



# 2000 Financial statements

Consolidated accounts of the Nestlé Group

Annual report of Nestlé S.A.



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# Consolidated income statement

## for the year ended 31st December 2000

In millions of CHF	Notes	2000	1999
<b>Sales to customers</b>	1	<b>81 422</b>	74 660
Cost of goods sold		<b>(38 121)</b>	(35 912)
Distribution expenses		<b>(5 884)</b>	(5 268)
Marketing and administration expenses		<b>(26 467)</b>	(23 887)
Research and development costs		<b>(1 038)</b>	(893)
Restructuring costs		<b>(312)</b>	(402)
Amortisation of goodwill		<b>(414)</b>	(384)
<b>Trading profit</b>	1	<b>9 186</b>	7 914
Net financing cost	2	<b>(746)</b>	(998)
Net non-trading items	3	<b>(99)</b>	(57)
<b>Profit before taxes</b>	4	<b>8 341</b>	6 859
Taxes	5	<b>(2 761)</b>	(2 314)
<b>Net profit of consolidated companies</b>		<b>5 580</b>	4 545
Share of profit attributable to minority interests		<b>(212)</b>	(160)
Share of results of associated companies	6	<b>395</b>	339
<b>Net profit for the year</b>		<b>5 763</b>	4 724
<b>As percentages of sales</b>			
Trading profit		<b>11.3%</b>	10.6%
Net profit for the year		<b>7.1%</b>	6.3%
<b>Earnings per share</b>			
(in CHF)			
Basic earnings per share	7	<b>149.1</b>	122.1
Fully diluted earnings per share	7	<b>147.8</b>	120.7

# Consolidated balance sheet as at 31st December 2000

before appropriations

In millions of CHF	Notes	2000	1999
<b>Assets</b>			
<b>Current assets</b>			
Liquid assets	8		
Cash and cash equivalents		5 451	3 322
Other liquid assets		4 680	3 348
		10 131	6 670
Trade and other receivables	9	12 685	12 443
Inventories	10	7 168	7 383
Prepayments and accrued income		763	673
<b>Total current assets</b>		<b>30 747</b>	<b>27 169</b>
<b>Fixed assets</b>			
Tangible fixed assets	11		
Gross value		43 519	44 014
Accumulated depreciation		(24 894)	(24 796)
		18 625	19 218
Financial assets			
Investments in associated companies	12	2 173	1 828
Deferred tax assets	21	2 569	2 293
Other financial assets	13	2 692	2 431
		7 434	6 552
Goodwill	14	7 902	5 258
Intangible assets	15	816	742
<b>Total fixed assets</b>		<b>34 777</b>	<b>31 770</b>
<b>Total assets</b>		<b>65 524</b>	<b>58 939</b>

In millions of CHF	Notes	2000	1999
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	16	10 001	9 635
Financial liabilities	17	8 376	7 967
Tax payable		1 035	985
Accruals and deferred income		3 762	3 595
<b>Total current liabilities</b>		<b>23 174</b>	22 182
<b>Medium and long term liabilities</b>			
Financial liabilities	18	4 768	4 905
Employee benefit liabilities	19	2 860	2 822
Deferred tax liabilities	21	1 550	1 327
Tax payable		53	72
Other payables		402	264
Provisions	22	2 204	2 289
<b>Total medium and long term liabilities</b>		<b>11 837</b>	11 679
<b>Total liabilities</b>		<b>35 011</b>	33 861
<b>Minority interests</b>		<b>609</b>	625
<b>Equity</b>			
Share capital	23	404	404
Share premium and reserves			
Share premium		5 926	5 926
Reserve for treasury shares		2 232	2 873
Translation reserve		571	839
Retained earnings		23 388	17 439
		<b>32 117</b>	27 077
		<b>32 521</b>	27 481
<i>Less:</i>			
Treasury shares	24	(2 617)	(3 028)
<b>Total equity before appropriations</b>		<b>29 904</b>	24 453
<b>Total liabilities and equity</b>		<b>65 524</b>	58 939

# Consolidated cash flow statement for the year ended 31st December 2000

In millions of CHF	Notes	2000	1999
<b>Operating activities</b>			
Net profit of consolidated companies		5 580	4 545
Depreciation of tangible fixed assets	11	2 737	2 597
Impairment of tangible fixed assets	11	223	373
Amortisation of goodwill	14	414	384
Depreciation of intangible assets	15	179	92
Impairment of goodwill	14	230	212
Increase/(decrease) in provisions and deferred taxes		(4)	101
Decrease/(increase) in working capital	25	(368)	235
Other movements		(140)	(352)
<b>Operating cash flow <sup>(a)</sup></b>		<b>8 851</b>	8 187
<b>Investing activities</b>			
Expenditure on tangible fixed assets	11	(3 305)	(2 806)
Expenditure on intangible assets	15	(188)	(139)
Sale of tangible fixed assets		355	363
Acquisitions	26	(2 846)	(440)
Disposals	27	780	253
Income from associated companies		107	86
Other movements		39	(76)
<b>Cash flow from investing activities</b>		<b>(5 058)</b>	(2 759)

<sup>a)</sup> Taxes paid amount to CHF 2714 million (1999: CHF 2304 million).

Interest received/paid does not differ materially from interest shown under note 2 "Net financing cost".

In millions of CHF	Notes	2000	1999
<b>Financing activities</b>			
Dividend for the previous year		(1 657)	(1 469)
Purchase of treasury shares (net)		1 072	(2 311)
Premium on warrants issued		81	–
Movements with minority interests		(221)	(190)
Bonds issued		1 016	328
Bonds repaid		(1 143)	(400)
Increase/(decrease) in other medium/ long term financial liabilities		(155)	500
Increase/(decrease) in short term financial liabilities		921	(3 488)
Decrease/(increase) in marketable securities and other liquid assets		(2 788)	(355)
Decrease/(increase) in short term investments		1 452	12
<b>Cash flow from financing activities</b>		<b>(1 422)</b>	<b>(7 373)</b>
Translation differences on flows		(175)	49
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>2 196</b>	<b>(1 896)</b>
Cash and cash equivalents at beginning of year		3 322	4 984
Effects of exchange rate changes on opening balance		(67)	234
Cash and cash equivalents retranslated at beginning of year		3 255	5 218
<b>Cash and cash equivalents at end of year</b>	8	<b>5 451</b>	3 322

## Consolidated statement of changes in equity

In millions of CHF	Share premium	Reserve for	Translation reserve	Retained earnings	Total reserves	Less:		Total equity
		treasury shares				Share capital	Treasury shares	
<b>Equity as at</b>								
<b>31st December 1998</b>	5 926	562	226	16 285	<b>22 999</b>	404	(588)	<b>22 815</b>
Currency retranslation			613		<b>613</b>			<b>613</b>
Net profit				4 724	<b>4 724</b>			<b>4 724</b>
Movement of treasury shares (net)		2 311		(2 311)	—		(2 311)	<b>(2 311)</b>
Result on options and treasury shares held for trading purposes				139	<b>139</b>		(129)	<b>10</b>
Dividend for the previous year				(1 469)	<b>(1 469)</b>			<b>(1 469)</b>
Recovery of goodwill on disposals charged to equity prior to 1st January 1995				71	<b>71</b>			<b>71</b>
<b>Equity as at</b>								
<b>31st December 1999</b>	5 926	2 873	839	17 439	<b>27 077</b>	404	(3 028)	<b>24 453</b>
Adjustment for the introduction of IAS 37								
– Provisions				132	<b>132</b>			<b>132</b>
– Related deferred taxes				(21)	<b>(21)</b>			<b>(21)</b>
<b>Equity restated as at</b>								
<b>31st December 1999</b>	5 926	2 873	839	17 550	<b>27 188</b>	404	(3 028)	<b>24 564</b>
Currency retranslation			(268)		<b>(268)</b>			<b>(268)</b>
Net profit				5 763	<b>5 763</b>			<b>5 763</b>
Movement of treasury shares (net)		(641)		641	—		641	<b>641</b>
Result on options and treasury shares held for trading purposes				959	<b>959</b>		(230)	<b>729</b>
Premium on warrants issued				81	<b>81</b>			<b>81</b>
Dividend for the previous year				(1 657)	<b>(1 657)</b>			<b>(1 657)</b>
Recovery of goodwill on disposals charged to equity prior to 1st January 1995				51	<b>51</b>			<b>51</b>
<b>Equity as at</b>								
<b>31st December 2000</b>	5 926	2 232	571	23 388	<b>32 117</b>	404	(2 617)	<b>29 904</b>

# Annex

## Accounting policies

### Accounting convention and accounting standards

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

The accounts have been prepared under the historical cost convention and on an accrual basis. All significant consolidated companies have a 31st December accounting year end. All disclosures required by the 4th and 7th European Union company law directives are provided.

### Scope of consolidation

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

### Consolidated companies

Companies in which the Group has a participation, usually a majority, and where it is responsible for the management, are fully consolidated. This applies irrespective of the percentage of the participation in the share capital. Minority interests in equity, as well as in the net results, are shown separately in the Consolidated accounts.

Proportional consolidation is applied for companies owned, controlled and managed jointly with partners. The individual assets, liabilities, income and expenditure are consolidated in proportion to the Nestlé participation in the equity (usually 50%).

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

### Associated companies

Companies where the Group has a participation of 20% or more and a significant influence but does not exercise management control are accounted for by the equity method. The net assets and results are recognised on the basis of the associates' own accounting policies, which may differ from those of the Group.

## Foreign currencies

In individual companies, 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 hedge instrument. Assets and liabilities in foreign currencies are translated at year end rates. Any resulting exchange differences are taken to the income statement.

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

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

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

## Hedging

Derivative financial instruments are used to manage operational exposures to foreign exchange, interest rate and commodity price risks. They are entered into with high credit quality financial institutions, consistent with specific approval, limit and monitoring procedures. The instruments used to hedge foreign currency flows and positions mainly include forward foreign exchange contracts, options and currency swaps. Foreign exchange gains and losses on hedging instruments are matched with foreign exchange gains and losses on the underlying asset or liability. When an anticipated future transaction has been hedged and the underlying position has not been recognised in the financial statements any change in the fair value of the hedging instrument is not recognised in the income statement for the period.

Where derivatives are held for the long term and are used to manage interest rate risks, they are accounted for on the cost basis (where the underlying asset or liability is accounted for on the cost basis) and payments and receipts relating to the instruments are recognised under net financing cost as they accrue. In other cases the instruments are carried at fair value and changes in the market value are taken to income. The instruments used consist of interest rate swaps, interest rate options and futures.

Commodity instruments are used to ensure the Group's access to raw materials at an appropriate price. Outright purchase transactions are recorded at the contracted rates. Changes in the fair value of open commodity instruments are not recognised until the actual purchase transactions are recognised in the financial statements.

### **Segmental information**

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

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

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

Segment assets comprise tangible fixed assets, trade and other receivables, inventories and prepayments and accrued income. Unallocated items represent mainly corporate and research and development assets, including

goodwill. Liabilities comprise trade and other payables, accruals and deferred income. Eliminations represent inter-company balances between the different segments.

Segment assets and liabilities by management responsibilities and geographic area represent the situation at the end of the year. Assets by product group represent the annual average as this provides a better indication of the level of invested capital.



**Valuation methods and definitions**

**Sales to customers**

Sales to customers represent the sales of products and services rendered to third parties, net of sales rebates and sales taxes.

**Net financing cost**

This item includes the interest expense on borrowings from third parties as well as the interest income earned on funds invested outside the Group. Exchange differences and the results of foreign exchange and interest hedge operations linked to external loans, intra-Group short term loans and deposits in foreign currencies are also included under this heading.

