

Financial Statements 2015



**Consolidated Financial Statements
of the Nestlé Group 2015**

**149th Financial Statements
of Nestlé S.A.**

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Principal exchange rates

CHF per

		2015	2014	2015	2014
		Year ending rates		Weighted average annual rates	
1 US Dollar	USD	0.989	0.990	0.964	0.916
1 Euro	EUR	1.081	1.203	1.068	1.215
100 Chinese Yuan Renminbi	CNY	15.239	15.957	15.325	14.875
100 Brazilian Reais	BRL	25.337	37.262	29.004	38.898
1 Pound Sterling	GBP	1.467	1.540	1.474	1.508
100 Mexican Pesos	MXN	5.690	6.716	6.074	6.885
100 Philippine Pesos	PHP	2.109	2.208	2.115	2.062
1 Canadian Dollar	CAD	0.713	0.852	0.752	0.830
1 Russian Ruble	RUB	0.013	0.017	0.016	0.024
1 Australian Dollar	AUD	0.723	0.810	0.723	0.826
100 Japanese Yen	JPY	0.822	0.827	0.798	0.862

Consolidated income statement for the year ended 31 December 2015

In millions of CHF

	Notes	2015	2014
Sales	3	88 785	91 612
Other revenue		298	253
Cost of goods sold		(44 730)	(47 553)
Distribution expenses		(7 899)	(8 217)
Marketing and administration expenses		(20 744)	(19 651)
Research and development costs		(1 678)	(1 628)
Other trading income	4	78	110
Other trading expenses	4	(728)	(907)
Trading operating profit	3	13 382	14 019
Other operating income	4	126	154
Other operating expenses	4	(1 100)	(3 268)
Operating profit		12 408	10 905
Financial income	5	101	135
Financial expense	5	(725)	(772)
Profit before taxes, associates and joint ventures		11 784	10 268
Taxes	14	(3 305)	(3 367)
Income from associates and joint ventures	15	988	8 003
Profit for the year		9 467	14 904
of which attributable to non-controlling interests		401	448
of which attributable to shareholders of the parent (Net profit)		9 066	14 456
As percentages of sales			
Trading operating profit		15.1%	15.3%
Profit for the year attributable to shareholders of the parent (Net profit)		10.2%	15.8%
Earnings per share (in CHF)			
Basic earnings per share	16	2.90	4.54
Diluted earnings per share	16	2.89	4.52

Consolidated statement of comprehensive income for the year ended 31 December 2015

In millions of CHF

	Notes	2015	2014
Profit for the year recognised in the income statement		9 467	14 904
Currency retranslations			
– Recognised in translation reserve		(4 061)	2 660
– Reclassified from translation reserve to income statement		102	1 003
Fair value adjustments on available-for-sale financial instruments			
– Recognised in fair value reserve		(134)	191
– Reclassified from fair value reserve to income statement		(75)	(4)
Fair value adjustments on cash flow hedges			
– Recognised in hedging reserve		(5)	31
– Reclassified from hedging reserve		83	(87)
Taxes	14	237	5
Share of other comprehensive income of associates and joint ventures	15		
– Recognised in the reserves		165	83
– Reclassified from the reserves to income statement		–	(436)
Items that are or may be reclassified subsequently to the income statement		(3 688)	3 446
Remeasurement of defined benefit plans	10	(370)	(1 745)
Taxes	14	8	352
Share of other comprehensive income of associates and joint ventures	15	112	(153)
Items that will never be reclassified to the income statement		(250)	(1 546)
Other comprehensive income for the year	18	(3 938)	1 900
Total comprehensive income for the year		5 529	16 804
of which attributable to non-controlling interests		317	556
of which attributable to shareholders of the parent		5 212	16 248

Consolidated balance sheet as at 31 December 2015

before appropriations

In millions of CHF	Notes	2015	2014
Assets			
Current assets			
Cash and cash equivalents	13/17	4 884	7 448
Short-term investments	13	921	1 433
Inventories	6	8 153	9 172
Trade and other receivables	7/13	12 252	13 459
Prepayments and accrued income		583	565
Derivative assets	13	337	400
Current income tax assets		874	908
Assets held for sale	2	1 430	576
Total current assets		29 434	33 961
Non-current assets			
Property, plant and equipment	8	26 576	28 421
Goodwill	9	32 772	34 557
Intangible assets	9	19 236	19 800
Investments in associates and joint ventures	15	8 675	8 649
Financial assets	13	5 419	5 493
Employee benefits assets	10	109	383
Current income tax assets		128	128
Deferred tax assets	14	1 643	2 058
Total non-current assets		94 558	99 489
Total assets		123 992	133 450

In millions of CHF

	Notes	2015	2014
Liabilities and equity			
Current liabilities			
Financial debt	13	9 629	8 810
Trade and other payables	13	17 038	17 437
Accruals and deferred income		3 673	3 759
Provisions	12	564	695
Derivative liabilities	13	1 021	757
Current income tax liabilities		1 124	1 264
Liabilities directly associated with assets held for sale	2	272	173
Total current liabilities		33 321	32 895
Non-current liabilities			
Financial debt	13	11 601	12 396
Employee benefits liabilities	10	7 691	8 081
Provisions	12	2 601	3 161
Deferred tax liabilities	14	3 063	3 191
Other payables	13	1 729	1 842
Total non-current liabilities		26 685	28 671
Total liabilities		60 006	61 566
Equity	18		
Share capital		319	322
Treasury shares		(7 489)	(3 918)
Translation reserve		(21 129)	(17 255)
Retained earnings and other reserves		90 637	90 981
Total equity attributable to shareholders of the parent		62 338	70 130
Non-controlling interests		1 648	1 754
Total equity		63 986	71 884
Total liabilities and equity		123 992	133 450

Consolidated cash flow statement for the year ended 31 December 2015

In millions of CHF			
	Notes	2015	2014
Operating activities			
Operating profit	17	12 408	10 905
Depreciation and amortisation		3 178	3 058
Impairment		576	2 067
Net result on disposal of businesses		422	509
Other non-cash items of income and expense		172	689
Cash flow before changes in operating assets and liabilities		16 756	17 228
Decrease/(increase) in working capital	17	741	(114)
Variation of other operating assets and liabilities	17	(248)	85
Cash generated from operations		17 249	17 199
Net cash flows from treasury activities			
Net cash flows from treasury activities	17	(93)	(356)
Taxes paid		(3 310)	(2 859)
Dividends and interest from associates and joint ventures	15	456	716
Operating cash flow		14 302	14 700
Investing activities			
Capital expenditure	8	(3 872)	(3 914)
Expenditure on intangible assets	9	(422)	(509)
Acquisition of businesses	2	(530)	(1 986)
Disposal of businesses	2	213	321
Investments (net of divestments) in associates and joint ventures ^(a)	15	(44)	3 958
Inflows/(outflows) from treasury investments		521	(844)
Other investing activities		(19)	(98)
Investing cash flow		(4 153)	(3 072)
Financing activities			
Dividend paid to shareholders of the parent	18	(6 950)	(6 863)
Dividends paid to non-controlling interests		(424)	(356)
Acquisition (net of disposal) of non-controlling interests		—	(49)
Purchase (net of sale) of treasury shares ^(b)		(6 377)	(1 617)
Inflows from bonds and other non-current financial debt		1 381	2 202
Outflows from bonds and other non-current financial debt		(508)	(1 969)
Inflows/(outflows) from current financial debt		643	(1 985)
Financing cash flow		(12 235)	(10 637)
Currency retranslations		(478)	42
Increase/(decrease) in cash and cash equivalents		(2 564)	1 033
Cash and cash equivalents at beginning of year		7 448	6 415
Cash and cash equivalents at end of year		4 884	7 448

(a) In 2014, mainly relates to the partial disposal of L'Oréal shares. The Group sold part of its shares to L'Oréal for a price of CHF 7342 million (see Note 15) in exchange for the remaining 50% stake in Galderma for an equity value of CHF 3201 million (see Note 2) and cash of CHF 4141 million.

(b) Mostly relates to the Share Buy-Back Programme launched in 2014.

Consolidated statement of changes in equity for the year ended 31 December 2015

In millions of CHF

	Share capital	Treasury shares	Translation reserve	Retained earnings and other reserves	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
Equity as at 31 December 2013	322	(2 196)	(20 811)	85 260	62 575	1 564	64 139
Profit for the year	–	–	–	14 456	14 456	448	14 904
Other comprehensive income for the year	–	–	3 556	(1 764)	1 792	108	1 900
Total comprehensive income for the year	–	–	3 556	12 692	16 248	556	16 804
Dividend paid to shareholders of the parent	–	–	–	(6 863)	(6 863)	–	(6 863)
Dividends paid to non-controlling interests	–	–	–	–	–	(356)	(356)
Movement of treasury shares	–	(1 943)	–	204	(1 739)	–	(1 739)
Equity compensation plans	–	221	–	(48)	173	–	173
Changes in non-controlling interests	–	–	–	(297)	(297)	(10)	(307)
Total transactions with owners	–	(1 722)	–	(7 004)	(8 726)	(366)	(9 092)
Other movements	–	–	–	33	33	–	33
Equity as at 31 December 2014	322	(3 918)	(17 255)	90 981	70 130	1 754	71 884
Profit for the year	–	–	–	9 066	9 066	401	9 467
Other comprehensive income for the year	–	–	(3 874)	20	(3 854)	(84)	(3 938)
Total comprehensive income for the year	–	–	(3 874)	9 086	5 212	317	5 529
Dividend paid to shareholders of the parent	–	–	–	(6 950)	(6 950)	–	(6 950)
Dividends paid to non-controlling interests	–	–	–	–	–	(424)	(424)
Movement of treasury shares	–	(6 322)	–	39	(6 283)	–	(6 283)
Equity compensation plans	–	239	–	(56)	183	–	183
Changes in non-controlling interests	–	–	–	(21)	(21)	1	(20)
Reduction in share capital ^(a)	(3)	2 512	–	(2 509)	–	–	–
Total transactions with owners	(3)	(3 571)	–	(9 497)	(13 071)	(423)	(13 494)
Other movements	–	–	–	67	67	–	67
Equity as at 31 December 2015	319	(7 489)	(21 129)	90 637	62 338	1 648	63 986

(a) Reduction in share capital, see Note 18.1.

1. Accounting policies

Accounting convention and accounting standards

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

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

The Consolidated Financial Statements 2015 were approved for issue by the Board of Directors on 17 February 2016 and are subject to approval by the Annual General Meeting on 7 April 2016.

Accounting policies

Accounting policies are included in the relevant notes to the Consolidated Financial Statements and are presented as text highlighted with a grey background. The accounting policies below are applied throughout the financial statements.

Key accounting judgements, estimates and assumptions

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Those areas affect mainly provisions and contingencies (see Note 12), goodwill and intangible assets with indefinite useful life impairment tests (see Note 9), employee benefits (see Note 10), allowance for doubtful receivables (see Note 7), taxes (see Note 14) and hyperinflation (see Note 22).

Foreign currencies

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

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

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

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

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

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

Valuation methods, presentation and definitions

Revenue

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

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

Expenses

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

Changes in Consolidated cash flow statement

The Group has enhanced the presentation of its cash flow statement by including additional details of some material items (e.g. depreciation and amortisation) on the face of the consolidated cash flow statement, while aggregating some immaterial items.

2014 comparatives have been restated.

Changes in presentation – Analyses by segment

The scope of the operating segments has been modified following the changes in management responsibilities as from 1 January 2015. Zone Europe has been renamed Zone Europe, Middle East and North Africa (EMENA) and now includes the Maghreb, the Middle East, the North East Africa region, Turkey and Israel, which were formerly included in Zone Asia, Oceania and Africa. Zone Asia, Oceania and Africa has been renamed Zone Asia, Oceania and sub-Saharan Africa (AOA). Nestlé Nutrition now includes Growing-Up Milks business formerly included in the geographic Zones. Finally, Other businesses now includes the Bübchen business, formerly included in Nestlé Nutrition.

The amount of segment assets is no longer disclosed. Segment assets are not included in the measures used for allocating resources and assessing segment performance. The Group discloses on a voluntary basis invested capital (as defined in Note 3) as well as goodwill and intangible assets by segment for consistency with long-standing practice. Goodwill and intangible assets are not included in invested capital since the amounts recognised are not comparable between segments due to differences in the intensity of acquisition activity and changes in accounting standards which were applicable at various points in time when the Group undertook significant acquisitions.

Information by product has been modified following the main transfer of Growing-Up Milks business in Milk products and Ice cream to Nutrition and Health Science.

Sales and non-current assets in Switzerland and countries which individually represent at least 10% of the Group sales or 10% of the Group non-current assets are disclosed separately, instead of the top ten countries and Switzerland.

In addition, intangible assets are attributed to the country of their legal owner rather than being allocated to the countries of the affiliated companies using these assets. Finally, goodwill items which were presented as part of unallocated items are attributed to the countries of the affiliated companies where the related acquired business is operated.

2014 comparative information has been restated.

Other changes in presentation

Notes to the Consolidated Financial Statements have been restructured, with the accounting policy generally being placed immediately before the respective Note. Information by geographic area has been restated following the changes described under Changes in presentation – Analyses by segment regarding countries under the geography EMENA and AOA.

For consistency with the annual accounts of Nestlé S.A., the Consolidated Financial Statements include the early adoption of the new provisions of the Swiss Law regarding accounting and financial reporting with regards of consolidated accounts (application is mandatory for the year beginning 1 January 2016). Only the Notes are impacted. The main impact is the deletion of the Note on Group risk management, which is discussed now only in the Annual Review.

Changes in accounting policies

A number of standards have been modified on miscellaneous points with effect from 1 January 2015. Such changes include Defined Benefit Plans: Employee Contributions (Amendments to IAS 19), as well as the Annual Improvements to IFRS 2010–2012 Cycle and the Annual Improvements to IFRS 2011–2013 Cycle.

None of these amendments had a material effect on the Group's Financial Statements.

