 371 | 6 381 | **39 862** |
| Transfer from the special reserve | — | — | — | (225) | 225 | **—** |
| Profit for the year | — | — | — | — | 7 458 | **7 458** |
| Dividend for 2012 | — | — | — | — | (6 552) | **(6 552)** |
| Movement of own shares | — | — | 30 | (30) | — | **—** |
| Dividend on own shares held on the payment date of 2012 dividend | — | — | — | 49 | (49) | **—** |
| **At 31 December 2013** | **322** | **1 913** | **1 905** | **29 165** | **7 463** | **40 768** |

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

## 22. Reserve for own shares

At 31 December 2012, the reserve for own shares amounting to CHF 1875 million represented the cost of 18 201 713 shares earmarked to cover the Nestlé Group remuneration plans and 18 038 445 shares held for trading purposes.

During the year, a total of 4 568 909 shares have been delivered to the beneficiaries of the Nestlé Group remuneration plans. In addition, 7 646 039 shares have been acquired at a cost of CHF 485 million, of which 3 402 620 shares to cover Nestlé Group remuneration plans. 4 093 419 shares have been sold for a total amount of CHF 279 million.

Another Group company holds 18 188 445 Nestlé S.A. shares. The total of own shares of 35 223 869 held by Group companies at 31 December 2013 represents 1.1% of the Nestlé S.A. share capital (36 240 158 own shares held at 31 December 2012, representing 1.1% of the Nestlé S.A. share capital).

## 23. Contingencies

At 31 December 2013, the total of the guarantees mainly for credit facilities granted to Group companies and commercial paper programmes, together with the buy-back agreements relating to notes issued, amounted to CHF 20 272 million (2012: CHF 25 822 million).

## 24. Risk assessment

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

Therefore, we refer to the Nestlé Group Enterprise Risk Management Framework (ERM) described in Note 24 of the Consolidated Financial Statements.

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

### Annual remuneration of members of the Board of Directors

| | | | | 2013 |
|---|---|---|---|---|
| | Cash in CHF [a] | Number of shares | Discounted value of shares in CHF [b] | **Total remuneration** |
| Peter Brabeck-Letmathe, Chairman [c] | 1 600 000 | 97 636 | 5 373 885 | **6 973 885** |
| Paul Bulcke, Chief Executive Officer [c] | — | — | — | **—** |
| Andreas Koopmann, 1st Vice Chairman | 325 000 | 4 730 | 260 339 | **585 339** |
| Rolf Hänggi, 2nd Vice Chairman | 330 000 | 4 806 | 264 522 | **594 522** |
| Beat Hess | 255 000 | 3 662 | 201 556 | **456 556** |
| Daniel Borel | 205 000 | 2 899 | 159 561 | **364 561** |
| Jean-Pierre Meyers | 175 000 | 2 441 | 134 353 | **309 353** |
| Steven G. Hoch | 175 000 | 2 441 | 134 353 | **309 353** |
| Naïna Lal Kidwai | 205 000 | 2 899 | 159 561 | **364 561** |
| Titia de Lange | 155 000 | 2 136 | 117 565 | **272 565** |
| Jean-Pierre Roth | 175 000 | 2 441 | 134 353 | **309 353** |
| Ann M. Veneman | 175 000 | 2 441 | 134 353 | **309 353** |
| Henri de Castries | 205 000 | 2 899 | 159 561 | **364 561** |
| Eva Cheng | 155 000 | 2 136 | 117 565 | **272 565** |
| **Total for 2013** | **4 135 000** | **133 567** | **7 351 527** | **11 486 527** |
| | | | | |
| **Total for 2012** | **4 185 000** | **158 654** | **7 393 277** | **11 578 277** |

(a) The cash amount includes the expense allowance of CHF 15 000. The Chairman receives no expense allowance.
(b) Nestlé S.A. shares received as part of the Board membership and the Committee fees are valued at the closing price of the share on the SIX Swiss Exchange on the ex-dividend date, discounted by 16.038% to account for the blocking period of three years.
(c) The Chairman and the Chief Executive Officer receive neither Board membership or Committee fees nor expense allowance.

In 2013, Ms Eva Cheng joined the Board as a new member. Mr André Kudelski retired from the board during 2013.