For hyperinflationary economies, only the real net financing cost appears under this heading.

**Taxes**

This includes current taxes on profit and other taxes such as taxes on capital. Also included are actual or potential withholding taxes on current and expected transfers of income from Group companies and tax adjustments relating to prior years.

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

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

**Liquid assets**

Liquid assets include cash at bank and in hand, cash equivalents, marketable securities, other liquid funds and short term investments. Cash equivalents consist of bank deposits and fixed term investments whose maturities are three months or less from the date of acquisition.

Short term investments consist of bank deposits and fixed term investments whose maturities are higher than three months from the date of acquisition.

Marketable securities, which are held to maturity, are valued at the lower of cost or market value, while those held for trading purposes are carried at market value. Any resulting gains or losses are recognised in the income statement.

**Inventories**

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

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

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

**Prepayments and accrued income**

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

**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.

**Tangible fixed assets**

Tangible fixed assets are shown in the balance sheet at their historical cost. Depreciation is provided on the straight line method so as to amortise the initial cost over the estimated useful lives, which are as follows:

Buildings . . . . .	25–50 years
Machinery and equipment . . . . .	10–15 years

Tools, furniture, information technology and sundry equipment . . . . .	3–8 years
Vehicles . . . . .	5 years

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

Depreciation of tangible fixed assets is allocated to the appropriate headings of expenses by function in the income statement.

#### **Leased assets**

Assets acquired under long term finance leases are capitalised and depreciated in accordance with the Group's policy on tangible fixed assets. The associated obligations are included in financial liabilities.

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

#### **Other financial assets**

Long term receivables are discounted to their net present value at the date of inception.

Other financial assets also include the discounted future economic benefits resulting from excess of assets of funded defined benefit plans.

Other investments primarily comprise participations of minor importance in various companies where the Group does not exercise management control as well as some securities.

Other financial assets are carried at cost or valuation less any accumulated impairment losses.

#### **Goodwill**

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

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

Goodwill is amortised on a straight line basis over its anticipated useful life but not exceeding 20 years.

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

#### **Intangible assets**

This heading includes separately purchased intangible assets such as software, intellectual property rights and rights to carry on an activity (i.e. exclusive rights to sell products or to perform a supply activity). They are amortised over their useful life, the depreciation being allocated to the relevant headings in the income statement.

Internally generated intangibles are recognised only under rare circumstances and provided that a given project and its cost are well identified. They consist mainly of data processing software.

#### **Research and development**

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

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

#### **Impairment of assets**

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amounts of the Group's assets. If any 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 net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on the average borrowing rate of the country where the assets are located, adjusted for risks specific to the asset.

#### **Current liabilities**

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

## Provisions

These include liabilities of uncertain timing or amounts that arise from restructuring, environment, litigation and other risks. Provisions are recognised when there exists a legal or constructive obligation stemming from a past event and when the future cash outflows can be reliably estimated. Obligations arising from restructuring plans are recognised only upon their announcement.

## Contingent assets and liabilities

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

## Events occurring after the balance sheet date

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

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

Other non adjusting events are disclosed in the notes.

## Employee benefits

### *Post employment benefits*

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

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

For the funded defined benefit plans, the deficit or excess of the fair value of plan assets over the present value of the defined benefit obligation is recognised as a liability or an asset in the balance sheet, taking into account any unrecognised actuarial gains or losses and past service cost. However, an excess of assets is recog-

nised only to the extent that it represents a future economic benefit which is actually available to the Group, for example in the form of refunds from the plan or reductions in future contributions to the plan. When such an excess is not available or does not represent a future economic benefit, it is not recognised but is disclosed in the notes.

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

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

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

### *Pensions and retirement benefits*

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

### *Post retirement health care and other employee benefits*

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

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

## Equity compensation plans

### *Members of the Group's Management*

Members of the Group's Management are entitled to par-

ticipate each year in a share option plan without payment. The benefits consist of the right to buy Nestlé shares at a pre-determined fixed price.

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

In order to hedge the related exposure, the Group buys the number of shares necessary to satisfy all potential outstanding obligations under the plan when the benefit is awarded and holds them until the maturity of the plan or the exercise of the rights. No additional shares are issued as a result of the equity compensation plan.

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

#### *Board of Directors*

The annual remuneration of the Members of the Board of Directors is partly paid in kind through the delivery to them of warrants purchased on the market. The warrants have a duration of five years and vest after two years.

They are issued by a financial institution and are quoted on the Stock Exchange.

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

#### **Dividends**

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

#### **Changes in accounting policies and modification of the scope of consolidation**

##### **Changes in accounting policies**

The Group has implemented the following standards as from 1st January 2000:

- IAS 36 Impairment of Assets. Impairment losses are disclosed in the respective tables of movements of assets.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The effect of these changes is disclosed on the statement of changes in equity.
- IAS 38 Intangible Assets. Intangible assets and goodwill are now disclosed separately.
- IAS 10 (revised 1999) Events after the Balance Sheet Date.

##### **Modification of the scope of consolidation**

The scope of consolidation has been affected by the acquisitions and disposals made in 2000. The principal businesses are detailed below.

##### **Fully consolidated**

Newly included:

- Vending machines business of Ueshima Coffee Company – UCC, Japan, 100% (March)
- PowerBar, USA, 100% (April)
- Summit Autonomous, USA, 100% (July)

Disposal:

- Findus frozen food business, Europe (February/March)

# Notes

## 1. Segmental information

### By management responsibility and geographic area

In millions of CHF	2000	1999	2000	1999
	Sales		Results	
Zone Europe	26 285	27 098	2 753	2 671
Zone Americas	25 524	22 045	3 503	2 799
Zone Asia, Oceania and Africa	15 710	13 611	2 673	2 185
Other activities <sup>(a)</sup>	13 903	11 906	2 015	1 675
	81 422	74 660	10 944	9 330
Unallocated items <sup>(b)</sup>			(1 758)	(1 416)
Trading profit			9 186	7 914

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

In millions of CHF	2000	1999	2000	1999
	Assets		Liabilities	
Zone Europe	12 913	14 333	5 279	5 398
Zone Americas	10 503	10 332	3 460	3 187
Zone Asia, Oceania and Africa	6 897	6 919	2 591	1 936
Other activities <sup>(a)</sup>	7 860	7 316	2 896	2 855
	38 173	38 900	14 226	13 376
Unallocated items <sup>(c)</sup>	10 635	7 454	386	491
Eliminations	(849)	(637)	(849)	(637)
	47 959	45 717	13 763	13 230

In millions of CHF	2000	1999	2000	1999
	Capital expenditure		Depreciation of tangible fixed assets	
Zone Europe	946	923	890	928
Zone Americas	766	718	767	697
Zone Asia, Oceania and Africa	550	381	481	421
Other activities <sup>(a)</sup>	949	665	519	477
	3 211	2 687	2 657	2 523
Unallocated items <sup>(d)</sup>	94	119	80	74
	3 305	2 806	2 737	2 597

<sup>a)</sup> Mainly Pharmaceutical products and Water, managed on a worldwide basis.

<sup>b)</sup> Mainly corporate expenses, research and development costs as well as amortisation of goodwill.

<sup>c)</sup> Corporate and research and development assets/liabilities, including goodwill.

<sup>d)</sup> Corporate and research and development fixed assets.

## By product group

In millions of CHF	2000	1999	2000	1999
	Sales		Results	
Beverages	<b>23 044</b>	20 859	<b>4 318</b>	3 764
Milk products, nutrition and ice cream	<b>21 974</b>	19 411	<b>2 620</b>	2 168
Prepared dishes, cooking aids and petcare	<b>20 632</b>	20 185	<b>1 948</b>	1 850
Chocolate, confectionery and biscuits	<b>10 974</b>	10 195	<b>1 166</b>	882
Pharmaceutical products	<b>4 798</b>	4 010	<b>1 212</b>	1 077
	<b>81 422</b>	74 660	<b>11 264</b>	9 741
Unallocated items <sup>(a)</sup>			<b>(2 078)</b>	(1 827)
Trading profit			<b>9 186</b>	7 914

<sup>a)</sup> Mainly corporate expenses, research and development costs, amortisation of goodwill as well as restructuring costs.

In millions of CHF	2000	1999
	Assets	
Beverages	<b>10 654</b>	10 104
Milk products, nutrition and ice cream	<b>11 215</b>	10 722
Prepared dishes, cooking aids and petcare	<b>8 980</b>	9 940
Chocolate, confectionery and biscuits	<b>6 685</b>	6 007
Pharmaceutical products	<b>2 589</b>	2 198
	<b>40 123</b>	38 971

In millions of CHF	2000	1999
	Capital expenditure	
Beverages	<b>936</b>	618
Milk products, nutrition and ice cream	<b>530</b>	366
Prepared dishes, cooking aids and petcare	<b>390</b>	464
Chocolate, confectionery and biscuits	<b>250</b>	280
Pharmaceutical products	<b>113</b>	91
	<b>2 219</b>	1 819
Administration, distribution, research and development	<b>1 086</b>	987
	<b>3 305</b>	2 806

## 2. Net financing cost

In millions of CHF	2000	1999
Interest income	614	474
Interest expense	(1 360)	(1 472)
	<b>(746)</b>	(998)

Interest income includes CHF 31 million (1999: CHF 22 million) of gains arising on securities held for trading purposes.

## 3. Net non-trading items

In millions of CHF	2000	1999
<b>Non-trading expenses</b>		
Loss on disposal of tangible fixed assets	(19)	(20)
Loss on disposal of activities	(32)	(21)
Provisions for litigation and other risks	(205)	(42)
Impairment of tangible fixed assets	(223)	(373)
Impairment of goodwill	(230)	(212)
Other	(450)	(255)
	<b>(1 159)</b>	(923)
<b>Non-trading income</b>		
Profit on disposal of fixed assets	57	96
Profit on disposal of activities	546	60
Release of provisions for litigation and other risks	73	78
Other	384	632 <sup>(a)</sup>
	<b>1 060</b>	866
Net non-trading items	<b>(99)</b>	(57)

<sup>a)</sup> of which CHF 433 million represents exceptional tax credits, primarily in the USA.

## 4. Expenses by nature

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

In millions of CHF	2000	1999
Depreciation of tangible fixed assets	2 737	2 597
Salaries and welfare expenses	12 774	12 224
Remuneration of the executive management and of the Directors	19	16
Auditors' remuneration	26	28
Operating lease charges	362	113
Exchange differences	(55)	(22)

## 5. Taxes

In millions of CHF	2000	1999
<b>Components of tax expense</b>		
Current tax	2 395	1 910
Deferred tax	(44)	(64)
Transfers (from)/to unrecognised tax assets	2	79
Changes in deferred tax rates	(13)	10
Prior years tax	18	(36)
Other tax <sup>(a)</sup>	403	415
	<b>2 761</b>	<b>2 314</b>
<b>Deferred tax by types</b>		
Tangible fixed assets	20	(118)
Goodwill and intangible assets	33	71
Employee benefits liabilities	(68)	(34)
Inventories, receivables, payables and provisions	(148)	(40)
Unused tax losses and tax credits	44	39
Other	75	18
	<b>(44)</b>	<b>(64)</b>
<b>Reconciliation of tax expense</b>		
Tax at the theoretical domestic rates applicable to profits of taxable entities in the countries concerned	2 390	1 889
Tax effect on non-deductible amortisation of goodwill	165	146
Tax effect on non-allowable items	(168)	(125)
Transfers (from)/to unrecognised tax assets	2	79
Difference in tax rates	(49)	(54)
Other tax <sup>(a)</sup>	421	379
	<b>2 761</b>	<b>2 314</b>

<sup>a)</sup> Includes withholding tax levied on transfer of income.