Changes in IFRS that may affect the Group after 31 December 2015

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the accounting period beginning on 1 January 2016 or later. The Group has not early adopted them.

IFRS 9 – Financial Instruments

The standard addresses the accounting principles for the financial reporting of financial assets and financial liabilities, including classification, measurement, impairment,

derecognition and hedge accounting. The standard will affect the Group's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income under some circumstances and gains and losses on certain instruments with specific cash flow characteristics are never reclassified to the income statement at a later date.

There is no expected impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities.

The Group is currently assessing the impact of the new impairment and hedge accounting requirements. In particular it is expected that the new component hedge model may bring improved alignment between the risk management strategies and their accounting treatment.

This standard is mandatory for the accounting period beginning on 1 January 2018.

IFRS 15 – Revenue from Contract with Customers

This standard combines, enhances and replaces specific guidance on recognising revenue with a single standard.

It defines a new five-step model to recognise revenue from customer contracts. The Group is currently assessing the potential impact of this new standard.

This standard is mandatory for the accounting period beginning on 1 January 2018.

IFRS 16 – Leases

This standard will replace IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The main effect on the Group is that IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for almost all leases and will therefore result in an increase of total assets and total liabilities. All things being equal, under the new standard higher trading operating profit would be partially or entirely offset by higher interest expense. The Group is currently assessing the precise impact of this new standard.

This standard is mandatory for the accounting period beginning on 1 January 2019.

Improvements and other amendments to IFRS/IAS

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

2. Scope of consolidation, acquisitions and disposals of businesses, assets held for sale

Scope of consolidation

The Consolidated Financial Statements comprise those of Nestlé S.A. and of its affiliated companies (the Group).

Companies which the Group controls are fully consolidated from the date at which the Group obtains control, using the acquisition method. The Group controls a company when it is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. Though the Group generally holds a majority of voting rights in the companies which are controlled, this applies irrespective of the percentage of interest in the share capital if control is obtained through agreements with other shareholders.

The list of the principal companies is provided in the section “Companies of the Nestlé Group, joint arrangements and associates”.

Business combinations

Business combinations are accounted for using the acquisition method. Where not all of the equity of a subsidiary is acquired the non-controlling interests are recognised at the non-controlling interest’s share of the acquiree’s net identifiable assets. Upon obtaining control in a business combination achieved in stages, the Group remeasures its previously held equity interest at fair value and recognises a gain or a loss to the income statement.

2.1 Modification of the scope of consolidation

Acquisitions

In 2015, among others, the acquisitions during the year include:

- Merrick Pet Care, USA, natural and organic pet food products, (PetCare) 100%, September.

None of the acquisitions of the year were significant.

In 2014, among others, the acquisitions included:

- Remaining 50% of Galderma, worldwide, dermatology pharmaceuticals products (Nutrition and Health Science), July.
- Aesthetic products business commercialisation rights from Valeant Pharmaceuticals International, USA and Canada, aesthetic dermatology products (Nutrition and Health Science), 100%, July.

None of the other acquisitions of 2014 were significant.

Disposals

In 2015, the following has been disposed of, among others:

- Davigel, France, Spain and Benelux, professional frozen prepared dishes and cooking aids (Prepared dishes and cooking aids), 100%, November.

None of the disposals of the year were significant.

In 2014, there were no significant disposals.

2.2 Acquisitions of businesses

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

In millions of CHF

	2015				2014
	Total	Galderma	Aesthetic business commercial rights Valeant	Other acquisitions	Total
Property, plant and equipment	114	401	—	87	488
Intangible assets ^(a)	163	5 401	959	20	6 380
Inventories and other assets ^(b)	69	1 171	17	76	1 264
Financial debt	(1)	(179)	—	(50)	(229)
Employee benefits, deferred taxes and provisions	(92)	(1 015)	—	(19)	(1 034)
Other liabilities	(25)	(525)	(17)	(81)	(623)
Fair value of identifiable net assets	228	5 254	959	33	6 246

(a) In 2015, mainly trademarks and trade names. In 2014, mainly trademarks, trade names, patents, technology, research & development intangible assets and reacquired rights.

(b) Galderma: including the fair value of trade receivables of CHF 434 million with a gross contractual amount of CHF 448 million and estimated cash flows of CHF 14 million not expected to be collected.

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

The Galderma net assets fair value published in 2014 has been adjusted and recorded as part of the 2015 exercise. The adjustments being not material, the 2014 comparatives have not been restated.

The goodwill arising on acquisitions and the cash outflow are:

In millions of CHF

	2015				2014
	Total	Galderma	Aesthetic business commercial rights Valeant	Other acquisitions	Total
Fair value of consideration transferred	529	3 907	1 240	99	5 246
Non-controlling interests ^(a)	1	—	—	2	2
Fair value of pre-existing interests ^(b)	—	3 923	—	47	3 970
Subtotal	530	7 830	1 240	148	9 218
Fair value of identifiable net assets	(228)	(5 254)	(959)	(33)	(6 246)
Goodwill	302	2 576	281	115	2 972

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

(b) See Note 15 for the 2014 revaluation gain on the 50% stake already held in Galderma. For 2014 other acquisitions, the remeasurement to fair value of pre-existing interests in one of the business acquisitions resulted in a gain of CHF 43 million and has been recognised under Other operating income in the income statement (see Note 4.2).

In millions of CHF

	2015				2014
	Total	Galderma	Aesthetic business commercial rights Valeant	Other acquisitions	Total
Fair value of consideration transferred	529	3 907	1 240	99	5 246
Cash and cash equivalents acquired	(6)	(83)	—	(16)	(99)
Settled in L'Oréal shares ^(a)	—	(3 201)	—	—	(3 201)
Payment of consideration payable on prior years acquisitions	7	—	—	40	40
Cash outflow on acquisitions	530	623	1 240	123	1 986

(a) In 2014, the Group sold part of its shares to L'Oréal for a price of CHF 7342 million (see Note 15) in exchange for the remaining 50% stake in Galderma for an equity value of CHF 3201 million and cash of CHF 4141 million.

The consideration transferred consists of payments made in cash. In 2014, for Galderma, the consideration transferred consisted of payments made in L'Oréal shares and in cash to repay the loans granted by L'Oréal to Galderma.

2014 acquisitions

Galderma

On 8 July 2014, the Group brought its ownership in Galderma to 100% by acquiring a 50% stake from L'Oréal (see Note 15.3). Galderma is a Swiss company, specialising in innovative medical solutions in dermatology pharmaceuticals products with an extensive product portfolio available in 70 countries. With this acquisition, the Group will pursue its strategic development in Nutrition, Health and Wellness, by expanding its activities to medical skin treatments.

Aesthetic dermatology products business commercialisation rights from Valeant Pharmaceuticals International

On 10 July 2014, the Group acquired a business which exploits full rights to commercialise several key aesthetic dermatology products in USA and Canada from Valeant Pharmaceuticals International. The two markets together represent more than half of the fast-growing medical aesthetic market around the world. The acquisition of these key strategic assets will extend and reinforce the Group's presence in the field of specialised medical skin treatments.

Acquisition-related costs

Acquisition-related costs have been recognised under Other operating expenses in the income statement (see Note 4.2) for an amount of CHF 11 million (2014: CHF 29 million – mostly related to the acquisitions of Galderma and the Aesthetic business commercialisation rights from Valeant).

2.3 Assets held for sale

Assets held for sale and disposal groups

Non-current assets held for sale and disposal groups are presented separately in the current section of the balance sheet when the following criteria are met: the Group is committed to selling the asset or disposal group, an active plan of sale has commenced, and the sale is expected to be completed within 12 months. Immediately before the initial classification of the assets and disposal groups as held for sale, the carrying amounts of the assets (or all the assets and liabilities in the disposal groups) are measured in accordance with the applicable accounting policy. Assets held for sale and disposal groups are subsequently measured at the lower of their carrying amount and fair value less cost to sell. Assets held for sale are no longer amortised or depreciated.

As of 31 December 2015, the main disposal group relates to the future creation of a joint venture with R&R Ice Cream, a leading European ice cream company. Nestlé would contribute to the new joint venture its ice cream business in Europe, Egypt, the Philippines, Brazil and Argentina as well as its European frozen food businesses, excluding pizza. The reclassified assets (primarily fixed assets, goodwill and inventories) and liabilities (primarily pension liabilities and accounts payables) related to the future joint venture are mainly part of the Zone EMENA and the Zone AMS operating segments. As of 31 December 2015, the related cumulative loss in other comprehensive income has been estimated at about CHF 400 million and will be recognised in the income statement at the date of the completion of the transaction. None of the other businesses classified as held for sale are individually significant.

As of 31 December 2014, assets held for sale were mainly composed of disposal groups related to frozen food and water businesses in Europe, respectively part of Other businesses and Nestlé Waters operating segments. They have been disposed during the year.

2.4 Disposals of businesses

Cash inflow on disposals of businesses relates mainly to the Davigel disposal and to several other non-significant disposals.

In 2015, the loss on disposals (see Note 4.2) is mainly composed of impairments of various disposal groups held for sale which were not individually significant and the recycling in the income statement of cumulative losses in other comprehensive income related to disposals.

In 2014, the loss on disposal (see Note 4.2) was mainly composed of a cumulative loss in other comprehensive income of CHF 322 million (mainly related to the Performance Nutrition business) that has been recycled in the income statement, of impairment of disposal groups held for sale and of various expenses incurred or accrued to finalise the disposals.

3. Analyses by segment

Segment reporting

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

The CODM considers the business from both a geographic and product perspective, through three geographic Zones and several Globally Managed Businesses (GMB). Zones and GMB that meet the quantitative threshold of 10% of total sales or trading operating profit for all operating segments, are presented on a stand-alone basis as reportable segments. Even though it does not meet the reporting threshold, Nestlé Waters is reported separately for consistency with long-standing practice of the Group. Therefore, the Group's reportable operating segments are:

- Zone Europe, Middle East and North Africa (EMENA);
- Zone Americas (AMS);
- Zone Asia, Oceania and sub-Saharan Africa (AOA);
- Nestlé Waters;
- Nestlé Nutrition.

Other business activities and operating segments, including GMB that do not meet the threshold, like Nestlé Professional, Nespresso, Nestlé Health Science and Nestlé Skin Health, are combined and presented in Other businesses.

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

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

Depreciation and amortisation includes depreciation of property, plant and equipment and amortisation of intangible assets.

No segment assets and liabilities are regularly provided to the CODM to assess segment performance or to allocate resources and therefore segment assets and liabilities are not disclosed. However the Group discloses the invested capital, goodwill and intangible assets by segment and by product on a voluntary basis.

Invested capital comprises property, plant and equipment, trade and other receivables, assets held for sale, inventories, prepayments and accrued income as well as specific financial assets associated to the segments, less trade and other payables, liabilities directly associated with assets held for sale, non-current other payables as well as accruals and deferred income.

Goodwill and intangible assets are not included in invested capital since the amounts recognised are not comparable between segments due to differences in the intensity of acquisition activity and changes in accounting standards which were applicable at various points in time when the Group undertook significant acquisitions. Nevertheless, an allocation of goodwill and intangible assets by segment and product and the related impairment expenses are provided.

Inter-segment eliminations represent inter-company balances between the different segments.

3. Analyses by segment

Invested capital and goodwill and intangible assets by segment represent the situation at the end of the year, while the figures by product represent the annual average, as this provides a better indication of the level of invested capital.

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

Unallocated items represent items whose allocation to a segment or product would be arbitrary. They mainly comprise:

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

3.1 Operating segments

Revenue and results

In millions of CHF

						2015
	Sales ^(a)	Trading operating profit	Net other trading income/(expenses) ^(b)	of which impairment of property, plant and equipment	of which restructuring costs	Depreciation and amortisation
Zone EMENA ^(c)	16 403	2 572	(129)	(33)	(74)	(521)
Zone AMS	25 844	5 021	(120)	(17)	(31)	(691)
Zone AOA ^(c)	14 338	2 632	(127)	(20)	(13)	(456)
Nestlé Waters	7 625	825	(44)	(9)	(19)	(402)
Nestlé Nutrition	10 461	2 361	(33)	(10)	(7)	(346)
Other businesses ^(d)	14 114	2 221	(72)	(10)	(21)	(620)
Unallocated items ^(e)	—	(2 250)	(125)	(1)	—	(142)
Total	88 785	13 382	(650)	(100)	(165)	(3 178)

In millions of CHF

						2014 *
	Sales ^(a)	Trading operating profit	Net other trading income/(expenses) ^(b)	of which impairment of property, plant and equipment	of which restructuring costs	Depreciation and amortisation
Zone EMENA ^(c)	17 965	2 735	(164)	(26)	(83)	(539)
Zone AMS	26 625	4 940	(310)	(40)	(58)	(672)
Zone AOA ^(c)	14 792	2 834	(51)	(11)	(29)	(430)
Nestlé Waters	7 390	714	(34)	(6)	(28)	(403)
Nestlé Nutrition	10 915	2 343	(113)	(46)	(14)	(353)
Other businesses ^(d)	13 925	2 651	(33)	(3)	(4)	(525)
Unallocated items ^(e)	—	(2 198)	(92)	(4)	(41)	(136)
Total	91 612	14 019	(797)	(136)	(257)	(3 058)

* 2014 figures have been restated based on the following main transfers, effective as from 1 January 2015:

- the Maghreb, the Middle East, the North East Africa region, Turkey and Israel in Zone Asia, Oceania and Africa (AOA) to Zone Europe;
- Growing-Up Milks business in the geographic Zones to Nestlé Nutrition;
- Bübchen business in Nestlé Nutrition to Other businesses.

(a) Inter-segment sales are not significant.

(b) Included in Trading operating profit.

(c) Renamed following the above mentioned reorganisation, see Note 1 – Accounting policies.

(d) Mainly Nespresso, Nestlé Professional, Nestlé Health Science and Nestlé Skin Health.

(e) Refer to the Segment reporting accounting policies above for the definition of unallocated items.