Peter Brabeck-Letmathe, in his capacity as active Chairman, received a cash compensation as well as Nestlé S.A. shares, which are blocked for three years. This in particular reflects certain responsibilities for the direction and control of the Group including Nestlé Health Science S.A. and the direct leadership of Nestlé's interests in L'Oréal, Galderma and Laboratoires innéov. He also represents Nestlé at the Foundation Board of the World Economic Forum (WEF) and on behalf of Nestlé chairs the Water Resource Group 2030. He is a member of the European / Hong Kong Business Co-operation Committee (EU/HK BCC). The remuneration includes all compensation received in relation to these activities. His total compensation was:

| | | 2013 | | 2012 |
|---|---|---|---|---|
| | Number | Value in CHF | Number | Value in CHF |
| Cash Compensation | — | 1 600 000 | — | 1 600 000 |
| Blocked shares (discounted value) | 97 636 | 5 373 885 | 115 316 | 5 373 726 |
| **Total** | **—** | **6 973 885** | **—** | **6 973 726** |

### Loans to members of the Board of Directors

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

### Additional fees and remuneration of the Board of Directors

There are no additional fees or remuneration paid by Nestlé S.A. or any of its Group companies, directly or indirectly, to members of the governing body or closely related parties, except for CHF 35 000 paid to Ms T. de Lange who serves as a member of the Nestlé Nutrition Council (NNC) and CHF 25 321 paid to Ms A.M. Veneman who serves as a member of the CSV Council.

### Compensations and loans for former members of the Board of Directors

There is no compensation conferred during 2013 on former members of the Board of Directors who gave up their function during the year preceding the year under review or earlier. Similarly, there are no loans outstanding to former members of the Board of Directors.

### Shares and stock options ownership of the non-executive members of the Board of Directors and closely related parties as at 31 December 2013

| | Number of shares held [a] | Number of options held [b] |
|---|---|---|
| Peter Brabeck-Letmathe, Chairman | 2 795 465 | 1 707 600 |
| Andreas Koopmann, 1st Vice Chairman | 83 289 | — |
| Rolf Hänggi, 2nd Vice Chairman | 82 922 | — |
| Beat Hess | 23 803 | — |
| Daniel Borel | 231 749 | — |
| Jean-Pierre Meyers | 1 430 898 | — |
| Steven G. Hoch | 219 018 | — |
| Naïna Lal Kidwai | 18 849 | — |
| Titia de Lange | 10 073 | — |
| Jean-Pierre Roth | 9 738 | — |
| Ann M. Veneman | 8 006 | — |
| Henri de Castries | 6 323 | — |
| Eva Cheng | 2 136 | — |
| **Total as at 31 December 2013** | **4 922 269** | **1 707 600** |
| | | |
| **Total as at 31 December 2012** | **4 723 350** | **2 167 600** |

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

### Annual remuneration of members of the Executive Board

The total remuneration of members of the Executive Board amounts to CHF 43 073 611 for the year 2013 (CHF 43 882 674 for the year 2012). The breakdown of this amount by nature of expenses as well as the remuneration principles are disclosed in Appendix 1 of the Corporate Governance Report.

The valuation of equity compensation plans mentioned in this note differs in some respect from compensation disclosures in Note 21.1 of the Consolidated Financial Statements of the Nestlé Group, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Company also made contributions of CHF 4 563 809 toward future pension benefits of the Executive Board members in line with Nestlé's Pension Benefit Policy (CHF 5 429 717 in 2012).

### Highest total compensation for a member of the Executive Board

In 2013, the highest total compensation for a member of the Executive Board was conferred to Paul Bulcke, the CEO.

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Number | Value in CHF | Number | Value in CHF |
| Annual Base Salary | | 2 500 000 | | 2 375 000 |
| Short-Term Bonus (cash) | | — | | 223 035 |
| Short-Term Bonus (discounted value of Nestlé S.A. share) | 53 045 | 2 991 208 | 66 472 | 3 558 246 |
| Stock Options (fair value at grant) | — | — | 420 000 | 1 906 800 |
| Performance Share Units (fair value at grant) | 58 600 | 3 776 184 | 34 300 | 1 873 466 |
| Other benefits | | 28 884 | | 28 884 |
| **Total** | | **9 296 276** | | **9 965 431** |
| % Fixed/Variable | | 27.2-72.8 | | 24.1-75.9 |

The Company also made a contribution of CHF 2 092 312 towards future pension benefits in line with Nestlé's Pension Benefits Policy (CHF 1 962 676 in 2012), as a consequence of having adjusted his base salary and decreased his variable compensation.

### Loans to members of the Executive Board

On 31 December 2013, there were no loans outstanding to any member of the Executive Board.

### Additional fees and remuneration of the Executive Board

One member of the Executive Board, in his role of President and CEO of Nestlé Health Science S.A., also participated in 2013 in the Nestlé Health Science Long-Term Incentive Plan, a Phantom Share Unit plan based on the long-term development of that company. He was attributed 11 000 Units in 2013, with a fair value at grant of CHF 89.31 per Unit (vesting period of three years; value capped at two times the Unit price at grant).

### Compensations and loans for former members of the Executive Board

In 2013, no compensation was paid to former members of the Executive Board (CHF 50 000 were conferred during 2012 to a former member of the Executive Board). On 31 December 2013, there were no loans outstanding to former members of the Executive Board.