## 6. Share of results of associated companies

In millions of CHF	2000	1999
Share of profit before taxes	605	521
Less share of taxes	(210)	(182)
Share of profit after taxes	<b>395</b>	<b>339</b>

**7. Earnings per share**

	<b>2000</b>	1999
Basic earnings per share in CHF	<b>149.1</b>	122.1
Net profit per income statement (in millions of CHF)	<b>5 763</b>	4 724
Weighted average number of shares outstanding	<b>38 652 783</b>	38 677 213
Fully diluted earnings per share in CHF	<b>147.8</b>	120.7
Theoretical net profit assuming the exercise of all outstanding options and sale of all treasury shares (in millions of CHF)	<b>5 963</b>	4 869
Number of shares	<b>40 352 000</b>	40 352 000

**8. Liquid assets**

In millions of CHF	<b>2000</b>	1999
Cash and cash equivalents		
Cash at bank and in hand	<b>1 778</b>	1 724
Cash equivalents	<b>3 673</b>	1 598
	<b>5 451</b>	3 322
Other liquid assets		
Short term investments	<b>326</b>	1 782
Marketable securities and other	<b>4 354</b>	1 566
	<b>4 680</b>	3 348
Liquid assets	<b>10 131</b>	6 670

Liquid assets are mainly denominated in CHF (27%), in USD (33%), in EUR (27%) and in GBP (4%). Marketable securities held for trading purposes amount to CHF 655 million (1999: CHF 626 million). The fair value of other liquid assets is not materially different from their carrying amounts. Rates of annual interest on interest bearing instruments range from 2.8% on CHF to 6.7% on USD.

### 9. Trade and other receivables

In millions of CHF	2000	1999
Trade receivables	10 361	10 148
Other receivables	2 324	2 295
	<b>12 685</b>	12 443
After deduction of allowances for doubtful receivables of	<b>515</b>	503
Amounts included above which are due after more than one year	<b>85</b>	89

### 10. Inventories

In millions of CHF	2000	1999
Raw materials, work in progress and sundry supplies	2 806	2 893
Finished goods	4 556	4 667
Provisions	(194)	(177)
	<b>7 168</b>	7 383

Inventories amounting to CHF 73 million (1999: CHF 65 million) are pledged as security for financial liabilities.

### 11. Tangible fixed assets

In millions of CHF					2000	1999
	Land and buildings	Machinery and equipment	Tools, furniture and other equipment	Vehicles	Total	Total
<b>Gross value</b>						
At 1st January	12 232	25 032	5 869	881	<b>44 014</b>	40 321
Currency retranslation and inflation adjustment	(325)	(820)	(168)	(33)	<b>(1 346)</b>	2 942
Expenditure	674	1 743	769	119	<b>3 305</b>	2 806
Disposals	(346)	(958)	(526)	(132)	<b>(1 962)</b>	(1 926)
Modification of the scope of consolidation	(258)	(736)	527	(25)	<b>(492)</b>	(36)
Other	–	–	–	–	–	(93)
At 31st December	11 977	24 261	6 471	810	<b>43 519</b>	44 014

In millions of CHF					<b>2000</b>	1999
	Land and buildings	Machinery and equipment	Tools, furniture and other equipment	Vehicles	Total	Total
<b>Accumulated depreciation</b>						
At 1st January	(4 375)	(15 798)	(4 041)	(582)	<b>(24 796)</b>	(21 895)
Currency retranslation and						
inflation adjustment	124	606	134	21	<b>885</b>	(1 579)
Depreciation	(365)	(1 561)	(701)	(110)	<b>(2 737)</b>	(2 597)
Impairment	(48)	(159)	(16)	–	<b>(223)</b>	(413) <sup>a)</sup>
Disposals	214	765	468	109	<b>1 556</b>	1 526
Modification of the scope						
of consolidation	158	589	(347)	21	<b>421</b>	50
Other	–	–	–	–	–	112
At 31st December	(4 292)	(15 558)	(4 503)	(541)	<b>(24 894)</b>	(24 796)
Net at 31st December	7 685	8 703	1 968	269	<b>18 625</b>	19 218

<sup>a)</sup> of which CHF 373 million recognised in the income statement and CHF 40 million by reclassification of the related provision.

At 31st December 2000, net tangible fixed assets include CHF 158 million (1999: CHF 123 million) of assets under construction. Net tangible fixed assets held under finance leases at 31st December 2000 amount to CHF 255 million (1999: CHF 80 million). Net tangible fixed assets of CHF 147 million (1999: CHF 192 million) are pledged as security for financial liabilities.

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

## 12. Investments in associated companies

This item primarily includes the Group's indirect (26,3%) participation in the equity of L'Oréal, Paris for CHF 1986 million (1999: CHF 1683 million). Its market value at 31st December 2000 amounts to CHF 24 689 million (1999: CHF 22 814 million).

**13. Other financial assets**

In millions of CHF	2000	1999
Medium and long term receivables	2 248	2 006
Excess of assets of defined benefit plans	306	272
Other investments	138	153
	<b>2 692</b>	<b>2 431</b>

**14. Goodwill**

In millions of CHF	2000	1999
<b>Gross value</b>		
At 1st January	6 472	6 071
Currency retranslation	(126)	213
Goodwill from acquisitions	3 395	374
Other	(67)	(186)
At 31st December	9 674	6 472
<b>Accumulated amortisation</b>		
At 1st January	(1 214)	(502)
Currency retranslation	19	(37)
Amortisation	(414)	(384)
Impairment	(230)	(334) <sup>(a)</sup>
Other	67	43
At 31st December	(1 772)	(1 214)
<b>Net at 31st December</b>	<b>7 902</b>	<b>5 258</b>

<sup>a)</sup> of which CHF 212 million recognised in the income statement and CHF 122 million by reclassification of the related provision.

## 15. Intangible assets

In millions of CHF				2000	1999
	Intellectual property rights	Operating rights and others	Data processing software	Total	Total
<b>Gross value</b>					
At 1st January	101	652	313	<b>1 066</b>	567
Currency retranslation	(2)	(1)	(3)	<b>(6)</b>	58
Expenditures	9	99	80	<b>188</b>	139
Disposals	–	(2)	–	<b>(2)</b>	–
Modification of the scope of consolidation	(1)	61	(1)	<b>59</b>	(8)
Other	–	–	–	<b>–</b>	310
At 31st December	107	809	389	<b>1 305</b>	1 066
<b>Accumulated depreciation</b>					
At 1st January	(14)	(170)	(140)	<b>(324)</b>	(62)
Currency retranslation	(3)	(16)	2	<b>(17)</b>	(5)
Depreciation	(3)	(103)	(73)	<b>(179)</b>	(92)
Modification of the scope of consolidation	–	30	1	<b>31</b>	2
Other	–	–	–	<b>–</b>	(167)
At 31st December	(20)	(259)	(210)	<b>(489)</b>	(324)
Net at 31st December	87	550	179	<b>816</b>	742

## 16. Trade and other payables

In millions of CHF	2000	1999
Trade payables	<b>6 170</b>	5 815
Other payables	<b>3 831</b>	3 820
	<b>10 001</b>	9 635

**17. Current financial liabilities**

In millions of CHF	2000	1999
Commercial paper	3 106	1 830
Line of credit facilities	1 751	1 263
Other short term financial liabilities	2 821	4 043
	7 678	7 136
Current portion of medium and long term financial liabilities	698	831
	8 376	7 967

Short term financial liabilities are mainly denominated in EUR (21%), in USD (34%) and in GBP (5%). Rates of annual interest range from 5% on EUR to 15% on BRL.

**18. Medium and long term financial liabilities**

In millions of CHF	2000	1999
Loans from financial institutions	1 442	1 661
Bonds	3 783	3 994
Obligations under finance leases	241	81
	5 466	5 736
Current portion of medium and long term financial liabilities	(698)	(831)
	4 768	4 905

Loans from financial institutions are mainly denominated in USD (59%) and in EUR (20%). Their annual interest rates range from 4½% on EUR to 13% on ZAR. The majority of the loans are at variable rates. Currencies and interest rates on bonds are disclosed below.

The above medium and long term financial liabilities are repayable as follows:

In millions of CHF	2000	1999
in the second year	575	657
in the third to fifth year inclusive	4 080	3 370
after the fifth year	113	878
	4 768	4 905

Bonds in issue which are carried at face value, adjusted for any related currency hedge, are as follows:

In millions of CHF			2000	1999
Face value and currency	Interest rate	Year of issue/maturity		
<b>Bond Issues of Nestlé Holdings, Inc., USA</b>				
CHF 300 mio	6¼%	1992–2002	Subject to interest rate and currency swaps that create a USD liability at floating rates.	374 365
USD 250 mio	7¼%	1995–2005	Subject to an interest rate swaps that create a liability at floating rates.	409 400
DEM 500 mio	5¼%	1996–2001	Subject to interest rate and currency swaps that create a USD liability at floating rates.	543 530
USD 300 mio	3%	1997–2002	Anticipated redemption. The bonds were convertible into Nestlé S.A. shares, but subject to an equity and interest rate swap that hedged the issuer against its equity exposure and created a straight USD liability at floating rates.	– 480
USD 250 mio	5¼%	1998–2003	Subject to an interest rate swap that creates a liability at floating rates.	410 400
USD 300 mio	3%	2000–2005	Stock Warrants and Applicable Note Securities (SWANS). The issue has attached warrants which give the right to acquire Nestlé S.A. shares. The debt component (issue of the notes) was recognised under bonds for USD 249 mio at inception, while the equity component (premium on warrants issued) was recognised under equity for USD 51 mio. Partially subject to an interest rate swap that creates a liability at floating rates.	412 –

In millions of CHF				2000	1999
Face value and currency	Interest rate	Year of issue/ maturity			
<b>Bond Issues of Nestlé Finance-France S.A., France</b>					
ZAR 200 mio	14¾%	1997–2000	ZAR 100 mio were subject to an interest rate and currency swap that created a FRF liability at floating rates. ZAR 100 mio were swapped at floating rate and were re-lent to a South African affiliated company.	–	55
ZAR 100 mio	12½%	2000–2005	Subject to an interest rate swap that creates a liability at floating rates. The proceeds have been relent to a South African affiliated company.	25	–
<b>Bond Issues of Nestlé (UK) Ltd., United Kingdom</b>					
GBP 100 mio	6¾%	1997–2000	Was subject to an interest rate swap that created a liability at floating rates.	–	258
USD 250 mio	5%	1998–2003	Subject to an interest rate and currency swap that creates a GBP liability at floating rates.	367	388
<b>Bond Issues of Nestlé Australia Ltd., Australia</b>					
CHF 300 mio	3%	1996–2000	Was subject to interest rate and currency swaps that created an AUD liability at floating rates.	–	350

In millions of CHF				2000	1999
Face value and currency	Interest rate	Year of issue/ maturity			
USD 250 mio	1½%	1998–2005	Convertible into Nestlé S.A. shares, but subject to an equity and interest rate and currency swap that hedges the issuer against its equity and currency exposures and creates a straight AUD loan at floating rates.	342	393
<b>Bond Issue of Nestlé Capital Canada, Ltd., Canada</b>					
USD 200 mio	5½%	1999–2004	Subject to an interest rate and currency swap that creates a CAD liability at floating rates.	325	328
<b>Bond Issue of Nestlé Japan, Ltd., Japan</b>					
EUR 350 mio	5½%	2000–2004	Subject to an interest rate and currency swap that creates a JPY liability at floating rates.	505	–
<b>Other bonds</b>				<b>71</b>	47
Total				<b>3 783</b>	3 994
Due within one year				<b>(545)</b>	(682)
Due after one year				<b>3 238</b>	3 312

The market value of the above bonds amounts to CHF 3768 million as at 31st December 2000 (1999: CHF 3999 million). This amount represents the market price of the bonds of CHF 3750 million plus unrealised losses of CHF 18 million on the hedge instruments (see note 31).