3. Analyses by segment

Invested capital and other information

In millions of CHF

					2015	
	Invested capital	Goodwill and intangible assets	Impairment of goodwill	Impairment of intangible assets	Capital additions	of which capital expenditure
Zone EMENA ^(a)	5 338	1 595	(78)	—	723	710
Zone AMS	7 675	7 843	—	(6)	1 648	1 038
Zone AOA ^(a)	4 367	3 763	(222)	—	485	482
Nestlé Waters	2 418	1 494	—	—	448	432
Nestlé Nutrition	5 440	15 319	—	—	626	489
Other businesses ^(b)	4 142	12 054	(38)	(11)	665	518
Unallocated items ^(c) and inter-segment eliminations	1 097	9 940	—	(121)	288	203
Total	30 477	52 008	(338)	(138)	4 883	3 872

In millions of CHF

					2014 *	
	Invested capital	Goodwill and intangible assets	Impairment of goodwill	Impairment of intangible assets	Capital additions	of which capital expenditure
Zone EMENA ^(a)	5 616	2 386	—	(2)	842	840
Zone AMS	8 477	7 776	(1 835)	(18)	1 214	1 027
Zone AOA ^(a)	4 906	4 245	(52)	—	692	586
Nestlé Waters	2 624	1 569	(1)	(1)	327	308
Nestlé Nutrition	5 684	15 527	(4)	(2)	532	393
Other businesses ^(b)	4 446	13 295	(16)	—	10 398	573
Unallocated items ^(c) and inter-segment eliminations	1 574	9 559	—	—	258	187
Total	33 327	54 357	(1 908)	(23)	14 263	3 914

* 2014 figures have been restated based on the following main transfers, effective as from 1 January 2015:
 – the Maghreb, the Middle East, the North East Africa region, Turkey and Israel in Zone Asia, Oceania and Africa (AOA) to Zone Europe;
 – Growing-Up Milks business in the geographic Zones to Nestlé Nutrition;
 – Bübchen business in Nestlé Nutrition to Other businesses.

(a) Renamed following the above mentioned reorganisation, see Note 1 – Accounting policies.

(b) Mainly Nespresso, Nestlé Professional, Nestlé Health Science and Nestlé Skin Health.

(c) Refer to the Segment reporting accounting policies above for the definition of unallocated items.

3.2 Products

Revenue and results

In millions of CHF

			2015		
	Sales	Trading operating profit	Net other trading income/(expenses) ^(a)	of which impairment of property, plant and equipment	of which restructuring costs
Powdered and Liquid Beverages	19 245	4 100	(89)	(13)	(31)
Water	7 112	796	(43)	(9)	(19)
Milk products and Ice cream	14 637	2 471	(85)	(8)	(31)
Nutrition and Health Science	14 854	2 909	(59)	(11)	(16)
Prepared dishes and cooking aids	12 579	1 724	(130)	(18)	(19)
Confectionery	8 870	1 246	(84)	(23)	(39)
PetCare	11 488	2 386	(35)	(17)	(10)
Unallocated items ^(b)	—	(2 250)	(125)	(1)	—
Total	88 785	13 382	(650)	(100)	(165)

In millions of CHF

			2014 *		
	Sales	Trading operating profit	Net other trading income/(expenses) ^(a)	of which impairment of property, plant and equipment	of which restructuring costs
Powdered and Liquid Beverages	20 302	4 685	(51)	(23)	(28)
Water	6 875	710	(34)	(6)	(27)
Milk products and Ice cream	15 190	2 295	(155)	(17)	(61)
Nutrition and Health Science	14 605	3 136	(130)	(45)	(17)
Prepared dishes and cooking aids	13 532	1 801	(146)	(36)	(29)
Confectionery	9 769	1 344	(129)	(4)	(42)
PetCare	11 339	2 246	(60)	(1)	(12)
Unallocated items ^(b)	—	(2 198)	(92)	(4)	(41)
Total	91 612	14 019	(797)	(136)	(257)

* 2014 figures have been restated based on the following main transfer, effective as from 1 January 2015: Growing-Up Milks business in Milk products and Ice cream to Nutrition and Health Science.

(a) Included in Trading operating profit.

(b) Refer to the Segment reporting accounting policies above for the definition of unallocated items.

3. Analyses by segment

Invested capital and other information

In millions of CHF

		2015		
	Invested capital	Goodwill and intangible assets	Impairment of goodwill	Impairment of intangible assets
Powdered and Liquid Beverages	5 830	642	(16)	(11)
Water	2 428	1 481	—	—
Milk products and Ice cream	4 831	3 933	(176)	—
Nutrition and Health Science	7 183	27 552	(22)	—
Prepared dishes and cooking aids	3 881	5 565	(49)	(6)
Confectionery	3 114	1 886	(46)	—
PetCare	3 488	9 626	—	—
Unallocated items ^(a) and intra-group eliminations	1 529	2 088	(29)	(121)
Total	32 284	52 773	(338)	(138)

In millions of CHF

		2014 *		
	Invested capital	Goodwill and intangible assets	Impairment of goodwill	Impairment of intangible assets
Powdered and Liquid Beverages	6 161	598	(16)	—
Water	2 632	1 532	(1)	(1)
Milk products and Ice cream	5 265	4 777	(1 028)	(2)
Nutrition and Health Science	6 799	21 725	(4)	(3)
Prepared dishes and cooking aids	4 159	6 099	(807)	—
Confectionery	3 335	1 964	(52)	—
PetCare	3 159	9 182	—	(17)
Unallocated items ^(a) and intra-group eliminations	1 671	2 176	—	—
Total	33 181	48 053	(1 908)	(23)

* 2014 figures have been restated based on the following main transfer, effective as from 1 January 2015: Growing-Up Milks business in Milk products and Ice cream to Nutrition and Health Science.

(a) Refer to the Segment reporting accounting policies above for the definition of unallocated items.

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

In millions of CHF		
	2015	2014
Trading operating profit	13 382	14 019
Impairment of goodwill	(338)	(1 908)
Net other operating income/(expenses) excluding impairment of goodwill	(636)	(1 206)
Operating profit	12 408	10 905
Net financial income/(expense)	(624)	(637)
Profit before taxes, associates and joint ventures	11 784	10 268

3.3b Reconciliation from invested capital to total assets

In millions of CHF		
	2015	2014
Invested capital as per Note 3.1	30 477	33 327
Liabilities included in invested capital	21 197	21 593
Subtotal	51 674	54 920
Intangible assets and goodwill as per Note 3.1	52 008	54 357
Other assets	20 310	24 173
Total assets	123 992	133 450

3.4 Customers

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

3.5 Geography

Sales and non-current assets in Switzerland and countries which individually represent at least 10% of the Group sales or 10% of the Group non-current assets are disclosed separately.

The analysis of sales is stated by customer location.

Non-current assets relate to property, plant and equipment, intangible assets and goodwill. Property, plant and equipment and intangible assets are attributed to the country of their legal owner. Goodwill is attributed to the countries of the affiliated companies where the related acquired business is operated.

In millions of CHF

	2015		2014 ^(a)	
	Sales	Non-current assets	Sales	Non-current assets
USA	25 293	26 622	23 489	26 877
Greater China Region	7 060	9 073	6 638	9 731
Switzerland	1 549	14 263	1 566	14 133
Rest of the world	54 883	28 626	59 919	32 037
Total	88 785	78 584	91 612	82 778

(a) 2014 figures have been restated. Refer to the accounting policies, Change in presentation – Analyses by segment.

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

Other trading income/(expenses)

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

Restructuring costs are restricted to dismissal indemnities and employee benefits paid to terminated employees upon the reorganisation of a business. It does not include dismissal indemnities paid for normal attrition, poor performance, professional misconduct, etc.

Other operating income/(expenses)

These comprise impairment of goodwill, results on disposals of businesses (including impairment and subsequent remeasurement of businesses classified as held for sale, as well as other directly related disposal costs like restructuring costs directly linked to businesses disposed of and legal, advisory and other professional fees), acquisition-related costs, the effect of the hyperinflation accounting and other income and expenses that fall beyond the control of operating segments and relate to events such as natural disasters and expropriation of assets.

4.1 Net other trading income/(expenses)

In millions of CHF

	Notes	2015	2014
Other trading income		78	110
Restructuring costs		(165)	(257)
Impairment of property, plant and equipment and intangible assets	8/9	(238)	(159)
Litigations and onerous contracts ^(a)		(277)	(411)
Miscellaneous trading expenses		(48)	(80)
Other trading expenses		(728)	(907)
Total net other trading income/(expenses)		(650)	(797)

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

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

4.2 Net other operating income/(expenses)

In millions of CHF

	Notes	2015	2014
Profit on disposal of businesses		40	83
Miscellaneous operating income		86	71
Other operating income		126	154
Loss on disposal of businesses	2	(462)	(592)
Impairment of goodwill	9	(338)	(1 908)
Miscellaneous operating expenses ^(a)		(300)	(768)
Other operating expenses		(1 100)	(3 268)
Total net other operating income/(expenses)		(974)	(3 114)

(a) Includes the effect of hyperinflation in Venezuela (see Note 22).

5. Net financial income/(expense)

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

Net financing cost comprises the interest income earned on cash and cash equivalents and short-term investments, as well as the interest expense on financial debt (collectively termed "net debt"). These headings also include other income and expense such as exchange differences on net debt and results on related foreign currency and interest rate hedging instruments. Certain borrowing costs are capitalised as explained under the section on Property, plant and equipment.

In millions of CHF

	Notes	2015	2014
Interest income		73	89
Interest expense		(517)	(521)
Net financing cost		(444)	(432)
Interest income on defined benefit plans	10	28	46
Interest expense on defined benefit plans	10	(205)	(240)
Net interest income/(expense) on defined benefit plans		(177)	(194)
Other		(3)	(11)
Net financial income/(expense)		(624)	(637)

6. Inventories

Raw materials and purchased finished goods are valued at the lower of purchase cost calculated using the FIFO (first-in, first-out) method and net realisable value. Work in progress, sundry supplies and manufactured finished goods are valued at the lower of their weighted average cost and net realisable value. The cost of inventories includes the gains/losses on qualified cash flow hedges for the purchase of raw materials and finished goods.

In millions of CHF

	2015	2014
Raw materials, work in progress and sundry supplies	3 387	3 797
Finished goods	5 014	5 643
Allowance for write-down to net realisable value	(248)	(268)
	8 153	9 172

Inventories amounting to CHF 280 million (2014: CHF 240 million) are pledged as security for financial liabilities.

7. Trade and other receivables

7.1 By type

In millions of CHF

	2015	2014
Trade receivables	9 696	10 283
Other receivables	2 556	3 176
	12 252	13 459

The five major customers represent 12% (2014: 11%) of trade and other receivables, none of them individually exceeding 7% (2014: 6%).

7.2 Past due and allowance for doubtful receivables

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

7. Trade and other receivables

In millions of CHF

	2015	2014
Not past due	10 811	11 801
Past due 1–30 days	791	851
Past due 31–60 days	196	254
Past due 61–90 days	115	108
Past due 91–120 days	68	60
Past due more than 120 days	595	737
Allowance for doubtful receivables	(324)	(352)
	12 252	13 459

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

8. Property, plant and equipment

Property, plant and equipment are shown on the balance sheet at their historical cost. Depreciation is provided on components that have homogenous useful lives by using the straight-line method so as to depreciate the initial cost down to the residual value over the estimated useful lives. The residual values are 30% on head offices and nil for all other asset types.

The useful lives are as follows:

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

Land is not depreciated.

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

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

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

8. Property, plant and equipment

In millions of CHF

	Land and buildings	Machinery and equipment	Tools, furniture and other equipment	Vehicles	Total
Gross value					
At 1 January 2014	15 988	28 433	7 817	880	53 118
Currency retranslations	359	590	174	31	1 154
Capital expenditure ^(a)	1 151	1 985	720	58	3 914
Disposals	(219)	(723)	(495)	(63)	(1 500)
Reclassified as held for sale	(266)	(286)	(161)	(78)	(791)
Modification of the scope of consolidation	220	4	(13)	—	211
At 31 December 2014	17 233	30 003	8 042	828	56 106
Currency retranslations	(1 285)	(2 150)	(458)	(42)	(3 935)
Capital expenditure ^(a)	925	2 117	765	65	3 872
Disposals	(81)	(588)	(492)	(60)	(1 221)
Reclassified as held for sale	(491)	(794)	(582)	(62)	(1 929)
Modification of the scope of consolidation	58	(34)	(21)	3	6
At 31 December 2015	16 359	28 554	7 254	732	52 899
Accumulated depreciation and impairments					
At 1 January 2014	(5 300)	(15 098)	(5 323)	(502)	(26 223)
Currency retranslations	(94)	(410)	(64)	(11)	(579)
Depreciation	(434)	(1 424)	(826)	(98)	(2 782)
Impairments	(15)	(113)	(8)	—	(136)
Disposals	163	642	473	60	1 338
Reclassified as held for sale	117	212	112	53	494
Modification of the scope of consolidation	57	113	31	2	203
At 31 December 2014	(5 506)	(16 078)	(5 605)	(496)	(27 685)
Currency retranslations	343	1 058	387	26	1 814
Depreciation	(447)	(1 519)	(814)	(81)	(2 861)
Impairments	(18)	(72)	(10)	—	(100)
Disposals	72	520	457	55	1 104
Reclassified as held for sale	273	571	425	48	1 317
Modification of the scope of consolidation	20	52	16	—	88
At 31 December 2015	(5 263)	(15 468)	(5 144)	(448)	(26 323)
Net at 31 December 2014	11 727	13 925	2 437	332	28 421
Net at 31 December 2015	11 096	13 086	2 110	284	26 576

(a) Including borrowing costs.

At 31 December 2015, property, plant and equipment include CHF 551 million of assets under construction (2014: CHF 1189 million). Net property, plant and equipment held under finance leases amount to CHF 127 million (2014: CHF 171 million). Net property, plant and equipment of CHF 328 million are pledged as security for financial liabilities (2014: CHF 251 million).