## Shares and stock options ownership of the members of the Executive Board and closely related parties as at 31 December 2013

| | Number of shares held (a) | Number of options held (b) |
|---|---|---|
| Paul Bulcke | 538 500 | 1 677 000 |
| Luis Cantarell | 105 535 | 436 250 |
| José Lopez | 73 721 | 215 600 |
| Laurent Freixe | 46 132 | 194 300 |
| Chris Johnson | 18 093 | 185 400 |
| Patrice Bula | 63 217 | 165 700 |
| Doreswamy (Nandu) Nandkishore | 79 994 | 170 200 |
| Wan Ling Martello | 22 360 | 121 100 |
| Stefan Catsicas | — | — |
| Marco Settembri | 10 110 | — |
| Peter Vogt | 28 075 | — |
| Martial Rolland | 15 590 | — |
| David P. Frick | 41 699 | — |
| **Total as at 31 December 2013** | **1 043 026** | **3 165 550** |
| | | |
| **Total as at 31 December 2012** | **1 106 156** | **4 714 800** |

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

# Proposed appropriation of profit

| In CHF | 2013 | 2012 |
|---|---|---|
| **Retained earnings** | | |
| Balance brought forward | 4 757 545 | 685 377 470 |
| Profit for the year | 7 457 959 285 | 5 695 711 140 |
| | **7 462 716 830** | **6 381 088 610** |
| | | |
| **We propose the following appropriations:** | | |
| Transfer from the special reserve | — | (225 000 000) |
| Dividend for 2013, CHF 2.15 per share on 3 221 645 395 shares [(a)] (2012: CHF 2.05 on 3 220 161 495 shares) [(b)] | 6 926 537 599 | 6 601 331 065 |
| | **6 926 537 599** | **6 376 331 065** |
| | | |
| **Balance to be carried forward** | **536 179 231** | **4 757 545** |

(a) Depending on the number of shares issued as of the last trading day with entitlement to receive the dividend (11 April 2014). No dividend is paid on own shares held by the Nestlé Group. The respective amount will be attributed to the special reserve.
(b) The amount of CHF 49 120 618, representing the dividend on 23 961 277 own shares held at the date of the dividend payment, has been transferred to the special reserve.

Provided that the proposal of the Board of Directors is approved by the Annual General Meeting, the gross dividend will amount to CHF 2.15 per share, representing a net amount of CHF 1.3975 per share after payment of the Swiss withholding tax of 35%. The last trading day with entitlement to receive the dividend is 11 April 2014. The shares will be traded ex-dividend as of 14 April 2014. The net dividend will be payable as from 17 April 2014.

The Board of Directors

Cham and Vevey, 12 February 2014

# Report of the Statutory Auditor

to the General Meeting of Nestlé S.A.

As statutory auditor, we have audited the financial statements (income statement, balance sheet and notes to the annual accounts on pages 175 to 189) of Nestlé S.A. for the year ended 31 December 2013.

### *Board of Directors' responsibility*

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

### *Auditor's responsibility*

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

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

### *Opinion*

In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the Company's Articles of Incorporation.

## Report on other legal requirements

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

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's Articles of Incorporation. We recommend that the financial statements submitted to you be approved.

KPMG SA

| | |
|---|---|
| Scott Cormack<br>Licensed Audit Expert<br>Auditor in charge | Fabien Lussu<br>Licensed Audit Expert |

Geneva, 12 February 2014

# Notes

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# Shareholder information

**Stock exchange listing**
At 31 December 2013, Nestlé S.A. shares are listed on the SIX Swiss Exchange (ISIN code: CH0038863350). American Depositary Receipts (ISIN code: US6410694060) representing Nestlé S.A. shares are offered in the USA by Citibank.

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As to information concerning the share register (registrations, transfers, address changes, dividends, etc.), please contact:
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shareregister@nestle.com

The *Nestlé Annual Report*, the *Year in Review*, the *Corporate Governance Report* and the *Financial Statements* are available online as a PDF in English, French and German.
The consolidated income statement, balance sheet and cash flow statement are also available as Excel files.

Nestlé URL:
www.nestle.com

**Important dates**
10 April 2014
147th Annual General Meeting, 'Beaulieu Lausanne', Lausanne (Switzerland)

11 April 2014
Last trading day with entitlement to dividend

14 April 2014
Ex dividend date

15 April 2014
2014 First quarter sales figures

17 April 2014
Payment of the dividend

7 August 2014
2014 Half-yearly Results

16 October 2014
2014 Nine months sales figures

19 February 2015
2014 Full Year Results

16 April 2015
148th Annual General Meeting, 'Beaulieu Lausanne', Lausanne (Switzerland)