## 19. Employment benefit liabilities

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

In millions of CHF		2000		1999
	Defined benefit retirement plans	Post employment medical benefits and other benefits	Total	Total
Present value of funded obligations	16 508	217	<b>16 725</b>	16 550
Fair value of plan assets	(19 036)	(165)	<b>(19 201)</b>	(20 008)
Excess of liabilities/(assets) of funded obligations	(2 528)	52	<b>(2 476)</b>	(3 458)
Present value of unfunded obligations	1 106	679	<b>1 785</b>	1 880
Unrecognised past service cost of non-vested benefits	(2)	(5)	<b>(7)</b>	(10)
Net unrecognised actuarial gains/(losses)	64	1	<b>65</b>	440
Unrecognised assets	2 566	—	<b>2 566</b>	3 291
Defined benefits net liabilities	1 206	727	<b>1 933</b>	2 143
Liabilities from defined contribution plans			<b>621</b>	407
Net liabilities			<b>2 554</b>	2 550
Reflected in the balance sheet as follows:				
Other financial assets			<b>306</b>	272
Employee benefits liabilities			<b>2 860</b>	2 822
Net liabilities			<b>2 554</b>	2 550

The plan assets include 1500 Nestlé shares (market value of CHF 6 million), mainly held in an SMI indexed portfolio (1999: 10 158 shares, market value CHF 30 million), as well as property occupied by affiliated companies with a fair value of CHF 20 million (1999: CHF 33 million).

The decrease of the excess of assets is mainly due to the lower effective return on assets as well as the changes in discount rates.

## Expenses recognised in the income statement

In millions of CHF		2000		1999	
	Defined benefit retirement plans	Post employment medical benefits and other benefits	Total	Total	Total
Current service cost	650	42	<b>692</b>		633
Employees' contributions	(111)	—	<b>(111)</b>		(108)
Interest cost	967	58	<b>1 025</b>		890
Expected return on plan assets	(1 495)	(12)	<b>(1 507)</b>		(1 227)
Net actuarial gains/(losses) recognised in year	(1)	—	<b>(1)</b>		2
Early retirements, curtailments, settlements	(4)	(1)	<b>(5)</b>		22
Past service cost	39	(18)	<b>21</b>		26
Transfer (from)/to unrecognised assets	322	—	<b>322</b>		249
Total defined benefit expenses	367	69	<b>436</b>		487
Total defined contribution expenses			<b>281</b>		230

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

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

Actual return on plan assets			<b>134</b>		3 125
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**Movement of defined benefits net liabilities recognised in the balance sheet**

In millions of CHF		<b>2000</b>		1999
	Defined benefit retirement plans	Post employment medical benefits and other benefits	Total	Total
At 1st January	1 411	732	<b>2 143</b>	1 975
Currency retranslation	(77)	(6)	<b>(83)</b>	238
Expense recognised in the income statement	367	69	<b>436</b>	487
Contributions	(308)	–	<b>(308)</b>	(415)
Benefits paid	(158)	(37)	<b>(195)</b>	(144)
Modification of the scope of consolidation	37	(2)	<b>35</b>	2
Transfer from/(to) defined contribution plans	(66)	(29)	<b>(95)</b>	–
At 31st December	1 206	727	<b>1 933</b>	2 143

## Principal actuarial assumptions

At 31st December	2000	1999
Discount rates		
Europe	<b>4–6.25%</b>	4.25–6%
Americas	<b>7–18.5%</b>	7.25–18.5%
Asia, Oceania and Africa	<b>3–14%</b>	3–14%
Expected long term rates of return on plan assets		
Europe	<b>5.3–8%</b>	5.3–8%
Americas	<b>8–13.5%</b>	8.25–19.7%
Asia, Oceania and Africa	<b>4–14%</b>	4–14%
Expected rates of salary increases		
Europe	<b>2–4.5%</b>	1.5–4.5%
Americas	<b>3.5–13%</b>	3.5–17.4%
Asia, Oceania and Africa	<b>0.5–11%</b>	0.5–11%
Expected rates of pension adjustments		
Europe	<b>1.25–3.5%</b>	1.25–3%
Americas	<b>1–13%</b>	1–15%
Asia, Oceania and Africa	<b>0.5–9%</b>	0.5–9%
Medical cost trend rates		
Americas	<b>4–5%</b>	4–17.4%
Average remaining working life of employees in years		
Europe	<b>11–23</b>	11–22
Americas	<b>9–26</b>	9–26
Asia, Oceania and Africa	<b>11–27</b>	12–24

## 20. Equity compensation plan

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

### Movement of options

In millions of CHF	2000		1999	
	Number of options	Value of shares	Number of options	Value of shares
Outstanding at 1st January	<b>93 009</b>	<b>178</b>	71 210	105
of which vested	<b>47 478</b>		40 419	
New rights	<b>43 150</b>	<b>122</b>	33 492 <sup>(a)</sup>	87
Rights exercised <sup>(b)</sup>	<b>(41 403)</b>	<b>(55)</b>	(11 693)	(14)
Rights expired	<b>(825)</b>	<b>(2)</b>	—	—
Outstanding at 31st December	<b>93 931</b>	<b>243</b>	93 009	178
of which vested	<b>17 922</b>		47 478	

<sup>a)</sup> of which 164 related to prior years.

<sup>b)</sup> Average exercise price: CHF 1324.– (1999: CHF 1237.–).

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

### Expiry dates of options

	2000		1999	
	Number	Exercise price	Number	Exercise price
one year	<b>70</b>	<b>CHF 1 261</b>	17 327	CHF 1 182
two years	<b>7 193</b>	<b>CHF 1 498</b>	13 031	CHF 1 261
three years	<b>10 659</b>	<b>CHF 2 303</b>	17 120	CHF 1 498
four years	—	—	12 203	CHF 2 303
five years	—	—	—	—
six years	<b>33 019</b>	<b>CHF 2 609</b>	—	—
seven years	<b>42 990</b>	<b>CHF 2 819</b>	33 328	CHF 2 609
<b>Total</b>	<b>93 931</b>		93 009	

## 21. Deferred taxes

In millions of CHF	2000	1999
<b>Tax assets by types of temporary differences</b>		
Tangible fixed assets	40	41
Intangible assets	190	230
Employee benefits	957	900
Inventories, receivables, payables and provisions	894	739
Unused tax losses and unused tax credits	71	120
Other	300	394
	<b>2 452</b>	2 424
<b>Tax liabilities by types of temporary differences</b>		
Tangible fixed assets	907	941
Intangible assets	44	52
Employee benefits	105	94
Inventories, receivables, payables and provisions	130	126
Other	247	245
	<b>1 433</b>	1 458
Net assets	<b>1 019</b>	966
Reflected in the balance sheet as follows:		
Deferred tax assets	<b>2 569</b>	2 293
Deferred tax liabilities	<b>1 550</b>	1 327
Net assets	<b>1 019</b>	966
Temporary differences for which no deferred tax is recognised:		
on investments in affiliated companies (taxable temporary difference)	<b>5 815</b>	4 776
on unused tax losses, tax credits and other items	<b>1 118</b>	820

Unused tax losses expire mainly within 2 to 5 years.

## 22. Provisions

In millions of CHF						2000	1999
	Restructuring	Environment	Litigation	Other	Total	Total	
At 1st January					<b>2 289</b>	2 415	
Introduction of IAS 37					<b>(132)</b>		
Restated figures at 1st January	322	74	1 633	128	<b>2 157</b>		
Currency retranslation	(11)	2	3	5	<b>(1)</b>		
Provisions made in the period	166	2	211	66	<b>445</b>		
Modification of the scope of consolidation	—	—	135	33	<b>168</b>		
Amounts used	(277)	(2)	(121)	(56)	<b>(456)</b>		
Unused amounts reversed	(6)	(6)	(64)	(33)	<b>(109)</b>		
At 31st December	194	70	1 797	143	<b>2 204</b>	2 289	

At 1st January 1999, this caption included provisions for impairment of assets as well as certain other liabilities for a total of CHF 491 million. In 1999, this amount has been reclassified as a reduction of the carrying value of the related assets or shown as accrued liabilities.

## 23. Share capital of Nestlé S.A.

	2000	1999
Number of registered shares of nominal value CHF 10.– each	<b>40 352 000</b>	40 352 000
In millions of CHF	<b>404</b>	404

Additional information is given in the annex to the annual accounts of Nestlé S.A., note 18. The share capital includes the nominal value of treasury shares (see note 24).

## 24. Treasury shares

This item represents the book value of treasury shares of Nestlé S.A.:

- 785 262 freely available shares;
- 93 931 shares in order to allow the exercise of option rights by members of the Group's management (see note 20);
- 129 419 shares in order to allow the exercise of the warrants issued with the SWANS bond issue of Nestlé Holdings Inc., USA;
- 490 415 shares held for trading purposes.

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

## 25. Decrease/(increase) in working capital

Disregarding exchange differences and effect of acquisitions and disposals.

In millions of CHF	2000	1999
Inventories	(165)	(15)
Trade receivables	(604)	(622)
Trade payables	544	364
Other payables	(270)	231
Net accruals and deferrals	40	475
Other	87	(198)
	<b>(368)</b>	235

## 26. Acquisitions

In millions of CHF	2000	1999
Fair value of net assets acquired		
Tangible fixed assets	359	137
Financial assets	93	29
Intangible assets	93	—
Minority interests	(19)	(68)
Purchase of minority interests in existing participations	49	7
Net working capital	(76)	13
Financial liabilities	(210)	(27)
Employee benefits, deferred taxes and provisions	(179)	(21)
Liquid assets	37	39
	<b>147</b>	109
Goodwill	3 395	374
Total acquisition cost	<b>3 542</b>	483
less:		
Cash and cash equivalents acquired	(37)	(39)
Own shares remitted	(298)	—
Consideration payable	(361)	(4)
Cash outflow on acquisitions	<b>2 846</b>	440

## 27. Disposals

In millions of CHF	2000	1999
Net assets disposed of		
Tangible fixed assets	430	123
Intangible assets	3	6
Minority interests	7	(11)
Net working capital	247	76
Financial liabilities	(147)	(38)
Employee benefits, deferred tax and provisions	(78)	—
Liquid assets	5	—
	467	156
Recovery of goodwill on disposals charged to equity prior to 1st January 1995	51	71
Profit/(loss) on disposals	513	39
Total sale consideration	1 031	266
less:		
Cash and cash equivalents disposed of	(5)	—
Consideration receivable	(246)	(13)
Cash inflow on disposals	780	253

## 28. Dividends

Dividends payable are not accounted for until they have been ratified at the Annual General Meeting. At the meeting on 5th April 2001, the following dividend in respect of 2000 will be proposed:

Dividend per share	CHF	55.–
resulting in a total dividend of <sup>(a)</sup>	CHF	2 171 990 095.–

<sup>a)</sup> Number of shares with right to dividend: see Annual report of Nestlé S.A.

The accounts for the year ended 31st December 2000 do not reflect this proposed distribution, which will be treated as an appropriation of profit in the year ending 31st December 2001.