At 31 December 2015, the Group was committed to expenditure amounting to CHF 637 million (2014: CHF 520 million).

Impairment of property, plant and equipment

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amounts of the Group's property, plant and equipment. Indication could be unfavourable development of a business under competitive pressures or severe economic slowdown in a given market as well as reorganisation of the operations to leverage their scale.

In assessing value in use, the estimated future cash flows are discounted to their present value, based on the time value of money and the risks specific to the country where the assets are located. The risks specific to the asset are included in the determination of the cash flows.

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

9. Goodwill and intangible assets

Goodwill

Goodwill is initially recognised during a business combination (see Note 2). Subsequently it is measured at cost less impairment.

Intangible assets

This heading includes intangible assets that are internally generated or acquired, either separately or in a business combination, when they are identifiable and can be reliably measured. Internally generated intangible assets (essentially management information system software) are capitalised provided that there is an identifiable asset that will be useful in generating future benefits in terms of savings, economies of scale, etc.

Indefinite life intangible assets mainly comprise certain brands, trademarks and intellectual property rights. They are not amortised but tested for impairment annually or more frequently if an impairment indicator is triggered. The assessment of the classification of intangible assets as indefinite is reviewed annually.

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

Research and development

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

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

Capitalised development costs are subsequently accounted for as described in the section Intangible assets above.

9. Goodwill and intangible assets

In millions of CHF

	Goodwill	Brands and intellectual property rights	Operating rights and others	Management information systems	Total intangible assets	of which internally generated
Gross value						
At 1 January 2014	32 630	11 428	1 083	3 839	16 350	3 590
of which indefinite useful life	–	11 305	35	–	11 340	–
Currency retranslations	2 693	552	100	74	726	61
Expenditure	–	14	226	269	509	253
Disposals	–	–	(36)	(8)	(44)	–
Reclassified as held for sale	(357)	(30)	(44)	(57)	(131)	(51)
Modification of the scope of consolidation ^(a)	2 573	5 281	1 049	39	6 369	–
At 31 December 2014	37 539	17 245	2 378	4 156	23 779	3 853
of which indefinite useful life ^(b)	–	16 103	37	–	16 140	–
Currency retranslations	(1 279)	(502)	40	(243)	(705)	(235)
Expenditure	–	7	159	256	422	224
Disposals	–	(3)	(49)	(11)	(63)	(8)
Reclassified as held for sale	(579)	(204)	(33)	(40)	(277)	(39)
Modification of the scope of consolidation ^(a)	265	105	7	–	112	–
At 31 December 2015	35 946	16 648	2 502	4 118	23 268	3 795
of which indefinite useful life ^(b)	–	15 418	32	–	15 450	–
Accumulated amortisation and impairments						
At 1 January 2014	(1 591)	(77)	(272)	(3 328)	(3 677)	(3 112)
Currency retranslations	(123)	(22)	(10)	(54)	(86)	(39)
Amortisation	–	(49)	(88)	(139)	(276)	(124)
Impairments	(1 908)	(18)	(2)	(3)	(23)	–
Disposals	–	–	36	8	44	–
Reclassified as held for sale	304	–	4	30	34	26
Disposal of businesses	336	–	3	2	5	–
At 31 December 2014	(2 982)	(166)	(329)	(3 484)	(3 979)	(3 249)
of which indefinite useful life	–	(19)	–	–	(19)	–
Currency retranslations	51	5	10	238	253	230
Amortisation	–	(99)	(113)	(105)	(317)	(83)
Impairments	(338)	–	–	(138)	(138)	(138)
Disposals	–	–	48	11	59	8
Reclassified as held for sale	73	14	9	38	61	37
Disposal of businesses	22	29	–	–	29	–
At 31 December 2015	(3 174)	(217)	(375)	(3 440)	(4 032)	(3 195)
of which indefinite useful life	–	(19)	–	–	(19)	–
Net at 31 December 2014	34 557	17 079	2 049	672	19 800	604
Net at 31 December 2015	32 772	16 431	2 127	678	19 236	600

(a) Goodwill: acquisition of businesses amounts to CHF 302 million (2014: CHF 2972 million) and disposal of businesses to CHF 37 million (2014: CHF 399 million).

(b) Annual impairment tests are performed in connection with goodwill impairment tests. Depending on the items tested, the level at which the test is applied is the goodwill CGU or lower.

At 31 December 2015, the Group was committed to expenditure amounting to CHF 75 million (2014: CHF 44 million).

Impairment of goodwill and intangible assets

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

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

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

9.1 Impairment charge during the year

There are various impairments of goodwill (predominantly in Zone AOA) and intangible assets in 2015 (predominantly in Unallocated items). None of them are individually significant.

In 2014, an impairment of goodwill of CHF 1835 million was recorded with regards of the Direct Store Delivery system (DSD) CGU for Frozen Pizza and Ice Cream in the USA.

9.2 Annual impairment tests

Impairment reviews have been conducted for more than 200 items of goodwill and intangible assets with indefinite useful lives, allocated to more than 50 Cash Generating Units (CGU).

The following five CGUs have been considered as significant either with regard to the total goodwill or to the total intangible assets with indefinite useful life for which detailed results are presented hereafter: Wyeth Infant Nutrition, PetCare Zone AMS, Nestlé Skin Health, DSD for Frozen Pizza and Ice Cream – USA and Nestlé Infant Nutrition.

9. Goodwill and intangible assets

In millions of CHF

	2015			2014		
	Goodwill	Intangible assets with indefinite useful life	Total	Goodwill	Intangible assets with indefinite useful life	Total
Wyeth Infant Nutrition	4 661	4 593	9 254	4 951	4 509	9 460
PetCare Zone AMS	7 901	382	8 283	7 584	172	7 756
Nestlé Skin Health	2 946	4 020	6 966	3 037	4 098	7 135
DSD for Frozen Pizza and Ice Cream – USA ^(a)	2 517	1 771	4 288	2 518	1 772	4 290
Nestlé Infant Nutrition	3 748	1 315	5 063	3 660	1 316	4 976
Subtotal	21 773	12 081	33 854	21 750	11 867	33 617
<i>as % of total carrying amount</i>	<i>66%</i>	<i>78%</i>	<i>70%</i>	<i>63%</i>	<i>74%</i>	<i>66%</i>
Other CGUs	10 999	3 350	14 349	12 807	4 254	17 061
Total	32 772	15 431	48 203	34 557	16 121	50 678

(a) 2014: after impairment (see Note 9.1).

For all CGU, the recoverable amount is higher than its carrying amount. The recoverable amount has been determined based upon a value-in-use calculation. Cash flows have been projected over the next 5 years, except for Nestlé Skin Health for which a 10 year period has been used due to the product development cycle. They have been extrapolated using a steady or declining terminal growth rate and discounted at a pre-tax weighted average rate.

The following table summarises the key assumptions for each significant CGU:

2015					
	Period of cash flow projections	Annual sales growth	Annual margin evolution	Terminal growth rate	Pre-tax discount rate
Wyeth Infant Nutrition	5 years	9% to 10%	Improvement	3.5%	7.5%
PetCare Zone AMS	5 years	3%	Stable	2.0%	7.3%
Nestlé Skin Health	10 years	12% to 21%	Improvement	2.4%	7.6%
DSD for Frozen Pizza and Ice Cream – USA	5 years	0% to 1%	Improvement	1.5%	7.7%
Nestlé Infant Nutrition	5 years	–4% to 5%	Improvement	3.6%	10.7%

2014					
	Period of cash flow projections	Annual sales growth	Annual margin evolution	Terminal growth rate	Pre-tax discount rate
Wyeth Infant Nutrition	5 years	5% to 15%	Improvement	3.9%	7.4%
PetCare Zone AMS	5 years	4% to 6%	Stable	2.0%	7.6%
Nestlé Skin Health	10 years	10% to 24%	Improvement	2.4%	6.9%
DSD for Frozen Pizza and Ice Cream – USA	5 years	–2% to 1%	Improvement	1.5%	7.7%
Nestlé Infant Nutrition	5 years	–1% to 7%	Improvement	3.3%	11.3%

- The pre-tax discount rates have been computed based on external sources of information.
- The cash flows for the first five years were based upon financial plans approved by Group Management which are consistent with the Group's approved strategy for this period. They are based on past performance and current initiatives.
- The terminal growth rates have been determined to reflect the long-term view of the nominal evolution of the business.

Management believes that no reasonably possible change in any of the above key assumptions would cause the CGU's recoverable amount to fall below the carrying value of the CGUs except for the CGU DSD for Frozen Pizza and Ice Cream – USA. For this CGU, the following changes in the material assumptions lead to a situation where the value in use equals the carrying amount:

	Sensitivity
Sales growth (CAGR)	Decrease by 390 basis points
Margin improvement	Decrease by 45 basis points
Terminal growth rate	Decrease by 90 basis points
Pre-tax discount rate	Increase by 120 basis points

10. Employee benefits

10.1 Salaries and welfare expenses

The Group's total salaries and welfare expenses amount to CHF 16 342 million (2014: CHF 15 978 million). They are allocated to the appropriate headings of expenses by function.

10.2 Post-employment benefits

The liabilities of the Group arising from defined benefit obligations, and the related current service cost, are determined using the projected unit credit method. Actuarial advice is provided both by external consultants and by actuaries employed by the Group. The actuarial assumptions used to calculate the defined benefit obligations vary according to the economic conditions of the country in which the plan is located. Such plans are either externally funded (in the form of independently administered funds) or unfunded. The deficit or excess of the fair value of plan assets over the present value of the defined benefit obligation is recognised as a liability or an asset on the balance sheet.

Pension cost charged to the income statement consists of service cost (current and past service cost, gains and losses arising from settlement) and administration costs (other than costs of managing plan assets), which are allocated to the appropriate heading by function, and net interest expense or income, which is presented as part of net financial income/(expense). The actual return less interest income on plan assets, changes in actuarial assumptions, and differences between actuarial assumptions and what has actually occurred are reported in other comprehensive income.

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

Certain disclosures are presented by geographic area. The three regions disclosed are Europe, Middle East and North Africa (EMENA), Americas (AMS) and Asia, Oceania and sub-Saharan Africa (AOA). Each region includes the corresponding Zones as well as Nestlé Waters, Nestlé Nutrition, Nespresso, Nestlé Professional, Nestlé Health Science and Nestlé Skin Health.

Pensions and retirement benefits

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

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

In Switzerland, Nestlé's pension plan is a cash balance plan where contributions are expressed as a percentage of the pensionable salary. The pension plan guarantees the amount accrued on the members' savings accounts, as well as a minimum interest on those savings accounts. At retirement date, the savings accounts are converted into pensions.

However, members may opt to receive a part of the pension as a lump sum. Increases of pensions in payment are granted on a discretionary basis by the Board of Trustees, subject to the financial situation of the plan. To be noted that there is also a defined benefit plan that has been closed to new entrants in 2013 and whose members below age 55 have been transferred to the cash balance plan. This heritage plan is a hybrid between a cash balance plan and a plan based on a final pensionable salary.

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

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

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

Post-employment medical benefits and other employee benefits

Group companies, principally in AMS, maintain medical benefit plans, classified as defined benefit plans under IAS 19, which cover eligible retired employees. The obligations for other employee benefits consist mainly of end of service indemnities, which do not have the character of pensions.

Risks related to defined benefit plans

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

- mortality risk: the assumptions adopted by the Group make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the plans and consequently increases in the plans' liabilities. In order to minimise this risk, mortality assumptions are reviewed on a regular basis.
- market and liquidity risks: these are the risks that the investments do not meet the expected returns over the medium to long-term. This also encompasses the mismatch between assets and liabilities. In order to minimise the risks, the structure of the portfolios is reviewed and asset-liability matching analyses are performed on a regular basis.

Plan amendments and restructuring events

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

During the year, there were minor plan amendments and restructuring events which have been recognised as past service costs and curtailments.

Asset-liability management and funding arrangement

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

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

10.2a Reconciliation of assets and liabilities recognised in the balance sheet

In millions of CHF

	2015			2014		
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
Present value of funded obligations	26 411	52	26 463	27 971	56	28 027
Fair value of plan assets	(22 353)	(25)	(22 378)	(24 122)	(27)	(24 149)
Excess of liabilities/(assets) over funded obligations	4 058	27	4 085	3 849	29	3 878
Present value of unfunded obligations	699	1 732	2 431	767	1 933	2 700
Unrecognised assets and minimum funding requirements	27	—	27	34	—	34
Net defined benefit liabilities/(assets)	4 784	1 759	6 543	4 650	1 962	6 612
Liabilities from non-current deferred compensation and other			946			992
Liabilities from cash-settled share-based transactions ^(a)			93			94
Net liabilities			7 582			7 698
Reflected in the balance sheet as follows:						
Employee benefit assets			(109)			(383)
Employee benefit liabilities			7 691			8 081
Net liabilities			7 582			7 698

(a) The intrinsic value of liabilities from cash-settled share-based transactions that are vested amounts to CHF 49 million (2014: CHF 57 million).