## 29. Foreign exchange hedge instruments

### Forward foreign currency sales

In millions of CHF	2000			1999		
	Contractual or notional amounts	Unrealised gains	Unrealised losses	Contractual or notional amounts	Unrealised gains	Unrealised losses
Recognised transactions						
Forward contracts						
and swaps	<b>7 926</b>	<b>169</b>	<b>1</b>	7 869	—	292
Options purchased	—	—	—	1 675	—	6
Options written	<b>1 674</b>	<b>3</b>	—	1 610	—	2
Anticipated future transactions						
Forward contracts	<b>615</b>	<b>3</b>	<b>7</b>	647	5	13
Options purchased	<b>37</b>	<b>1</b>	—	—	—	—
Options written	—	—	—	80	—	—

Recognised transactions relate to balance sheet positions resulting from liquid assets in foreign currencies and, to a lesser extent, from export receivables, while anticipated future transactions refer to expected export sales.

Due to the nature of the Group's operations, most of the transactions have maturities of less than one year. They are denominated mainly in USD, in GBP and in EUR.

### Forward foreign currency purchases

In millions of CHF	2000			1999		
	Contractual or notional amounts	Unrealised gains	Unrealised losses	Contractual or notional amounts	Unrealised gains	Unrealised losses
Recognised transactions						
Forward contracts						
and swaps	<b>2 988</b>	<b>6</b>	<b>84</b>	2 564	51	7
Options purchased	<b>1 712</b>	—	<b>6</b>	—	—	—
Options written	<b>1 548</b>	—	<b>8</b>	65	—	—
Anticipated future transactions						
Forward contracts	<b>1 101</b>	<b>28</b>	<b>7</b>	1 026	—	20
Options purchased	<b>225</b>	<b>1</b>	<b>1</b>	127	2	1
Options written	<b>285</b>	<b>1</b>	<b>1</b>	372	1	—

Recognised transactions are related to balance sheet positions such as suppliers and financial liabilities, while anticipated future transactions refer to commitments for commodity and machinery imports.

Due to the nature of the Group's operations, most of the transactions have maturities of less than one year. They are denominated mainly in USD, in EUR and in JPY.

### 30. Commodity hedge instruments

In millions of CHF	2000			1999		
	Contractual or notional amounts	Unrealised gains	Unrealised losses	Contractual or notional amounts	Unrealised gains	Unrealised losses
Futures	312	3	13	245	9	24
Options purchased	19	1	—	38	—	1
Options written	21	—	1	26	—	1

Commodity hedge instruments are designed to hedge the price risks on the anticipated purchases of coffee, cocoa and other commodities used for the manufacture of finished goods.

### 31. Interest rate instruments

#### Liquid assets

Interest exposures on liquid assets are hedged by using instruments which have the effect of altering the average maturities and the interest rates on the underlying positions. The notional amounts of these instruments and the unrealised gains and losses on revaluation at market rates are given below:

In millions of CHF	2000			1999		
	Contractual or notional amounts	Unrealised gains	Unrealised losses	Contractual or notional amounts	Unrealised gains	Unrealised losses
Interest rate swaps	4 193	5	117	5 116	2	188
Interest rate futures	558	—	1	—	—	—

These instruments have maturity dates of three months to five years. The instruments are denominated in CHF, in EUR and in USD with annual interest rates ranging from 2.5% on CHF to 5.6% on USD.

### Financial liabilities

The majority of interest rate swaps and interest rate and currency swaps modify the maturities and the interest rates of long term bonds thus creating obligations in the reporting currency of the issuer (see note 18), while other interest rate and currency swaps, forward rate agreements and options hedge interest rate exposures of the affiliated companies. The notional amounts of these instruments and the unrealised gains and losses on revaluation at market rates are given below:

In millions of CHF	2000			1999		
	Contractual or notional amounts	Unrealised gains	Unrealised losses	Contractual or notional amounts	Unrealised gains	Unrealised losses
Interest rate swaps <sup>(a)</sup>	2 820	75	6	2 510	110	15
Interest rate and currency swaps	3 374	157	228	3 527	36	300
Forward rate agreements	1 211	—	1	1 892	57	41
Options purchased	272	1	1	341	—	—
Options written	402	—	2	1 003	1	1

<sup>a)</sup> Include equity swaps.

These instruments have maturity dates of one month to six years. They are denominated mainly in USD, CAD, AUD, EUR, GBP and JPY. Their annual interest rates range from 0.5% on JPY to 6.3% on AUD.

### 32. Guarantees

In the normal course of business, the Group has given guarantees totalling CHF 436 million to third parties (1999: CHF 385 million).

### 33. Commitments for expenditure on tangible fixed assets

At 31st December 2000, the Group was committed to expenditure amounting to CHF 180 million (1999: CHF 137 million).

### 34. Lease commitments

The following charges arise from these commitments:

#### Operating leases

In millions of CHF	2000	1999
	Minimum lease payments	
	Future value	
within one year	346	280
in the second year	291	246
in the third to fifth year inclusive	648	521
after the fifth year	1 196	1 215
	<b>2 481</b>	<b>2 262</b>

#### Finance leases

In millions of CHF	2000		1999	
	Minimum lease payments			
	Present value	Future value	Present value	Future value
within one year	22	24	33	35
in the second year	29	33	14	17
in the third to fifth year inclusive	157	177	11	13
after the fifth year	33	43	23	29
	<b>241</b>	<b>277</b>	<b>81</b>	<b>94</b>

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

### 35. Contingent assets and liabilities

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

Contingent assets for litigation claims in favour of the Group amount to about CHF 260 million.

### **36. Events after the balance sheet date**

#### *Creation of a Major International Petcare Business*

On 16th January 2001 Nestlé S.A. and Ralston Purina Company announced that they had entered into a merger agreement. Nestlé will acquire all of the outstanding shares of Ralston Purina for USD 10.3 billion. The transaction is expected to be completed at the latest by the end of 2001. The agreement is subject to Ralston Purina shareholders' and to regulatory approval.

At 22nd February 2001, date of the approval of the consolidated accounts by the Board of Directors, the Group had no subsequent adjusting events that warrant a modification of the values of assets and liabilities.

### **37. Transactions with related parties**

The Group has not entered into any material transaction with related parties. Furthermore, throughout 2000, no director had a personal interest in any transaction of significance for the business of the Group.

### **38. Nestlé Group Companies**

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

**Principal exchange rates**

CHF per		2000	1999	2000	1999
		Year end rates		Average annual rates	
1 US Dollar	USD	<b>1.64</b>	1.60	<b>1.69</b>	1.51
1 Euro	EUR	<b>1.52</b>	1.61	<b>1.56</b>	1.60
100 French Francs	FRF	<b>23.20</b>	24.50	<b>23.70</b>	24.40
100 Deutsche Marks	DEM	<b>77.70</b>	82.30	<b>79.50</b>	81.70
1 Pound Sterling	GBP	<b>2.44</b>	2.58	<b>2.56</b>	2.43
100 Italian Lira	ITL	<b>0.079</b>	0.083	<b>0.080</b>	0.083
100 Brazilian Reais	BRL	<b>83.90</b>	88.40	<b>92.40</b>	83.00
100 Spanish Pesetas	ESP	<b>0.91</b>	0.97	<b>0.94</b>	0.96
100 Japanese Yen	JPY	<b>1.43</b>	1.56	<b>1.57</b>	1.34
100 Mexican Pesos	MXN	<b>17.10</b>	16.80	<b>17.90</b>	15.90
1 Canadian Dollar	CAD	<b>1.09</b>	1.10	<b>1.14</b>	1.02
1 Australian Dollar	AUD	<b>0.91</b>	1.04	<b>0.98</b>	0.97
100 Philippine Pesos	PHP	<b>3.27</b>	3.98	<b>3.82</b>	3.85

# Report of the Group auditors

to the General Meeting of Nestlé S.A

As Group auditors we have audited the Consolidated accounts (balance sheet, income statement, cash flow statement, statement of changes in equity and annex) of the Nestlé Group for the year ended 31st December 2000.

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

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

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

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



Klynveld Peat Marwick Goerdeler SA



S.R. Cormack  
Chartered accountant



B.A. Mathers  
Chartered accountant

Auditors in charge  
London and Zurich, 22nd February 2001

## Financial information – ten year review

In millions of CHF (except for per share data)	2000	1999 <sup>(e)</sup>	1998
<b>Results</b>			
Consolidated sales	<b>81 422</b>	74 660	71 747
Trading profit	<b>9 186</b>	7 914	7 081
as % of sales	<b>11.3%</b>	10.6%	9.9%
Taxes	<b>2 761</b>	2 314	2 000
Consolidated net profit	<b>5 763</b>	4 724	4 205
as % of sales	<b>7.1%</b>	6.3%	5.9%
as % of average equity	<b>21.2%</b>	20.0%	19.5%
Total amount of dividend	<b>2 172<sup>(a)</sup></b>	1 694	1 469
Depreciation of tangible fixed assets	<b>2 737</b>	2 597	2 609
as % of sales	<b>3.4%</b>	3.5%	3.6%
Amortisation of goodwill	<b>414</b>	384	301
<b>Balance sheet</b>			
Current assets	<b>30 747</b>	27 169	26 467
<i>of which liquid assets</i>	<b>10 131</b>	6 670	7 963
Fixed assets	<b>34 777</b>	31 770	30 236
Total assets	<b>65 524</b>	58 939	56 703
Current liabilities	<b>23 174</b>	22 182	22 567
Medium and long term liabilities and minority interests	<b>12 446</b>	12 304	11 321
Equity	<b>29 904</b>	24 453	22 815
Expenditure on tangible fixed assets	<b>3 305</b>	2 806	3 061
as % of sales	<b>4.1%</b>	3.8%	4.3%
<b>Data per share</b>			
Weighted average number of shares outstanding	<b>38 652 783</b>	38 677 213	39 293 665
Consolidated net profit <sup>(b)</sup>	<b>149.1</b>	122.1	107.0
Equity <sup>(b)</sup>	<b>774</b>	632	581
Dividend <sup>(b)</sup>	<b>55.0<sup>(d)</sup></b>	43.0	38.0
Pay-out ratio	<b>36.9%<sup>(d)</sup></b>	35.2%	35.5%
Stock exchange prices (high/low) <sup>(b)</sup>	<b>3893/2540</b>	3107/2508	3498/2122
Yield <sup>(c)</sup>	<b>1.4/2.2<sup>(d)</sup></b>	1.4/1.7	1.1/1.8
<b>Number of personnel</b>	<b>224 541</b>	230 929	231 881

<sup>(a)</sup> As proposed by the Board of Directors of Nestlé S.A. This amount includes dividends payable in respect of shares with right to dividend at the balance sheet date (CHF 2137 million) as well as those potentially payable on the shares covering options and shares held for trading purposes (CHF 35 million).

<sup>(b)</sup> Figures prior to 1993 adjusted in order to make comparable the data per share, following a rights issue in June 1993.

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

<sup>(d)</sup> As proposed by the Board of Directors of Nestlé S.A..