10.2b Funding situation by geographic area of defined benefit plans

In millions of CHF

	2015				2014			
	EMENA	AMS	AOA	Total	EMENA	AMS	AOA	Total
Present value of funded obligations	19 799	4 884	1 780	26 463	20 754	5 295	1 978	28 027
Fair value of plan assets	(15 974)	(4 766)	(1 638)	(22 378)	(16 889)	(5 396)	(1 864)	(24 149)
Excess of liabilities/(assets) over funded obligations	3 825	118	142	4 085	3 865	(101)	114	3 878
Present value of unfunded obligations	386	1 810	235	2 431	448	2 017	235	2 700

10.2c Movement in the present value of defined benefit obligations

In millions of CHF

	2015			2014		
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
At 1 January	28 738	1 989	30 727	24 463	1 768	26 231
of which funded defined benefit plans	27 971	56	28 027	23 770	78	23 848
of which unfunded defined benefit plans	767	1 933	2 700	693	1 690	2 383
Currency retranslations	(1 264)	(190)	(1 454)	642	88	730
Service cost	813	48	861	700	(25)	675
of which current service cost	817	56	873	739	56	795
of which past service cost	(4)	(8)	(12)	(39)	(81)	(120)
Interest expense	755	88	843	941	100	1 041
Actuarial (gains)/losses	(189)	(23)	(212)	3 139	152	3 291
Benefits paid on funded defined benefit plans	(1 322)	(4)	(1 326)	(1 164)	(4)	(1 168)
Benefits paid on unfunded defined benefit plans	(50)	(118)	(168)	(87)	(118)	(205)
Modification of the scope of consolidation	(24)	(3)	(27)	154	28	182
Reclassified as held for sale	(259)	(1)	(260)	—	—	—
Transfer from/(to) defined contribution plans	(88)	(2)	(90)	(50)	—	(50)
At 31 December	27 110	1 784	28 894	28 738	1 989	30 727
of which funded defined benefit plans	26 411	52	26 463	27 971	56	28 027
of which unfunded defined benefit plans	699	1 732	2 431	767	1 933	2 700

10.2d Movement in fair value of defined benefit plan assets

In millions of CHF

	2015			2014		
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
At 1 January	(24 122)	(27)	(24 149)	(21 551)	(50)	(21 601)
Currency retranslations	1 053	1	1 054	(634)	9	(625)
Interest income	(667)	(1)	(668)	(851)	(1)	(852)
Actual return on plan assets, excluding interest income	590	—	590	(1 467)	(1)	(1 468)
Employees' contributions	(136)	—	(136)	(144)	—	(144)
Employer contributions	(665)	(2)	(667)	(639)	(2)	(641)
Benefits paid on funded defined benefit plans	1 322	4	1 326	1 164	4	1 168
Administration expenses	19	—	19	24	—	24
Modification of the scope of consolidation	7	—	7	(74)	14	(60)
Reclassified as held for sale	156	—	156	—	—	—
Transfer (from)/to defined contribution plans	90	—	90	50	—	50
At 31 December	(22 353)	(25)	(22 378)	(24 122)	(27)	(24 149)

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

	2015	2014
Equities	32%	32%
of which US equities	13%	13%
of which European equities	11%	10%
of which other equities	8%	9%
Debts	39%	38%
of which government debts	26%	26%
of which corporate debts	13%	12%
Real estate	10%	9%
Alternative investments	17%	18%
of which hedge funds	10%	10%
of which private equities	5%	6%
of which commodities	2%	2%
Cash/Deposits	2%	3%

Equity, government debts and commodities represent 60% (2014: 60%) of the plan assets. Almost all of them are quoted in an active market. Corporate debts, real estate, hedge funds and private equities represent 38% (2014: 37%) of the plan assets. Almost all of them are either not quoted or quoted in a market which is not active.

The plan assets of funded defined benefit plans include property occupied by affiliated companies with a fair value of CHF 24 million (2014: CHF 11 million). Furthermore, funded

defined benefit plans are invested in Nestlé S.A. (or related) shares to the extent of CHF 43 million (2014: CHF 47 million). The Group's investment management principles allow such investment only when the position in Nestlé S.A. (or related) shares is passive, i.e. in line with the weighting in the underlying benchmark.

The Group expects to contribute CHF 703 million to its funded defined benefit plans in 2016.

10.2e Movement in unrecognised assets and minimum funding requirements

In millions of CHF

	2015			2014		
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
At 1 January	34	—	34	106	—	106
Currency retranslations	(1)	—	(1)	1	—	1
Limitation of interest income	2	—	2	5	—	5
Changes due to asset ceiling	(8)	—	(8)	(78)	—	(78)
At 31 December	27	—	27	34	—	34

10.2f Expenses recognised in the income statement

In millions of CHF

	2015			2014		
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
Service cost	813	48	861	700	(25)	675
Employees' contributions	(136)	—	(136)	(144)	—	(144)
Net interest (income)/expense	90	87	177	95	99	194
Administration expenses	19	—	19	24	—	24
Defined benefit expenses	786	135	921	675	74	749
Defined contribution expenses			287			275
Total			1 208			1 024

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

10.2g Remeasurement of defined benefit plans reported in other comprehensive income

In millions of CHF

	2015			2014		
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
Actual return on plan assets, excluding interest income	(590)	—	(590)	1 467	1	1 468
Experience adjustments on plan liabilities	(30)	(51)	(81)	(109)	10	(99)
Change in demographic assumptions on plan liabilities	(67)	(2)	(69)	44	(35)	9
Change in financial assumptions on plan liabilities	286	76	362	(3 074)	(127)	(3 201)
Transfer from/(to) unrecognised assets and other	8	—	8	78	—	78
Remeasurement of defined benefit plans	(393)	23	(370)	(1 594)	(151)	(1 745)

10.2h Principal financial actuarial assumptions

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

	2015				2014			
	EMENA	AMS	AOA	Total	EMENA	AMS	AOA	Total
Discount rates	2.1%	5.2%	4.5%	3.0%	2.2%	5.1%	4.4%	3.1%
Expected rates of salary increases	2.8%	2.8%	4.7%	3.0%	2.8%	2.9%	4.7%	3.0%
Expected rates of pension adjustments	1.4%	0.4%	1.8%	1.2%	1.4%	0.6%	1.9%	1.3%
Medical cost trend rates		6.1%		6.2%		5.7%		5.8%

10.2i Mortality tables and life expectancies by geographic area for Group's major defined benefit pension plans

Expressed in years

		2015	2014	2015	2014
Country	Mortality table	Life expectancy at age 65 for a male member currently aged 65		Life expectancy at age 65 for a female member currently aged 65	
EMENA					
Switzerland	LPP 2010	20.8	20.8	23.1	23.1
United Kingdom	S1NA	21.5	21.8	23.0	23.2
Germany	Heubeck Richttafeln 2005 G modifiziert	20.1	20.1	23.6	23.6
AMS					
USA	RP-2014	21.1	21.1	23.2	23.1

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

10.2j Sensitivity analyses on present value of defined benefit obligations by geographic area

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

In millions of CHF

	2015				2014			
	EMENA	AMS	AOA	Total	EMENA	AMS	AOA	Total
As reported	20 185	6 694	2 015	28 894	21 202	7 312	2 213	30 727
Discount rates								
Increase of 50 basis points	18 592	6 342	1 941	26 875	19 548	6 910	2 130	28 588
Decrease of 50 basis points	21 936	7 075	2 099	31 110	22 996	7 748	2 307	33 051
Expected rates of salary increases								
Increase of 50 basis points	20 346	6 752	2 049	29 147	21 390	7 386	2 249	31 025
Decrease of 50 basis points	20 037	6 642	1 986	28 665	21 027	7 243	2 181	30 451
Expected rates of pension adjustments								
Increase of 50 basis points	21 402	6 925	2 069	30 396	22 464	7 566	2 268	32 298
Decrease of 50 basis points	19 039	6 632	1 999	27 670	20 019	7 268	2 195	29 482
Medical cost trend rates								
Increase of 50 basis points	20 185	6 729	2 017	28 931	21 202	7 355	2 216	30 773
Decrease of 50 basis points	20 184	6 663	2 013	28 860	21 201	7 275	2 210	30 686
Mortality assumption								
Setting forward the tables by 1 year	19 514	6 568	1 989	28 071	20 504	7 174	2 182	29 860
Setting back the tables by 1 year	20 867	6 824	2 041	29 732	21 896	7 451	2 242	31 589

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

10.2k Weighted average duration of defined benefit obligations by geographic area

Expressed in years

	2015				2014			
	EMENA	AMS	AOA	Total	EMENA	AMS	AOA	Total
At 31 December	16.7	11.5	9.9	15.0	16.6	12.1	9.8	15.0

11. Equity compensation plans

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

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

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

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

Share-based payment cost recognised in the income statement

In millions of CHF

	2015	2014
Equity-settled share-based payment costs	(166)	(156)
Cash-settled share-based payment costs	(53)	(49)
Total share-based payment costs	(219)	(205)
of which RSUP	(69)	(137)
of which PSUP	(150)	(66)

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

Restricted Stock Unit Plan (RSUP)

Prior 2015, members of Group Management were awarded Restricted Stock Units (RSU) that entitled participants to receive freely disposable Nestlé S.A. shares (accounted for as equity-settled share-based payment transactions) or an equivalent amount in cash (accounted for as cash-settled share-based payment transactions) at the end of a three-year restriction period. In 2014, the grant was limited to members of the US affiliated companies.

Number of RSU in millions of units

	2015	2014
Outstanding at 1 January	6.9	9.9
Granted	—	0.5
Settled	(3.4)	(3.4)
Forfeited	(0.1)	(0.1)
Outstanding at 31 December	3.4	6.9
of which vested at 31 December	0.7	0.7
of which cash-settled at 31 December	1.2	2.0

The fair value of equity-settled RSU is determined on the basis of the market price of Nestlé S.A. shares at grant date, discounted at a risk-free interest rate and adjusted for the dividends that participants are not entitled to receive during the restricted period of three years. There were no equity-settled RSU granted in 2015 (2014: no equity-settled RSU granted).

For cash-settled outstanding RSU, the liability is re-measured at each reporting date based on subsequent changes in the market price of Nestlé S.A. shares. The average fair value of the cash-settled RSU outstanding at 31 December 2015 is CHF 71.87 (2014: CHF 70.74).

Performance Share Unit Plan (PSUP)

Members of the Executive Board and, as from 2014, members of Group Management are awarded Performance Share Units (PSU) that entitle participants to receive freely disposable Nestlé S.A. shares (accounted for as equity-settled share-based payment transactions) or an equivalent amount in cash (accounted for as cash-settled share-based payment transactions) at the end of a three-year restriction period. As from the 2015 PSU grant, shares received by members of the Executive Board are subject to an additional two-year blocking period.

Upon vesting, the number of shares delivered ranges from 0% to 200% of the initial grant and is determined by the degree by which the performance measures of the PSUP have been met. These measures are the relative Total Shareholder Return of the Nestlé S.A. share in relation to the STOXX Europe 600 Food & Beverage Net Return Index (as from 2014 the STOXX Global 1800 Food & Beverage Net Return Index); and the growth of the underlying earnings per share in constant currencies. Each of the two measures has equal weighting in determining the vesting level of the initial PSU award.

11. Equity compensation plans

Number of PSU in millions of units

	2015	2014
Outstanding at 1 January	3.0	0.4
Granted	3.2	2.8
Settled	(0.3)	(0.2)
Forfeited	(0.1)	—
Outstanding at 31 December	5.8	3.0
of which vested at 31 December	—	—
of which cash-settled at 31 December	0.9	0.1

The fair value of the equity-settled PSU is determined using a valuation model which reflects the probability of overachievement or underachievement on the Total Shareholder Return measure, which is a market condition, and based on five-year historical data. The other inputs incorporated into the valuation model comprise the market price of Nestlé S.A. shares at grant date, discounted at a risk-free interest rate and adjusted for the dividends that participants are not entitled to receive during the restricted period of three years. The weighted average fair value of the equity-settled PSU granted in 2015 is CHF 71.03 (2014: CHF 63.70).

For cash-settled outstanding PSU, the liability is re-measured at each reporting date based on subsequent changes in the market price of Nestlé S.A. shares. The average fair value of the cash-settled PSU outstanding at 31 December 2015 is CHF 75.46 (2014: CHF 74.28).

12. Provisions and contingencies

Provisions

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

Contingent assets and liabilities

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

12.1 Provisions

In millions of CHF

	Restructuring	Environmental	Litigation	Other	Total
At 1 January 2014	521	15	2 246	455	3 237
Currency retranslations	(4)	1	67	1	65
Provisions made during the year ^(a)	251	6	488	175	920
Amounts used	(173)	(1)	(92)	(86)	(352)
Reversal of unused amounts	(54)	—	(94)	(30)	(178)
Reclassified as held for sale	—	—	(4)	—	(4)
Modification of the scope of consolidation	1	—	59	108	168
At 31 December 2014	542	21	2 670	623	3 856
of which expected to be settled within 12 months					695
Currency retranslations	(24)	(1)	(245)	(18)	(288)
Provisions made during the year ^(a)	161	4	501	181	847
Amounts used	(153)	(3)	(363)	(81)	(600)
Reversal of unused amounts	(39)	—	(475)	(132)	(646)
Reclassified as held for sale	(28)	—	(2)	(2)	(32)
Modification of the scope of consolidation	—	—	1	27	28
At 31 December 2015	459	21	2 087	598	3 165
of which expected to be settled within 12 months					564

(a) Including discounting of provisions.

Restructuring

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

Litigation

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

Other

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

12.2 Contingencies

The Group is exposed to contingent liabilities amounting to a maximum potential payment of CHF 1350 million (2014: CHF 2012 million) representing potential litigations of CHF 1322 million (2014: CHF 1914 million) and other items of CHF 28 million (2014: CHF 98 million). Potential litigations relate mainly to labour, civil and tax litigations in Latin America.

Contingent assets for litigation claims in favour of the Group amount to a maximum potential recoverable amount of CHF 149 million (2014: CHF 176 million).

13. Financial instruments

Financial assets

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

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

At each balance sheet date, the Group assesses whether its financial assets are to be impaired. Impairment losses are recognised in the income statement where there is objective evidence of impairment, such as where the issuer is in bankruptcy, default or other significant financial difficulty.

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

Classes and categories of financial instruments

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

Loans and receivables

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

Subsequent to initial measurement, loans and receivables are carried at amortised cost using the effective interest rate method less appropriate allowances for doubtful receivables (see Note 7.2).

Financial assets designated at fair value through income statement

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

Held-for-trading assets and liabilities

Held-for-trading assets and liabilities are derivative financial instruments.

Subsequent to initial measurement, items classified as held-for-trading are carried at fair value and all their gains and losses, realised and unrealised, are recognised in the income statement unless they are part of a hedging relationship (refer to hedge accounting, see Note 13.2d).