<sup>(e)</sup> Figures prior to 2000 have not been restated following the first application of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

1997 <sup>(f)</sup>	1996 <sup>(g)</sup>	1995	1994 <sup>(h)</sup>	1993	1992	1991
69 998	60 490	56 484	56 894	57 486	54 500	50 486
7 057	6 053	5 658	5 628	5 591	5 384	4 783
10.1%	10.0%	10.0%	9.9%	9.7%	9.9%	9.5%
1 842	1 552	1 561	1 647	1 669	1 745	1 605
4 182	3 592	3 078	3 250	2 887	2 698	2 470
6.0%	5.9%	5.4%	5.7%	5.0%	5.0%	4.9%
21.9%	22.9%	23.3%	19.9%	19.5%	18.4%	17.2%
1 376	1 180	1 043	1 040	972	870	793
2 677	2 305	2 103	2 321	2 283	2 038	1 863
3.8%	3.8%	3.7%	4.1%	4.0%	3.7%	3.7%
140	102	42	–	–	–	–
25 671	23 070	20 927	21 420	20 982	20 670	19 195
8 102	5 860	5 124	5 132	5 084	4 688	4 888
25 910	23 605	19 189	23 807	24 178	23 803	19 795
51 581	46 675	40 116	45 227	45 160	44 473	38 990
20 985	19 859	17 410	17 297	18 166	20 019	14 889
9 990	9 239	8 862	10 986	11 334	10 524	8 731
20 606	17 577	13 844	16 944	15 660	13 930	15 370
3 261	3 054	3 056	3 029	3 093	3 191	2 815
4.7%	5.0%	5.4%	5.3%	5.4%	5.9%	5.6%
39 331 126	39 363 637	39 220 756	38 838 376	37 759 826	36 938 374	36 800 050
106.3	91.3	78.5	83.7	76.5	72.2	66.4
524	557	459	436	415	373	413
35.0	30.0	26.5	26.5	25.0	23.2	21.3
32.9%	32.9%	33.8%	31.7%	32.7%	32.2%	32.0%
2192/1421	1487/1250	1298/1090	1437/1063	1294/1015	1162/857	876/651
1.6/2.5	2.0/2.4	2.0/2.4	1.8/2.5	1.9/2.5	2.0/2.7	2.4/3.3
225 808	221 144	220 172	212 687	209 755	218 005	201 139

<sup>(f)</sup> Figures prior to 1998 have not been restated following the first application of IAS 19 (revised 1998) "Employee Benefits".

<sup>(g)</sup> Figures prior to 1997 have not been restated following the first application of IAS 12 (revised 1996) "Income tax".

<sup>(h)</sup> Figures prior to 1995 have not been restated to reflect the change from net replacement values of tangible fixed assets to historical cost accounting.

## Companies of the Nestlé Group

### Operating companies

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

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

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

### Europe

**Germany** Nestlé Deutschland AG *Frankfurt* 97.34% • Blaue Quellen Mineral- und Heilbrunnen AG *Rhens am Rhein* 90.6% • Trinks GmbH *Goslar* 90.6% • San Pellegrino Deutschland GmbH *Mainz* 100% • Alcon Pharma GmbH\* *Freiburg/Breisgau* 100% • **Austria** Nestlé Österreich GmbH *Wien* 100% • **Belgium** Nestlé Belgilux S.A. *Bruxelles* 100% • Perrier Vittel Belgilux S.A. *Etalle* 100% • Alcon-Couvreur S.A.\* *Puurs* 100% • S.A. Friskies Belgilux N.V. *Bruxelles* 100% • **Bulgaria** Nestlé Sofia A.D. *Sofia* 99.86% • **Denmark** Nestlé Danmark A/S *København* 100% • Friskies Danmark A/S *København* 100% • **Spain** Nestlé España S.A. *Barcelona* 100% • Productos del Café S.A. *Reus* 100% • Davigel España S.A. *Palma de Mallorca* 100% • Pycasa – La Cocinera *Torrejón de Ardoz* 100% • EYCAM Perrier S.A. *Barcelona* 100% • Alcon-Cusi S.A.\* *Barcelona* 100% • Helados Miko S.A. *Vitoria* 100% • Compañía Avidesca S.A. *Alzira* 100% • Friskies España S.A. *Esplugas de Llobregat* 100% • **Finland** Suomen Nestlé Oy *Helsinki* 100% • Friskies Finland Oy *Helsinki* 100% • **France** Nestlé France S.A. *Noisiel* 100% • Nestlé Grand Froid S.A. *Noisiel* 100% • Nestlé Clinical Nutrition S.A. *Noisiel* 100% • Nestlé Produits Laitiers Frais *Noisiel* 99.9% • Herta S.A. *Noisiel* 100% • Davigel S.A. *Martin-Eglise* 100% • Food Ingredients Specialities France S.A. *Noisiel* 100% • Perrier Vittel France *Paris* 100% • S.A. des Eaux Minérales de Ribeaupillé *Ribeaupillé* 99.5% • Société Conditionnement et Industrie S.A. *Bernay* 77.9% • Eau Minérale Naturelle de Plancoët "Source Sassay" S.A. *Plancoët* 100% • Nespresso France S.A. *Paris* 100% • Nestlé Clinical Nutrition S.A. *Sèvres* 100% • Laboratoires Alcon S.A.\* *Rueil-Malmaison* 100% • Friskies France *Rueil-Malmaison* 100% • **Greece** Nestlé Hellas S.A. *Maroussi* 100% • Alcon Laboratories Hel-

las Commercial and Industrial S.A.\* *Maroussi* 100% • **Italy** Nestlé Italiana S.p.A. *Milano* 99.9% • San Pellegrino S.p.A. *Milano* 100% • Alcon Italia S.p.A.\* *Milano* 100% • Friskies Italia S.p.A. *Castiglione delle Stiviere* 100% • **Hungary** Nestlé Hungaria Kft *Budapest* 100% • Kekkuti Asvanyviz Rt. *Kekkut* 68.2% • **Norway** A/S Nestlé Norge *Asker-Oslo* 100% • **Netherlands** Nestlé Nederland B.V. *Amsterdam* 100% • Alcon Nederland B.V.\* *Gorinchem* 100% • Friskies Netherlands B.V. *Amsterdam* 100% • **Poland** Goplana S.A. *Poznan* 99.58% • Nestlé Polska S.A. *Warsaw* 100% • Naleczowianka Spolka zo.o. *Naleczov* 33.3% • Winiary S.A. *Kalisz* 98.79% • ESI Distribution N.V. *Warsaw* 50% • **Portugal** Nestlé Portugal S.A. *Linda-a-Velha* 100% • Longa Vida S.A. *Matosinhos* 100% • Sociedade das Aguas de Pisos Moura S.A. *Lisboa* 100% • Alcon Portugal Produtos e Equipamentos Oftalmologicos, Ltda.\* *Lisboa* 100% • **Republic of Ireland** Nestlé (Ireland) Ltd *Tallaght-Dublin* 100% • Friskies Petcare (Ireland) Ltd *Dublin* 100% • **Czech Republic** Nestlé Food S.r.o. *Praha* 100% • Nestlé Cokoladovny a.s. *Praha* 99.5% • **Romania** Nestlé Romania S.R.L. *Bucarest* 100% • Joe I.B.C. S.R.L. *Timisoara* 100% • **United Kingdom** Nestlé UK Ltd *Croydon* 100% • Perrier Vittel UK Ltd *Rickmansworth* 100% • Buxton Mineral Water Company Ltd *Rickmansworth* 100% • Alcon Laboratories (UK) Ltd\* *Herts* 100% • Friskies Petcare (UK) Ltd *New Malden* 100% • **Russia** JSC Confectionery Union Rossiya *Samara* 97.6% • Nestlé Zhukovsky Ice Cream LLC *Zhukovsky* 87.5% • Nestlé Food LLC *Moscow* 100% • OJSC Confectionery Firm Altai *Barnaul* 89.2% • OJSC Kamskaya *Perm* 86.7% • JSC Khladoproduct *Timashevsk* 89.4% • **Slovakia** Nestlé Food S.r.o. *Prievidza* 100% • **Sweden** Nestlé Sverige AB *Helsingborg* 100% • Zoegas Kaffe AB *Helsingborg* 100% • Jede AB *Mariestad* 100% • Alcon Sverige AB\* *Bromma* 100% • Friskies Sverige AB *Malmö* 100% • **Switzerland** Société des Produits Nestlé S.A. *Vevey* 100% • Nestlé Suisse S.A. *Vevey* 100% • Perrier Vittel Suisse S.A. *Gland* 100% • Alcon Pharmaceuticals Ltd\* *Hünenberg* 100% • Nestlé World Trade Corporation *La Tour-de-Peilz* 100% • Food Ingredients Specialities S.A. *Villars-sur-Glâne* 100% • Nestlé Nespresso S.A. *Paudex* 100% • Nestlé International Travel Retail S.A. *Châtel-St-Denis* 100% • **Turkey** Nestlé Gıda Sanayi A.S. *Istanbul* 100% • Alcon Laboratuvarları A.S.\* *Istanbul* 100% • **Ukraine** JSC Lviv Confectionery Firm *Svitoch Lviv* 91.61%.

## Africa

**South Africa** Nestlé (South Africa) (Pty) Ltd *Randburg-Johannesburg* 100% • Friskies Petcare (Pty) Ltd *Pretoria* 100% • Valvita (Pty) Ltd *Gauteng* 100% • Alcon Laboratories (South Africa) Pty Ltd\* *Randburg* 100% • **Cameroon** Nestlé Cameroun *Douala* 99.6% • **Ivory Coast** Nestlé Côte d'Ivoire *Abidjan* 85.4% • **Egypt** Nestlé Egypt S.A.E. *Cairo* 100% • Dolce S.A.E. *Cairo* 100% • Industrie du Froid S.A.E. *Kaliub-Cairo* 100% • Société des eaux minérales Vittor S.A.E. *Cairo* 98.6% • **Gabon** Nestlé Gabon *Libreville* 90% • **Ghana** Nestlé Ghana Ltd *Tema-Accra* 51% • **Guinea** Nestlé Guinée *Conakry* 99% • **Kenya** Nestlé Foods Kenya Ltd *Nairobi* 100% • **Mauritius** Nestlé's Products (Mauritius) Ltd *Port Louis* 100% • **Morocco** Nestlé Maroc S.A. *El Jadida* 94.5% • **Nigeria** Nestlé Nigeria PLC *Ilupeju-Lagos* 57% • **Senegal** Nestlé Sénégal *Dakar* 100% • **Tunisia** Nestlé Tunisie *Tunis* 59.2% • **Zimbabwe** Nestlé Zimbabwe (Pvt) Ltd *Harare* 100%.

## Americas

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

*Waters of America, Inc. Wilmington (Delaware)* 100% • Nestlé Puerto Rico, Inc. *San Juan (Puerto Rico)* 100% • Alcon Laboratories, Inc.\* *Fort Worth (Texas)* 100% • Alcon (Puerto Rico), Inc.\* *San Juan (Puerto Rico)* 100% • **Guatemala** Nestlé Guatemala S.A. *Guatemala* 100% • **Honduras** Nestlé Hondureña S.A. *Tegucigalpa* 100% • **Jamaica** Nestlé-JMP Jamaica Ltd *Kingston* 100% • Cremo Ltd *Kingston* 100% • **Mexico** Nestlé Mexico S.A. de C.V. *México* 100% • Manantiales La Asuncion, S.A. de C.V. *México* 100% • Alcon Laboratorios S.A. de C.V.\* *México* 100% • **Nicaragua** Productos Nestlé (Nicaragua) S.A. *Managua* 100% • **Panama** Nestlé Panamá S.A. *Panamá City* 100% • Nestlé Caribbean, Inc. *Panamá City* 100% • **Paraguay** Nestlé Paraguay S.A. *Asunción* 100% • **Peru** Nestlé Perú S.A. *Lima* 93.1% • **Dominican Republic** Nestlé Dominicana S.A. *Santo Domingo* 97% • **Trinidad and Tobago** Nestlé Trinidad and Tobago Ltd *Port of Spain* 100% • **Uruguay** Nestlé del Uruguay S.A. *Montevideo* 100% • **Venezuela** Nestlé Venezuela S.A. *Caracas* 100% • Caramelos Royal C.A. *Barquisimeto* 100%.