Available-for-sale assets

Available-for-sale assets are those non-derivative financial assets that are either designated as such upon initial recognition or are not classified in any of the other categories of financial assets. This category includes the following classes of financial assets: bonds and bond funds, equities and equity funds, commercial paper, time deposits and other investments.

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

Interest and dividends from available-for-sale assets are recognised in the income statement.

Financial liabilities at amortised cost

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

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

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

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

13.1 Financial assets and liabilities

13.1a By class and by category

In millions of CHF

	2015				2014			
Classes	Loans, receivables and liabilities at amortised cost ^(a)	At fair value to income statement	Available for sale	Total categories	Loans, receivables and liabilities at amortised cost ^(a)	At fair value to income statement	Available for sale	Total categories
Cash at bank and in hand	1 906	—	—	1 906	3 528	—	—	3 528
Commercial paper	—	—	1 788	1 788	—	—	2 000	2 000
Time deposits	—	—	1 242	1 242	—	—	2 678	2 678
Bonds and debt funds	—	346	3 121	3 467	—	338	3 187	3 525
Equity and equity funds	—	376	184	560	—	394	199	593
Other financial assets	1 281	41	939	2 261	1 028	44	978	2 050
Liquid assets ^(b) and non-current financial assets	3 187	763	7 274	11 224	4 556	776	9 042	14 374
Trade and other receivables	12 252	—	—	12 252	13 459	—	—	13 459
Derivative assets ^(c)	—	337	—	337	—	400	—	400
Total financial assets	15 439	1 100	7 274	23 813	18 015	1 176	9 042	28 233
Trade and other payables	(18 767)	—	—	(18 767)	(19 279)	—	—	(19 279)
Financial debt	(21 230)	—	—	(21 230)	(21 206)	—	—	(21 206)
Derivative liabilities ^(c)	—	(1 021)	—	(1 021)	—	(757)	—	(757)
Total financial liabilities	(39 997)	(1 021)	—	(41 018)	(40 485)	(757)	—	(41 242)
Net financial position	(24 558)	79	7 274	(17 205)	(22 470)	419	9 042	(13 009)
of which at fair value	—	79	7 274	7 353	—	419	9 042	9 461

(a) Carrying amount of these instruments is a reasonable approximation of their fair value. For bonds included in financial debt, see Note 13.1c.

(b) Liquid assets are composed of cash and cash equivalents and short-term investments.

(c) Include derivatives held in hedge relationships and those that are undesignated (categorised as held-for-trading), see Note 13.2d.

13.1b Fair value hierarchy of financial instruments

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

- i) The fair value of financial instruments quoted in active markets is based on their quoted closing price at the balance sheet date. Examples include exchange-traded commodity derivatives and other financial assets such as investments in equity and debt securities.
- ii) The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions. For example, the fair value of forward exchange contracts, currency swaps and interest rate swaps is determined by discounting estimated future cash flows using a risk-free interest rate.
- iii) The fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs). When the fair value of unquoted instruments cannot be measured with sufficient reliability, the Group carries such instruments at cost less impairment, if applicable.

In millions of CHF

	2015	2014
Derivative assets	43	29
Bonds and debt funds	706	824
Equity and equity funds	254	280
Other financial assets	30	25
Derivative liabilities	(96)	(116)
Prices quoted in active markets (Level 1)	937	1 042
Commercial paper	1 788	2 000
Time deposits	1 242	2 678
Derivative assets	294	371
Bonds and debt funds	2 739	2 671
Equity and equity funds	272	279
Other financial assets	800	852
Derivative liabilities	(925)	(641)
Valuation techniques based on observable market data (Level 2)	6 210	8 210
Valuation techniques based on unobservable input (Level 3)	206	209
Total financial instruments at fair value	7 353	9 461

There have been no significant transfers between the different hierarchy levels in 2015.

13.1c Bonds

In millions of CHF

Issuer		Face value in millions	Coupon	Effective interest rate	Year of issue/ maturity	Comments	2015	2014
Nestlé Holdings, Inc., USA	AUD	275	5.50%	5.69%	2011–2016	(a)	203	232
	USD	200	2.00%	2.06%	2011–2016		198	198
	NOK	1 000	3.38%	3.59%	2011–2016	(a)	115	137
	AUD	200	4.00%	4.11%	2012–2017	(b)	144	161
	NOK	1 000	2.25%	2.31%	2012–2017	(b)	112	133
	NOK	3 000	2.50%	2.66%	2012–2017	(b)	336	398
	USD	900	1.38%	1.46%	2012–2017		889	889
	GBP	250	1.63%	1.71%	2013–2017	(a)	365	385
	CHF	250	2.63%	2.66%	2007–2018	(a)	267	271
	USD	500	1.25%	1.32%	2012–2018		494	494
	AUD	175	3.75%	3.84%	2013–2018	(a)	129	145
	AUD	200	3.88%	4.08%	2013–2018	(b)	144	161
	AUD	400	4.13%	4.33%	2013–2018	(c)	290	326
	USD	400	1.38%	1.50%	2013–2018		394	394
	USD	500	2.00%	2.17%	2013–2019		491	491
	USD	500	2.25%	2.41%	2013–2019		492	492
	USD	400	2.00%	2.06%	2014–2019		395	395
	USD	650	2.13%	2.27%	2014–2020		639	639
	AUD	250	4.25%	4.43%	2014–2020	(a)	191	215
	AUD	175	3.63%	3.77%	2014–2020	(a)	132	148
NOK	1 000	2.75%	2.85%	2014–2020	(a)	118	139	
GBP	400	1.75%	1.82%	2015–2020	(b)	585	—	
Nestlé Finance International Ltd., Luxembourg	CHF	350	2.13%	2.20%	2009–2015		—	350
	EUR	500	0.75%	0.83%	2012–2016		540	601
	AUD	125	4.63%	4.86%	2012–2017	(b)	90	101
	EUR	500	1.50%	1.61%	2012–2019		539	599
	EUR	500	1.25%	1.30%	2013–2020		540	600
	EUR	500	2.13%	2.20%	2013–2021		538	598
	EUR	500	0.75%	0.90%	2014–2021		536	595
	EUR	850	1.75%	1.89%	2012–2022		911	1 012
GBP	400	2.25%	2.34%	2012–2023	(d)	589	622	
EUR	500	0.75%	0.92%	2015–2023	(e)	537	—	
Other bonds						278	336	
Total carrying amount (*)						12 221	12 257	
of which due within one year						1 062	409	
of which due after one year						11 159	11 848	
Fair value (*) of bonds, based on prices quoted (level 2)						12 501	12 651	

(*) Carrying amount and fair value of bonds exclude accrued interest.

Several bonds are hedged by currency and/or interest derivatives. The fair value of these derivatives is shown under derivative assets for CHF 78 million (2014: CHF 87 million) and under derivative liabilities for CHF 708 million (2014: CHF 359 million).

- (a) Subject to an interest rate and/or currency swap that creates a liability at floating rates in the currency of the issuer.
- (b) Subject to an interest rate and currency swap that creates a liability at fixed rates in the currency of the issuer.
- (c) This bond is composed of:
 - AUD 300 million subject to an interest rate and currency swap that creates a liability at fixed rates in the currency of the issuer; and
 - AUD 100 million subject to an interest rate and/or currency swap that creates a liability at floating rates in the currency of the issuer.
- (d) Subject to an interest rate swap.
- (e) Out of which EUR 375 million is subject to an interest rate swap.

13.2 Financial risks

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

Financial risk management is an integral part of the way the Group is managed. The Board of Directors determines the financial control principles as well as the principles of financial planning. The Chief Executive Officer organises, manages and monitors all financial risks, including asset and liability matters.

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

13.2a Credit risk

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises on liquid assets, non-current financial assets, derivative assets, trade and other receivables.

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

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

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

Credit rating of financial assets

This includes liquid assets, non-current financial assets and derivative assets.

In millions of CHF

	2015	2014
Investment grade A– and above	7 719	11 895
Investment grade BBB+, BBB and BBB–	2 053	1 432
Non-investment grade (BB+ and below)	445	273
Not rated ^(a)	1 344	1 174
	11 561	14 774

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

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

13.2b Liquidity risk

Liquidity risk management

Liquidity risk is the risk that a company may encounter difficulties in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets. Such risk may result from inadequate market depth or disruption or refinancing problems. The Group's objective is to manage this risk by limiting exposures in financial instruments that may be affected by liquidity problems and by maintaining sufficient back-up facilities. The Group does not expect any refinancing issues and in 2015 successfully extended the tenor of both its revolving credit facilities by one year:

- A new USD 4.9 billion and EUR 2.2 billion revolving credit facility with an initial maturity date of October 2016. The Group has the ability to convert the facility into a one year term loan.
- A USD 4.3 billion and EUR 1.8 billion revolving credit facility with a new maturity date of October 2020.

The facilities serve primarily as a backstop to the Group's short-term debt.

Contractual maturities of financial liabilities and derivatives (including interest)

In millions of CHF

	In the first year	In the second year	In the third to the fifth year	After the fifth year	Contractual amount	Carrying amount
2015						
Trade and other payables	(17 038)	(39)	(77)	(1 656)	(18 810)	(18 767)
Commercial paper ^(a)	(5 944)	—	—	—	(5 944)	(5 942)
Bonds ^(a)	(1 309)	(2 183)	(6 276)	(3 504)	(13 272)	(12 221)
Other financial debt	(2 748)	(214)	(235)	(69)	(3 266)	(3 067)
Total financial debt	(10 001)	(2 397)	(6 511)	(3 573)	(22 482)	(21 230)
Financial liabilities (excluding derivatives)	(27 039)	(2 436)	(6 588)	(5 229)	(41 292)	(39 997)
Non-currency derivative assets	47	3	—	(6)	44	44
Non-currency derivative liabilities	(159)	(25)	(45)	(9)	(238)	(235)
Gross amount receivable from currency derivatives	12 555	1 133	1 923	—	15 611	15 452
Gross amount payable from currency derivatives	(12 506)	(1 437)	(2 169)	—	(16 112)	(15 945)
Net derivatives	(63)	(326)	(291)	(15)	(695)	(684)
of which derivatives under cash flow hedges ^(b)	(13)	(27)	(45)	(2)	(87)	(84)
2014						
Trade and other payables	(17 437)	(357)	(60)	(1 474)	(19 328)	(19 279)
Commercial paper ^(a)	(5 573)	—	—	—	(5 573)	(5 569)
Bonds ^(a)	(672)	(1 419)	(6 403)	(5 042)	(13 536)	(12 257)
Other financial debt	(2 963)	(203)	(326)	(115)	(3 607)	(3 380)
Total financial debt	(9 208)	(1 622)	(6 729)	(5 157)	(22 716)	(21 206)
Financial liabilities (excluding derivatives)	(26 645)	(1 979)	(6 789)	(6 631)	(42 044)	(40 485)
Non-currency derivative assets	39	5	3	(6)	41	41
Non-currency derivative liabilities	(215)	(29)	(42)	(7)	(293)	(289)
Gross amount receivable from currency derivatives	11 589	458	2 204	495	14 746	14 553
Gross amount payable from currency derivatives	(11 370)	(489)	(2 435)	(550)	(14 844)	(14 662)
Net derivatives	43	(55)	(270)	(68)	(350)	(357)
of which derivatives under cash flow hedges ^(b)	(105)	(29)	(42)	(7)	(183)	(180)

(a) Commercial paper of CHF 5822 million (2014: CHF 3571 million) and bonds of CHF 387 million (2014: CHF 76 million) have maturities of less than three months.

(b) The periods when the cash flow hedges affect the income statement do not differ significantly from the maturities disclosed above.

13.2c Market risk

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

Foreign currency risk

The Group is exposed to foreign currency risk from transactions and translation.

Transactional exposures arise from transactions in foreign currency. They are managed within a prudent and systematic hedging policy in accordance with the Group's specific business needs through the use of currency forwards, futures, swaps and options.

Exchange differences recorded in the income statement represented a loss of CHF 156 million in 2015 (2014: loss of CHF 47 million). They are allocated to the appropriate headings of expenses by function.

Translation exposure arises from the consolidation of the financial statements of foreign operations in Swiss francs, which is, in principle, not hedged.

Value at Risk (VaR) based on historic data for a 250-day period and a confidence level of 95% results in a potential one-day loss for currency risk of less than CHF 10 million in 2015 and 2014.

The Group cannot predict the future movements in exchange rates, therefore the above VaR number neither represents actual losses nor considers the effects of favourable movements in underlying variables. Accordingly, the VaR number may only be considered indicative of future movements to the extent the historic market patterns repeat in the future.

Interest rate risk

The Group is exposed primarily to fluctuation in USD and EUR interest rates. Interest rate risk on financial debt is managed based on duration and interest management targets set by the ALMC through the use of fixed rate debt and interest rate swaps.

Taking into account the impact of interest derivatives, the proportion of financial debt subject to fixed interest rates for a period longer than one year represents 50% (2014: 54%).

Based on the structure of net debt at year end, an increase of interest rates of 100 basis points would cause an additional expense in Net financing cost of CHF 57 million (2014: CHF 39 million).

Price risk

Commodity price risk

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

The Group's objective is to minimise the impact of commodity price fluctuations and this exposure is hedged in accordance with the Nestlé Group policy on commodity price risk management. The regional Commodity Purchasing Competence Centres are responsible for managing commodity price risk on the basis of internal directives and centrally determined limits, generally through the use of exchange-traded commodity derivatives. The commodity price risk exposure of future purchases is managed using a combination of derivatives (mainly futures and options) and executory contracts. As a result of the short product business cycle of the Group, the majority of the anticipated future raw material transactions outstanding at the balance sheet date are expected to occur in the next year.

Equity price risk

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

13.2d Derivative assets and liabilities and hedge accounting

Derivative financial instruments

The Group's derivatives mainly consist of currency forwards, futures, options and swaps; commodity futures and options; interest rate forwards, futures, options and swaps. Derivatives are mainly used to manage exposures to foreign exchange, interest rate and commodity price risk as described in section 13.2c Market risk.

Derivatives are initially recognised at fair value. They are subsequently remeasured at fair value on a regular basis and at each reporting date as a minimum, with all their gains and losses, realised and unrealised, recognised in the income statement unless they are in a qualifying hedging relationship.

Hedge accounting

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

Fair value hedges

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

Changes in fair values of hedging instruments designated as fair value hedges and the adjustments for the risks being hedged in the carrying amounts of the underlying transactions are recognised in the income statement.

Cash flow hedges

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

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

Net investment hedges

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

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

Undesignated derivatives

Derivatives which are not designated in a hedging relationship are classified as undesignated derivatives. They are acquired in the frame of approved risk management policies even though hedge accounting is not applied.

By type

In millions of CHF

	2015			2014		
	Contractual or notional amounts	Fair value assets	Fair value liabilities	Contractual or notional amounts	Fair value assets	Fair value liabilities
Fair value hedges						
Currency forwards, futures and swaps	4 173	49	18	3 967	122	14
Interest rate forwards, futures and swaps	992	5	4	616	9	—
Interest rate and currency swaps	3 193	74	704	2 892	77	359
Cash flow hedges						
Currency forwards, futures, swaps and options	6 912	167	59	6 556	152	82
Interest rate forwards, futures and swaps	1 385	—	107	1 534	—	122
Commodity futures and options	1 682	39	124	1 600	31	159
Undesignated derivatives						
Currency forwards, futures, swaps and options	1 143	3	5	1 212	8	13
Interest rate forwards, futures, swaps and options	—	—	—	100	—	6
Commodity futures and options	—	—	—	7	1	2
	19 480	337	1 021	18 484	400	757
Conditional offsets ^(a)						
Derivative assets and liabilities		(75)	(75)		(84)	(84)
Use of cash collateral received or deposited		(10)	(598)		(5)	(358)
Balances after conditional offsets		252	348		311	315

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

Impact on the income statement of fair value hedges

In millions of CHF

	2015	2014
on hedged items	(189)	(107)
on hedging instruments	185	107

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

13.2e Capital risk management

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

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

The operating cash flow-to-net financial debt ratio highlights the ability of a business to repay its debts. As at 31 December 2015, the ratio was 92.7% (2014: 119.3%).

The Group's subsidiaries have complied with local statutory capital requirements as appropriate.

14. Taxes

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

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

Deferred taxes are based on the temporary differences that arise when taxation authorities recognise and measure assets and liabilities with rules that differ from the principles of the Consolidated Financial Statements. They also arise on temporary differences stemming from tax losses carried forward.

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

14.1 Taxes recognised in the income statement

In millions of CHF

	2015	2014
Components of taxes		
Current taxes ^(a)	(3 156)	(3 148)
Deferred taxes	93	132
Taxes reclassified to other comprehensive income	(245)	(357)
Taxes reclassified to equity	3	6
Total taxes	(3 305)	(3 367)
Reconciliation of taxes		
Expected tax expense at weighted average applicable tax rate	(2 848)	(2 245)
Tax effect of non-deductible or non-taxable items	(135)	(527)
Prior years' taxes	250	92
Transfers to unrecognised deferred tax assets	(71)	(136)
Transfers from unrecognised deferred tax assets	27	12
Changes in tax rates	(10)	9
Withholding taxes levied on transfers of income	(304)	(357)
Other	(214)	(215)
Total taxes	(3 305)	(3 367)

(a) Current taxes related to prior years represent a tax income of CHF 118 million (2014: tax income of CHF 133 million).

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

14.2 Taxes recognised in other comprehensive income

In millions of CHF

	2015	2014
Tax effects relating to		
Currency retranslations	188	39
Fair value adjustments on available-for-sale financial instruments	65	(48)
Fair value adjustments on cash flow hedges	(16)	14
Remeasurement of defined benefit plans	8	352
	245	357

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

In millions of CHF

	Property, plant and equipment	Goodwill and intangible assets	Employee benefits	Inventories, receivables, payables and provisions	Unused tax losses and unused tax credits	Other	Total
At 1 January 2014	(1 499)	(1 612)	1 456	857	430	(32)	(400)
Currency retranslations	(96)	(142)	81	29	(17)	(81)	(226)
Deferred tax (expense)/income	(63)	39	257	96	(82)	(115)	132
Reclassified as held for sale	12	13	–	–	(4)	(3)	18
Modification of the scope of consolidation	(14)	(811)	32	93	58	(15)	(657)
At 31 December 2014	(1 660)	(2 513)	1 826	1 075	385	(246)	(1 133)
Currency retranslations	69	25	(116)	(116)	(92)	(38)	(268)
Deferred tax (expense)/income	(132)	39	6	57	17	106	93
Reclassified as held for sale	(7)	8	(9)	(9)	(18)	1	(34)
Modification of the scope of consolidation	(25)	(79)	2	6	17	1	(78)
At 31 December 2015	(1 755)	(2 520)	1 709	1 013	309	(176)	(1 420)

In millions of CHF

	2015	2014
Reflected in the balance sheet as follows:		
Deferred tax assets	1 643	2 058
Deferred tax liabilities	(3 063)	(3 191)
Net assets/(liabilities)	(1 420)	(1 133)

14.4 Unrecognised deferred taxes

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

In millions of CHF

	2015	2014
Within one year	23	35
Between one and five years	434	331
More than five years	2 272	2 375
	2 729	2 741

At 31 December 2015, the unrecognised deferred tax assets amount to CHF 587 million (2014: CHF 629 million). In addition, the Group has not recognised deferred tax liabilities in respect of unremitted earnings that are considered indefinitely reinvested in foreign subsidiaries. At 31 December 2015, these earnings amount to CHF 18.0 billion (2014: CHF 20.0 billion). They could be subject to withholding and other taxes on remittance.

15. Associates and joint ventures

Associates are companies where the Group has the power to exercise a significant influence but does not exercise control. Significant influence may be obtained when the Group has 20% or more of the voting rights in the investee or has obtained a seat on the board of directors or otherwise participates in the policy-making process of the investee.

Joint ventures are contractual arrangements over which the Group exercises joint control with partners and where the parties have rights to the net assets of the arrangement.

Associates and joint ventures are accounted for using the equity method. The net assets and results are adjusted to comply with the Group's accounting policies. The carrying amount of goodwill arising from the acquisition of associates and joint ventures is included in the carrying amount of investments in associates and joint ventures.

In millions of CHF

	2015				2014			
	L'Oréal	Other associates	Joint ventures	Total	L'Oréal	Other associates	Joint ventures	Total
At 1 January	7 191	1 001	457	8 649	9 525	1 156	1 634	12 315
Currency retranslations	(727)	(106)	(19)	(852)	(160)	(2)	13	(149)
Investments	—	105	28	133	—	154	200	354
Divestments ^(a)	—	(1)	—	(1)	(2 585)	—	(167)	(2 752)
Share of results	820	26	49	895	934	(63)	(43)	828
Impairment	—	(37)	—	(37)	—	(211)	—	(211)
Share of other comprehensive income	290	1	(14)	277	(13)	—	(57)	(70)
Dividends and interest received	(365)	(34)	(57)	(456)	(543)	(58)	(115)	(716)
Other ^(b)	66	—	1	67	33	25	(1 008)	(950)
At 31 December	7 275	955	445	8 675	7 191	1 001	457	8 649

(a) In 2014, relates to the 48.5 million of L'Oréal shares sold to L'Oréal (see Note 15.1).

(b) In 2014, relates mainly to the derecognition of the joint venture Galderma when the Group brought its ownership from 50% to 100% (see Note 15.3).

Income from associates and joint ventures

In millions of CHF

	2015	2014
Share of results	895	828
Impairment ^(a)	(37)	(211)
Profit on partial disposal of L'Oréal shares ^(b)	—	4 569
Revaluation gain on the 50% shareholding already held in Galderma ^(c)	—	2 817
Profit on disposal of other associates	130	—
	988	8 003

(a) A number of small associated companies have been impaired based on recent financial information and developments in their business environments, none of which are individually significant.

(b) Includes a cumulative gain of CHF 436 million recognised by L'Oréal in its other comprehensive reserves and a cumulative loss of CHF 625 million recognised by the Group in its currency translation reserve that have been recycled to the income statement.

(c) Includes a cumulative currency translation loss of CHF 56 million that has been recycled to the income statement.

15.1 L'Oréal

The Group holds 129 881 021 shares in L'Oréal, the world leader in cosmetics, representing a 23.2% participation in its equity after elimination of its treasury shares (2014: 129 881 021 shares representing a 23.4% participation).

On 8 July 2014, the Group sold 48 500 000 shares to L'Oréal for CHF 7342 million for cancellation. As a result, the participation in its equity after elimination of its treasury shares was reduced from 29.7% to 23.5%.

At 31 December 2015, the market value of the shares held amounts to CHF 21.8 billion (2014: CHF 21.8 billion).

Summarised financial information of L'Oréal

In billions of CHF

	2015	2014
Total current assets	10.0	10.6
Total non-current assets	26.4	28.0
Total assets	36.4	38.6
Total current liabilities	8.8	11.2
Total non-current liabilities	2.1	3.1
Total liabilities	10.9	14.3
Total equity	25.5	24.3
Total sales	27.0	27.4
Profit from continuing operations	3.5	3.4
Profit from discontinued operations ^(a)	—	2.6
Other comprehensive income	1.2	(0.1)
Total comprehensive income	4.7	5.9

(a) Relate mainly to the profit on disposal of Galderma.

Reconciliation of the share of results

In billions of CHF

	2015	2014
Share held by the Group in the profit from continuing operations of L'Oréal	0.8	0.9
Share held by the Group in the profit from discontinued operations of L'Oréal ^(a)	—	0.6
Elimination of the profit on disposal of Galderma	—	(0.6)
Share of results of L'Oréal	0.8	0.9

(a) Relate mainly to the profit on disposal of Galderma.

Reconciliation of the carrying amount

In billions of CHF

	2015	2014
Share held by the Group in the equity of L'Oréal	5.9	5.7
Goodwill and other adjustments	1.4	1.5
Carrying amount of L'Oréal	7.3	7.2

15.2 Other associates

The Group holds a number of other associates that are individually not material.

15.3 Joint ventures

The Group holds 50% of a number of joint ventures operating in the food and beverages and in pharmaceutical activities. These joint ventures are individually not material for the Group, the main ones being Galderma (until July 2014) and Cereal Partners Worldwide.

In July 2014, the Group brought its ownership in Galderma to 100% by acquiring the remaining 50% stake from L'Oréal. As from this date, Galderma is an affiliated company that is fully consolidated (see Note 2).

A list of the principal joint ventures and associates is provided in the section Companies of the Nestlé Group, joint arrangements and associates.

16. Earnings per share

	2015	2014
Basic earnings per share (in CHF)	2.90	4.54
Net profit (in millions of CHF)	9 066	14 456
Weighted average number of shares outstanding (in millions of units)	3 129	3 188
Diluted earnings per share (in CHF)	2.89	4.52
Net profit, net of effects of dilutive potential ordinary shares (in millions of CHF)	9 066	14 456
Weighted average number of shares outstanding, net of effects of dilutive potential ordinary shares (in millions of units)	3 136	3 196
Reconciliation of weighted average number of shares outstanding (in millions of units)		
Weighted average number of shares outstanding used to calculate basic earnings per share	3 129	3 188
Adjustment for share-based payment schemes, where dilutive	7	8
Weighted average number of shares outstanding used to calculate diluted earnings per share	3 136	3 196

17. Cash flow statement

17.1 Operating profit

In millions of CHF	2015	2014
Profit for the year	9 467	14 904
Income from associates and joint ventures	(988)	(8 003)
Taxes	3 305	3 367
Financial income	(101)	(135)
Financial expense	725	772
	12 408	10 905

17.2 Non-cash items of income and expense

In millions of CHF	2015	2014
Depreciation of property, plant and equipment	2 861	2 782
Impairment of property, plant and equipment	100	136
Impairment of goodwill	338	1 908
Amortisation of intangible assets	317	276
Impairment of intangible assets	138	23
Net result on disposal of businesses	422	509
Net result on disposal of assets	66	5
Non-cash items in financial assets and liabilities	(135)	(34)
Equity compensation plans	166	156
Other	75	562
	4 348	6 323

17.3 Decrease/(increase) in working capital

In millions of CHF	2015	2014
Inventories	(25)	(534)
Trade and other receivables	(323)	(892)
Prepayments and accrued income	(91)	268
Trade and other payables	988	912
Accruals and deferred income	192	132
	741	(114)

17.4 Variation of other operating assets and liabilities

In millions of CHF

	2015	2014
Variation of employee benefits assets and liabilities	(125)	(324)
Variation of provisions	(327)	324
Other	204	85
	(248)	85

17.5 Net cash flows from treasury activities

In millions of CHF

	2015	2014
Interest paid	(522)	(518)
Interest and dividends received	70	73
Net cash flows from derivatives used to hedge foreign operations	361	75
Net cash flows from trading derivatives	(2)	14
	(93)	(356)

17.6 Reconciliation of free cash flow and net financial debt

In millions of CHF	2015	2014
Operating cash flow	14 302	14 700
Capital expenditure	(3 872)	(3 914)
Expenditure on intangible assets	(422)	(509)
Investments (net of divestments) in associates and joint ventures	(44)	3 958
Other investing activities	(19)	(98)
Free cash flow	9 945	14 137
Acquisition of businesses	(530)	(1 986)
Financial liabilities and short-term investments acquired in business combinations	(1)	(229)
Disposal of businesses	213	321
Financial liabilities and short-term investments transferred on disposal of businesses	—	9
Acquisition (net of disposal) of non-controlling interests	—	(49)
Dividend paid to shareholders of the parent	(6 950)	(6 863)
Dividends paid to non-controlling interests	(424)	(356)
Purchase (net of sale) of treasury shares	(6 377)	(1 617)
Reclassification of financial investments from non-current financial assets to net financial debt	73	72
Outflows from non-current treasury investments	(6)	(137)
Cash inflows from hedging derivatives on net debt	226	155
Currency retranslations and exchange differences	724	(998)
Other movements	7	(94)
(Increase)/decrease of net financial debt	(3 100)	2 365
Net financial debt at beginning of year	(12 325)	(14 690)
Net financial debt at end of year	(15 425)	(12 325)

17.7 Cash and cash equivalents at end of year

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

In millions of CHF	2015	2014
Cash at bank and in hand	1 906	3 528
Time deposits	1 191	2 513
Commercial paper	1 787	1 407
	4 884	7 448

18. Equity

18.1 Share capital issued

The share capital changed in 2015 as a consequence of the Share Buy-Back programme launched in 2014. The cancellation of shares was approved at the Annual General Meeting on 16 April 2015. The share capital was reduced by 36 400 000 shares from CHF 322 million to CHF 319 million.