## Asia

**Saudi Arabia** Saudi Food Industries Co. Ltd *Jeddah* 51% • **Bangladesh** Nestlé Bangladesh Ltd *Dhaka* 100% • **Cambodia** Nestlé Dairy (Cambodia) Ltd *Phnom Penh* 80% • **United Arab Emirates** Nestlé Middle East FZE *Dubai* 100% • **India** Nestlé India Ltd *New Delhi* 51.2% • **Indonesia** P.T. Nestlé Indonesia *Jakarta* 86.9% • P.T. Nestlé Beverages Indonesia *Jakarta* 70% • **Israel** OSEM Investments Ltd *Petach-Tikva* 50.1% • **Japan** Nestlé Japan Ltd *Kobe* 100% • Nestlé Mackintosh K.K. *Kobe* 100% • Alcon Japan Ltd\* *Tokyo* 100% • **Jordan** Nestlé Jordan Trading Co. Ltd *Amman* 49% • **Kuwait** Nestlé Kuwait General Trading Co. W.L.L. *Kuwait* 49% • **Lebanon** Société pour l'Exportation des Produits Nestlé S.A. *Beyrouth* 100% • SOHAT Distribution S.A.L. *Hazmieh* 49% • **Malaysia** Nestlé (Malaysia) Bhd. *Petaling Jaya* 59.2% • Nestlé Foods (Malaysia) Sdn. Bhd. *Petaling Jaya* 59.2% • Nestlé Products Sdn. Bhd. *Petaling Jaya* 59.2% • Nestlé Asean (Malaysia) Sdn. Bhd. *Petaling Jaya* 56.2% • Nestlé Cold Storage (Malaysia) Sdn. Bhd. *Petaling Jaya* 59.2% • **Pakistan** Milkpak Ltd *Lahore* 59.1% • **Philippines** Nestlé Philippines, Inc. *Cabuyao* 100% • Hidden Springs & Perrier, Inc. *Makati City* 100% • Alcon Laboratories (Philippines) Inc.\* *Manila* 100% • **Republic of Korea** Nestlé Korea Ltd *Cheongju* 100% • Alcon Korea Ltd\* *Seoul* 100% • **People's**

**Republic of China** Nestlé Shuangcheng Ltd *Shuangcheng* 97% • Nestlé Dongguan Ltd *Dongguan* 100% • Maggi Dongguan Ltd *Dongguan* 100% • Nestlé Tianjin Ltd *Tianjin* 100% • Nestlé Qingdao Ltd *Qingdao* 100% • Nestlé Shanghai Ltd *Shanghai* 95% • Nestlé Dairy Farm Tianjin Ltd *Tianjin* 100% • Nestlé Dairy Farm Qingdao Ltd *Qingdao* 100% • Nestlé Dairy Farm Guangzhou Ltd *Guangzhou* 94% • Guangzhou Refrigerated Foods Ltd *Guangzhou* 90% • Shanghai Fuller Foods Co. Ltd *Shanghai* 100% • Shanghai Nestlé Product Services Ltd *Shanghai* 97% • Shanghai Totole Flavouring Food Co. Ltd *Shanghai* 80% • Shanghai Jiale Flavouring Food Sales Co. Ltd *Shanghai* 100% • Nestlé Source Shanghai Ltd *Shanghai* 100% • Nestlé Hong Kong Ltd *Hong Kong* 100% • Nestlé Dairy Farm Hong Kong Ltd *Hong Kong* 100% • Alcon (China) Ophthalmic Product Co., Ltd\* *Beijing* 100% • Alcon Hong Kong Ltd\* *Hong Kong* 100% • **Singapore** Nestlé Singapore (Pte) Ltd *Singapore* 100% • Alcon Pte. Ltd\* *Singapore* 100% • **Sri Lanka** Nestlé Lanka Ltd *Colombo* 90.8% • **Syria** Nestlé Syria S.A. *Damascus* 75% • **Taiwan** Nestlé Taiwan Ltd *Taipei* 100% • Alcon Pharmaceuticals Ltd\* *Taipei* 100% • **Thailand** Nestlé Products (Thailand), Inc. *Bangkok* 100% • Nestlé Asean (Thailand) Ltd *Bangkok* 80.1% • Quality Coffee Products Ltd *Bangkok* 49% • Nestlé Foods (Thailand) Ltd *Bangkok* 100% • Nestlé Trading (Thailand) Ltd *Bangkok* 49% • Nestlé Manufacturing (Thailand) Ltd *Bangkok* 100% • Nestlé Ice Cream (Thailand) Ltd *Bangkok* 69% • Nestlé Dairy (Thailand) Ltd *Bangkok* 55.4% • Alcon Laboratories (Thailand) Ltd\* *Bangkok* 100% • **Vietnam** Nestlé Vietnam Ltd *Bien Hoa* 100% • Long An Mineral Water Joint Venture Company *Tan An* 65%.

## Oceania

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

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

## Europe

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

## Africa

**South Africa** Dairymaid-Nestlé (Pty) Ltd *Johannesburg* 50%.

## Americas

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

## Asia

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

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

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

## Europe

**Germany** Mineralbrunnen Überkingen-Teinach AG *Bad Überkingen* 30.11% • **France** L'Oréal S.A.\* *Paris* 26.3% • Houdebine S.A. *Noyal-Pontivy* 50% • S.B.E.C.M. Société de Bouchages Emballages Conditionnement Moderne S.à.r.l. *Lavardac* 50%.

## Americas

**United States** Floridian Groves, Inc. *Tampa (Florida)* 40%.

## Asia

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

## Sub-holding, financial and property companies

**Bahamas** Nestlé's Holdings Ltd *Nassau* 100% • Food Products (Holdings) Ltd *Nassau* 100% • **United States** Nestlé Holdings, Inc. *Stamford (Connecticut)* 100% • Nestlé Capital Corporation *Stamford (Connecticut)* 100% • **France** Nestlé Entreprises S.A. *Noisiel* 100% • Nestlé Finance France S.A. *Noisiel* 100% • Perrier Vittel S.A. *Paris* 100% • Société Immobilière de Noisiel *Noisiel* 100% • **Panama** Unilac, Inc. *Panamá City* 100% • **Portugal** Nestlé Portugal SGPS, Lda. *Linda-a-Velha* 100% • **United Kingdom** Nestlé Holdings (U.K.) PLC *Croydon* 100% • Friskies Holding (UK) Ltd *Croydon* 100% • **Switzerland** Entreprises Maggi S.A. *Kemptthal* 100% • Nestlé Finance S.A. *Cham* 100% • Rive-Reine S.A. *La Tour-de-Peilz* 100% • S.I. En Bergère Vevey S.A. *Vevey* 100% • Alcon Universal S.A.\* *Hünenberg* 100% • Galderma Pharma S.A.\* *Lausanne* 50%.

## Technical assistance, research and development companies

### Nestec Ltd., Vevey (Switzerland)

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

its subsidiary companies. The companies and units involved are:

## Research centres

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

## Product Technology Centres and Research & Development centres

**Germany** Nestlé R&D Center Lebensmittelforschung GmbH *Weiding* • **Ivory Coast** Centre R&D Nestlé *Abidjan* • **United States** Nestlé Product Technology Center *New Milford (Connecticut)* • Nestlé R&D Center, Inc. *Marysville (Ohio)* • Nestlé R&D Center, Inc. *Solon (Ohio)* • Friskies Product Technology Center *St. Joseph (Missouri)* • Alcon Research Ltd\* *Forth Worth (Texas)* • Galderma R&D Inc.\* *Cranbury (New Jersey)*  
• **France** Nestlé Product Technology Centre *Beauvais*  
• Nestlé Product Technology Centre *Lisieux* • Centre R&D Friskies S.A. *Amiens* • Galderma R&D S.n.c.\* *Sophia Antipolis*  
• **United Kingdom** Nestlé Product Technology Centre *York*  
• **Singapore** Nestlé R&D Center (Pte) Ltd *Singapore*  
• **Switzerland** Nestlé Product Technology Centre *Kemptthal*  
• Nestlé Product Technology Centre *Konolfingen* • Nestlé Product Technology Centre *Orbe*.



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## Income statement for the year 2000

In millions of CHF	Notes	2000	1999
<b>Income</b>			
Income from Group companies	1	4 761	3 771
Interest income	2	550	123
Profit on disposal of fixed assets	3	1 460	97
Other income		22	16
<b>Total income</b>		<b>6 793</b>	4 007
<b>Expenses</b>			
Investment write downs	4	887	558
Administration and other expenses	5	135	126
Interest expense	6	26	22
Provision for uninsured risks		-	15
<b>Total expenses before taxes</b>		<b>1 048</b>	721
<b>Profit before taxes</b>		<b>5 745</b>	3 286
Taxes	7	380	294
<b>Profit for the year</b>	19	<b>5 365</b>	2 992

# Balance sheet at 31st December 2000

before appropriations

In millions of CHF	Notes	2000	1999
<b>Assets</b>			
<b>Current assets</b>			
Liquid assets	8	2 523	2 845
Receivables	9	3 237	3 988
Prepayments and accrued income		66	44
<b>Total current assets</b>		<b>5 826</b>	6 877
<b>Fixed assets</b>			
Financial assets	10	16 426	11 798
Intangible assets	13	–	–
Tangible fixed assets	14	–	–
<b>Total fixed assets</b>		<b>16 426</b>	11 798
<b>Total assets</b>		<b>22 252</b>	18 675
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Short term payables	15	213	196
Accruals and deferred income		233	249
Long term payables	16	256	271
Provisions	17	873	990
<b>Total liabilities</b>		<b>1 575</b>	1 706
<b>Equity</b>			
Share capital	18/19	404	404
Legal reserves	19	6 392	6 392
Special reserve	19	8 512	7 180
Retained earnings	19	5 369	2 993
<b>Total equity</b>	19	<b>20 677</b>	16 969
<b>Total liabilities and equity</b>		<b>22 252</b>	18 675

# Annex to the annual accounts of Nestlé S.A.

## Accounting policies

### General

Nestlé S.A. (the Company) is the ultimate holding company of the Nestlé Group which comprises subsidiaries, associated companies and joint ventures throughout the world. The accounts are prepared in accordance with accounting principles required by Swiss law. They are also prepared under the historical cost convention and on the accruals basis. There have been no changes in accounting policies during the year.

### Foreign currency translation

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

### Hedging

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

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

### Income statement

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

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

### Taxes

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

### Financial assets

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

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

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

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

### Intangible assets

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

### Tangible fixed assets

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

**Provisions**

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

**Employee benefits**

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

**Prepayments and accrued income**

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

**Accruals and deferred income**

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



# Notes to the annual accounts

## 1. Income from Group companies

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

## 2. Interest income

In millions of CHF	2000	1999
Net result on loans to Group companies	456	107
Other	94	16
	550	123

The improvement is mainly due to the favourable evolution of foreign exchange and interest rate hedge instruments as compared with last year. Income received in 2000, both on the loans and on investments, have also increased.

## 3. Profit on disposal of fixed assets

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

## 4. Investment write downs

In millions of CHF	2000	1999
Participations and loans	664	500
Trademarks and other industrial property rights	223	58
	887	558

The write downs of participations and loans in 2000 derive from a conservative policy of valuation, based on the political, economic and monetary situation of the countries where the participations are located, as well as on the profitability of the companies concerned. The write downs of trademarks and other industrial property rights in 2000 refer mainly to trademarks acquired from Group companies.

## 5. Administration and other expenses

In millions of CHF	2000	1999
Salaries and welfare expenses	41	54
Other expenses	94	72
	<b>135</b>	126

## 6. Interest expense

In millions of CHF	2000	1999
Interest on long term debenture	17	15
Other interest	9	7
	<b>26</b>	22

## 7. Taxes

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

## 8. Liquid assets

In millions of CHF	2000	1999
Cash and cash equivalents	1 331	751
Short term investments	-	1 511
Marketable securities	1 192	583
	<b>2 523</b>	2 845

## 9. Receivables

In millions of CHF	2000	1999
Amounts owed by Group companies		
Short-term treasury loans	2 832	3 607
Current accounts	374	370
Provision for amounts not currently transferable	–	–
	<b>3 206</b>	3 977
Other receivables (including withholding tax)	31	11
	<b>3 237</b>	3 988

Short-term treasury loans are advanced to Group companies with the intention of investing liquid funds at competitive rates, thus replacing external borrowings. The amount owed to the Company in respect of Swiss withholding tax was received after the year-end.

## 10. Financial assets

In millions of CHF	2000	1999
Participations in Group companies (see note 11)	10 900	7 373
Finance loans to Group companies (see note 12)	4 282	4 247
Own shares	1 029	178
Other investments	215	–
	<b>16 426</b>	11 798

Own shares of the Company are:

- held in order to allow the exercise of option rights by members of the Group's Management (93 931 options were outstanding at the close of 2000, of which 17 922 may be exercised in the year 2001);
- earmarked to cover warrants attached to a bond issue of an affiliated company (129 419 shares);
- acquired for trading purposes (130 611 shares).

## 11. Participations in Group companies

In millions of CHF	2000	1999
At 1st January	7 373	7 112
Increase	4 191	761
Write downs	(664)	(500)
At 31st December	10 900	7 373

The increase in participations represents in particular:

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

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

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

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

## 12. Finance loans to Group companies

In millions of CHF	2000	1999
At 1st January	4 247	3 112
New loans	1 413	1 405
Repayments and write downs	(1 178)	(543)
Realised exchange differences	38	22
Unrealised exchange differences	(238)	251
At 31st December	4 282	4 247

Finance loans are usually for the long term and finance investments in participations.

### 13. Intangible assets

All intangible assets have been fully written off.

### 14. Tangible fixed assets

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

The fire insurance value of buildings, furniture and office equipment amounted to CHF 22 million at 31st December 2000 and 1999.

### 15. Short term payables

In millions of CHF	2000	1999
Amounts owed to Group companies	183	188
Other payables	30	8
	<b>213</b>	196

### 16. Long term payables

In millions of CHF	2000	1999
Amounts owed to Group companies	256	271
Other payables	-	-
	<b>256</b>	271

Amounts owed to Group companies represent a long-term bond issued in 1989, whose carrying value decreased by CHF 15 million to CHF 256 million as a result of an unrealised exchange difference arising in 2000.

## 17. Provisions

In millions of CHF	2000	1999
Provision for uninsured risks	475	475
Provision for exchange risks	162	327
Provision for Swiss and foreign taxes	203	156
Other provisions	33	32
	<b>873</b>	<b>990</b>

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

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

## 18. Share capital

	2000	1999
Number of registered shares of nominal value CHF 10 each	40 352 000	40 352 000
In millions of CHF	404	404

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

At 31st December 2000, the Share Register showed 161 827 registered shareholders. If unprocessed applications for registration and the indirect holders of shares under American depositary receipts are also taken into account, the total number of shareholders probably exceeds 250 000. The Company was not aware of any shareholder holding, directly or indirectly, 3% or more of the share capital.

### Conditional increase in share capital

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

## 19. Changes in equity

In millions of CHF

	Share capital	General reserve <sup>(a)</sup>	Reserve for own shares <sup>(a)(b)</sup>	Special reserve	Retained earnings	Total
At 1st January 2000	404	3 519	2 873	7 180	2 993	<b>16 969</b>
Appropriation of profit to special reserve				1 295	(1 295)	
Profit for the year					5 365	<b>5 365</b>
Dividend for 1999					(1 657)	<b>(1 657)</b>
Movement of own shares		641	(641)			
Dividend on own shares held on the payment date of dividend 1999				36	(36)	
Dividend on own shares in respect of which the corresponding option rights were not exercised by the payment date of 1999 dividend				1	(1)	
At 31st December 2000	404	4 160	2 232	8 512	5 369	<b>20 677</b>

<sup>(a)</sup> The general reserve and the reserve for own shares constitute the legal reserves.

<sup>(b)</sup> See note 20

## **20. Reserve for own shares**

At 31st December 1999, the reserve for own shares amounting to CHF 2 873 million, represented the cost of 928 940 freely available shares acquired by a Group company, as well as 93 009 shares reserved to cover option rights in favour of members of the Group's Management and 923 345 shares held for trading purposes.

During the year, a total of 355 622 shares have been acquired at a cost of CHF 1 208 million and 700 566 shares have been sold for a total amount of CHF 2 268 million (of which, 41 403 shares for the options that have been exercised during the year). Moreover, 101 323 shares (CHF 298 million) have been used in relation to the PowerBar acquisition.

At 31st December 2000, the shareholding of a Group company was 785 262 freely available shares (at an acquisition cost of CHF 31.7 million). These shares are available to be used in any way which, in the opinion of the Board of Directors, would be in the best interests of the Company and its shareholders. As long as these shares are held by the Group company, they will be recorded in the Share Register as being without voting rights and will not rank for dividends. In addition, 490 415 shares were held for trading purposes, 93 931 shares were reserved to cover option rights in favour of members of the Group's Management and 129 419 shares were earmarked to cover warrants attached to a bond issue of an affiliated company. As long as the options and warrants are not exercised, or the shares sold, these shares are also recorded in the Share Register as being without voting rights and do not rank for dividends.

The total of 1 499 027 own shares held at 31st December 2000 represents 3.7% of Nestlé S.A. share capital.

## **21. Contingencies**

At 31st December 2000 and 1999, the total of the guarantees for credit facilities granted to Group companies, together with the buy-back agreements relating to notes issued, amounted to CHF 5 031 million and CHF 3 835 million, respectively.

## Proposed appropriation of profit

In CHF	2000	1999
<b>Retained earnings</b>		
Balance brought forward	4 188 706	658 341
Profit for the year	5 365 160 086	2 992 288 841
	<b>5 369 348 792</b>	2 992 947 182
<b>We propose the following appropriations:</b>		
Allocation to the special reserve	<b>3 195 000 000</b>	1 295 000 000
Dividend for 2000, CHF 55.– per share on 38 852 973 shares (1999: CHF 43.– on 38 406 706 shares)	<b>2 136 913 515</b>	1 651 488 358
Dividend for 2000, CHF 55.– per share on 17 922 shares reserved for the option rights which may be exercised in the year 2001, on 129 419 shares to cover warrants attached to a bond issue and on 490 415 shares held for trading purposes <sup>(a)</sup> (1999: CHF 43.– on 983 026 shares)	<b>35 076 580</b>	42 270 118 <sup>(b)</sup>
	<b>5 366 990 095</b>	2 988 758 476
<b>Balance to be carried forward</b>	<b>2 358 697</b>	4 188 706

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

<sup>(b)</sup> Of the total of CHF 42 270 118, CHF 5 584 238 were actually paid as dividends, whilst the balance of CHF 36 685 880 has been transferred to the special reserve.

If you accept this proposal, the gross dividend will amount to CHF 55.– per share. After deduction of the federal withholding tax of 35%, a net amount of CHF 35.75 per share will be payable as from Wednesday, 11th April 2001 by bank transfer to the shareholder's account or by cheque, in accordance with instructions received from the shareholder.

*Cham and Vevey, 22nd February 2001*  
The Board of Directors



## Report of the statutory auditors

to the General Meeting of Nestlé S.A.

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and annex) of Nestlé S.A. for the year ended 31st December 2000.

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

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

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

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



Klynveld Peat Marwick Goerdeler SA

A handwritten signature in black ink, appearing to read "S.R. Cormack".

S.R. Cormack  
Chartered accountant

A handwritten signature in black ink, appearing to read "B.A. Mathers".

B.A. Mathers  
Chartered accountant

Auditors in charge  
London and Zurich, 22nd February 2001

# Agenda for the 134th Ordinary General Meeting of Nestlé S.A.

Thursday 5th April 2001

at 3.00 p.m. at the "Palais de Beaulieu", Lausanne

- 1** Annual report, report of the auditors
- 1a** 2000 annual report and accounts of Nestlé S.A.;  
report of the auditors
- 1b** 2000 consolidated accounts of the Nestlé Group;  
report of the Nestlé Group auditors
  
- 2** Release of the Board of Directors  
and of the Management
  
- 3** Decision on the appropriation of profits resulting  
from the balance sheet of Nestlé S.A.
  
- 4** Elections to the Board of Directors  
Rainer E. Gut (term of office for 4 years)  
Jean-Pierre Meyers (term of office for 5 years)  
Nobuyuki Idei (term of office for 5 years)  
André Kudelski (term of office for 5 years)
  
- 5** Modifications of the Articles of Association
- 5a** Change in the capital structure
- 5b** Editorial modification of Art. 5bis
- 5c** Modification of Art. 35

## **Elections to the Board of Directors**

At the General Meeting of 5th April 2001, the terms as directors of Messrs Rainer E. Gut, Fritz Gerber, Jean-Pierre Meyers and Reto F. Domeniconi will expire. Having reached the age limit, Mr. F. Gerber will not stand for a new term. Mr. R.F. Domeniconi has expressed the wish to leave the Board. The two other directors are eligible and present themselves for re-election. In accordance with the provisions of the Board's regulations concerning the age limit, Mr. R.E. Gut will stand for a four-year term. Mr. J.-P. Meyers is standing for a five-year term.

Furthermore, the Board of Directors is recommending that the General Meeting elect as new directors, also for five-year terms, Mr. Nobuyuki Idei, Chairman and Chief Executive Officer of Sony Corporation, Tokyo, Japan, and Mr. André Kudelski, President and Chief Executive Officer of Kudelski Group, Cheseaux-sur-Lausanne, Switzerland.

Next Ordinary General Meeting:  
Thursday 11th April 2002  
at the "Palais de Beaulieu", Lausanne

## Important dates

5th April 2001	134th Ordinary General Meeting, "Palais de Beaulieu", Lausanne
11th April 2001	Payment of the dividend
26th April 2001	Announcement of first quarter 2001 sales figures
22nd August 2001	Publication of the half-yearly report January/June 2001
19th October 2001	Announcement of first nine months 2001 sales figures; Autumn meeting with the press (Zurich)
28th February 2002	Announcement of 2001 sales figures and results; Press conference (Vevey)
10th April 2002	Announcement of first quarter 2002 sales figures
11th April 2002	135th Ordinary General Meeting, "Palais de Beaulieu", Lausanne

## Shareholder information

### Stock exchange listings

As of 31st December 2000, the registered shares of Nestlé S.A. were listed on the exchanges of Zurich, Brussels, Frankfurt, London, Paris, Tokyo and Vienna.

In November 2000, Nestlé S.A. announced the delisting of its shares from the exchanges of Amsterdam, Brussels, Tokyo and Vienna. The shares were delisted from the exchange of Amsterdam on 29th December 2000.

American Depositary Receipts (ADRs) representing Nestlé S.A. shares are offered in the USA by Morgan Guaranty Trust Company of New York.

### Registered Offices

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

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

### Further information

For any additional information about the management report, please contact

Nestlé S.A., Investor Relations, avenue Nestlé 55, CH-1800 Vevey (Switzerland), tel. (021) 924 27 42, fax (021) 924 28 13.

E-mail: [investor.relations@nestle.com](mailto:investor.relations@nestle.com)

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

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

Nestlé URL: <http://www.nestle.com>