As of 31 December 2015, the ordinary share capital of Nestlé S.A. authorised, issued and fully paid is composed of 3 188 400 000 registered shares with a nominal value of CHF 0.10 each. Each share confers the right to one vote. No shareholder may be registered with the right to vote for shares which it holds, directly or indirectly, in excess of 5% of the share capital. Shareholders have the right to receive dividends.

18.2 Conditional share capital

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

18.3 Treasury shares

Number of shares in millions of units

	2015	2014
Purpose of holding		
Trading	18.1	18.1
Share Buy-Back Programme	76.2	23.7
Long-Term Incentive Plans	9.6	14.6
	103.9	56.4

At 31 December 2015, the treasury shares held by the Group represent 3.3% of the share capital (2014: 1.7%). Their market value amounts to CHF 7748 million (2014: CHF 4113 million).

18.4 Number of shares outstanding

Number of shares in millions of units

	Shares issued	Treasury shares	Outstanding shares
At 1 January 2014	3 224.8	(35.2)	3 189.6
Purchase of treasury shares	—	(26.5)	(26.5)
Sale of treasury shares	—	0.1	0.1
Treasury shares delivered in respect of options exercised	—	1.9	1.9
Treasury shares delivered in respect of equity compensation plans	—	3.3	3.3
At 31 December 2014	3 224.8	(56.4)	3 168.4
Purchase of treasury shares	—	(88.9)	(88.9)
Sale of treasury shares	—	—	—
Treasury shares delivered in respect of options exercised	—	1.7	1.7
Treasury shares delivered in respect of equity compensation plans	—	3.3	3.3
Treasury shares cancelled	(36.4)	36.4	—
At 31 December 2015	3 188.4	(103.9)	3 084.5

18.5 Translation reserve

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

18.6 Retained earnings and other reserves

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

The fair value reserve includes the gains and losses on remeasuring available-for-sale financial instruments. At 31 December 2015, the reserve is CHF 36 million positive (2014: CHF 250 million positive).

The hedging reserve consists of the effective portion of the gains and losses on hedging instruments related to hedged transactions that have not yet occurred. At 31 December 2015, the reserve is CHF 38 million negative (2014: CHF 108 million negative).

18.7 Non-controlling interests

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

Acquisitions and disposals of non-controlling interests

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

18.8 Other comprehensive income

In millions of CHF

	Translation reserve	Retained earnings and other reserves	Total attributable to shareholders of the parent	Non-controlling interests	Total
2015					
Currency retranslations	(3 874)	—	(3 874)	(85)	(3 959)
Fair value adjustments on available-for-sale financial instruments	—	(209)	(209)	—	(209)
Fair value adjustments on cash flow hedges	—	77	77	1	78
Remeasurement of defined benefit plans	—	(370)	(370)	—	(370)
Taxes	—	245	245	—	245
Share of other comprehensive income of associates and joint ventures	—	277	277	—	277
Other comprehensive income for the year	(3 874)	20	(3 854)	(84)	(3 938)
2014					
Currency retranslations	3 556	—	3 556	107	3 663
Fair value adjustments on available-for-sale financial instruments	—	186	186	1	187
Fair value adjustments on cash flow hedges	—	(56)	(56)	—	(56)
Remeasurement of defined benefit plans	—	(1 745)	(1 745)	—	(1 745)
Taxes	—	357	357	—	357
Share of other comprehensive income of associates and joint ventures	—	(506)	(506)	—	(506)
Other comprehensive income for the year	3 556	(1 764)	1 792	108	1 900

18.9 Dividend

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

The dividend related to 2014 was paid on 22 April 2015 in accordance with the decision taken at the Annual General Meeting on 16 April 2015. Shareholders approved the proposed dividend of CHF 2.20 per share, resulting in a total dividend of CHF 6950 million.

Dividend payable is not accounted for until it has been ratified at the Annual General Meeting. At the meeting on 7 April 2016, a dividend of CHF 2.25 per share will be proposed, resulting in a total dividend of CHF 7002 million. For further details, refer to the Financial Statements of Nestlé S.A.

The Financial Statements for the year ended 31 December 2015 do not reflect this proposed distribution, which will be treated as an appropriation of profit in the year ending 31 December 2016.

19. Lease commitments

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

Assets acquired under finance leases are capitalised and depreciated in accordance with the Group's policy on property, plant and equipment unless the lease term is shorter. The associated finance lease obligations are included under financial debt and the finance charge is presented as part of net financing cost.

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

19.1 Operating leases

In millions of CHF	2015	2014
Minimum lease payments (Future value)		
Within one year	595	633
In the second year	476	530
In the third to the fifth year	905	1 044
After the fifth year	577	584
	2 553	2 791

Lease commitments relate mainly to buildings, industrial equipment, vehicles and IT equipment. The operating lease charge for the year 2015 amounts to CHF 679 million (2014: CHF 692 million).

19.2 Finance leases

In millions of CHF

	2015		2014	
	Present value	Future value	Present value	Future value
Minimum lease payments				
Within one year	42	44	46	48
In the second year	38	42	44	50
In the third to the fifth year	65	82	91	116
After the fifth year	33	54	54	92
	178	222	235	306

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

20. Transactions with related parties

20.1 Compensation of the Board of Directors and the Executive Board

Board of Directors

Members of the Board of Directors receive an annual compensation that varies with the Board and the Committee responsibilities as follows:

- Board members: CHF 280 000;
- members of the Chairman's and Corporate Governance Committee: additional CHF 200 000 (Chair CHF 300 000);
- members of the Compensation Committee: additional CHF 70 000 (Chair CHF 150 000);
- members of the Nomination Committee: additional CHF 40 000 (Chair CHF 100 000); and
- members of the Audit Committee: additional CHF 100 000 (Chair CHF 150 000).

The Chairman and the CEO Committee fees are included in their total compensation.

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

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

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

Executive Board

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

In millions of CHF

	2015	2014
Board of Directors ^(a)		
Chairman's compensation	6	7
Other Board members		
Remuneration – cash	3	3
Shares	2	2
Executive Board ^(a)		
Remuneration – cash	17	15
Bonus – cash	9	7
Bonus – shares	7	9
Equity compensation plans ^(b)	15	11
Pension	6	6

(a) For the detailed disclosures regarding the remunerations of the Board of Directors and the Executive Board that are required by Swiss law, refer to the Compensation report of Nestlé S.A. with the audited sections highlighted with a blue bar.

(b) Equity compensation plans are equity-settled share-based payment transactions whose cost is recognised over the vesting period as required by IFRS 2.

20.2 Transactions with associates and joint ventures

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

The main transactions with joint ventures are loans granted by the Group whose outstanding balances as at 31 December 2015 amount to CHF 240 million (2014: CHF 247 million) and dividends and interest received which represent an amount of CHF 57 million (2014: CHF 115 million).

20.3 Other transactions

Nestlé Capital Advisers S.A. (NCA), one of the Group's subsidiaries, is an unregulated investment and actuarial adviser, based in Switzerland. Further to actuarial advice, NCA renders investment consulting services to some of the Group's pension funds, either directly or indirectly via the Robusta mutual fund umbrella, but NCA never executes trading and investment transactions. The fees received by NCA in 2015 for those activities amounted to CHF 12 million (2014: CHF 15 million).

Nestlé Capital Management Ltd (NCM), a 100% subsidiary of NCA, is an asset manager authorised and regulated by the Financial Conduct Authority, in the United Kingdom. NCM manages some of the assets of the Group's pension funds. In this function, NCM executes trading and investment transactions on behalf of these pension funds directly or for the Robusta mutual funds pension investment vehicles. The fees received by NCM in 2015 for those activities amounted to CHF 18 million (2014: CHF 21 million). The assets under direct management represented an amount of CHF 10.8 billion at 31 December 2015 (2014: CHF 11.4 billion).

In addition, Robusta Asset Management Ltd (RAML), a 100% subsidiary of NCA, is in charge of selecting and monitoring investment managers for the Robusta mutual funds pension investment vehicles. RAML has delegated most of its activities to third-parties, including NCA and hence no fee income is generated by RAML. Any remaining expenses are covered by means of fees deducted from its assets under management. The assets under supervision of RAML amounted to CHF 9.7 billion at 31 December 2015 (2014: CHF 10.4 billion). Of this amount CHF 6.7 billion (2014: CHF 7.4 billion) of assets are under direct management of NCM.

Furthermore, throughout 2015, no director of the Group had a personal interest in any transaction of significance for the business of the Group.

21. Guarantees

At 31 December 2015, the Group has given guarantees to third parties for an amount of CHF 945 million (2014: CHF 603 million). The most significant balance relates to the Nestlé UK pension fund (a related party).

22. Group exposure in Venezuela

Venezuela is a hyperinflationary economy where the government has established multiple foreign exchange rate systems, and strict exchange controls have been in place for many years. These systems have different exchange rates and are available for a relatively limited amount of currency.

All of the Group's foreign currency denominated transactions and balances of operations in Venezuela are translated into the local functional currency (VEF) at the rate they are expected to be settled, using the most appropriate official rate available.

For consolidation purposes only, the Group converts its Venezuelan operations using the Group's best estimate of the rate which would have been applicable to capital and dividend repatriations if they could have been made at the balance sheet date. This rate is reviewed periodically depending on the economic and regulatory developments in the country.

The Group applies hyperinflation accounting in Venezuela. As a result, the Group recognised during the period a re-measurement loss of CHF 75 million in the income statement (2014: loss of CHF 606 million), within Other operating expenses.

As at 31 December 2015, the remaining carrying amount of cash and cash equivalents exposed to a loss through income statement due to decline of purchasing power amounts to CHF 12 million (2014: CHF 51 million).

The Group will continue to monitor the situation closely in Venezuela and adjust its accounting treatment accordingly.

23. Events after the balance sheet date

The values of assets and liabilities at the balance sheet date are adjusted if there is evidence that subsequent adjusting events warrant a modification of these values. These adjustments are made up to the date of approval of the Consolidated Financial Statements by the Board of Directors.

At 17 February 2016, the date of approval for issue of the Consolidated Financial Statements by the Board of Directors, the Group has no subsequent events which either warrant a modification of the value of its assets and liabilities or any additional disclosure.

Report of the Statutory Auditor on the Consolidated Financial Statements

to the General Meeting of Nestlé S.A., Cham & Vevey

As statutory auditor, we have audited the consolidated financial statements (income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes on pages 60 to 134) of Nestlé S.A. for the year ended 31 December 2015.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

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

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

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



KPMG SA

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

Scott Cormack
Licensed Audit Expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'L. Marty'.

Lukas Marty
Licensed Audit Expert

Geneva, 17 February 2016

Financial information – 5 year review

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

	2015	2014
Results		
Sales	88 785	91 612
Trading operating profit	13 382	14 019
as % of sales	15.1%	15.3%
Taxes	3 305	3 367
Profit for the year attributable to shareholders of the parent (Net profit)	9 066	14 456
as % of sales	10.2%	15.8%
Total amount of dividend	7 002 ^(e)	6 950
Depreciation of property, plant and equipment	2 861	2 782
Balance sheet and Cash flow statement		
Current assets	29 434	33 961
Non-current assets	94 558	99 489
Total assets	123 992	133 450
Current liabilities	33 321	32 895
Non-current liabilities	26 685	28 671
Equity attributable to shareholders of the parent	62 338	70 130
Non-controlling interests	1 648	1 754
Net financial debt	15 425	12 325
Ratio of net financial debt to equity (gearing)	24.7%	17.6%
Operating cash flow ^(a)	14 302	14 700
as % of net financial debt	92.7%	119.3%
Free cash flow ^(b)	9 945	14 137
Capital expenditure	3 872	3 914
as % of sales	4.4%	4.3%
Data per share		
Weighted average number of shares outstanding (in millions of units)	3 129	3 188
Basic earnings per share	2.90	4.54
Underlying earnings per share ^(c)	3.31	3.44
Dividend	2.25 ^(e)	2.20
Pay-out ratio based on basic earnings per share	77.6% ^(e)	48.5%
Stock prices (high)	77.00	73.30
Stock prices (low)	64.55	63.85
Yield ^(d)	2.9/3.5 ^(e)	3.0/3.4
Market capitalisation	229 947	231 136
Number of employees (in thousands)	335	339

(a) 2011 restated following the changes in the cash flow statement described in Note 1 – Accounting policies (refer to Note 1 – Accounting Policies of the 2012 Consolidated Financial Statements).

(b) Refer to Note 17.6 for definition. As from 2012, movements with non-controlling interests are no longer deducted. 2011 comparatives have been restated accordingly.

(c) Profit per share for the year attributable to shareholders of the parent before impairments, restructuring costs, results on disposals and significant one-off items. The tax impact from the adjusted items is also adjusted for.

(d) Calculated on the basis of the dividend for the year concerned, which is paid in the following year, and on high/low stock prices.

2013	2012 ^(f)	2011	
			Results
92 158	89 721	83 642	Sales
14 047	13 464	12 538	Trading operating profit
15.2%	15.0%	15.0%	as % of sales
3 256	3 259	3 112	Taxes
10 015	10 228	9 487	Profit for the year attributable to shareholders of the parent (Net profit)
10.9%	11.4%	11.3%	as % of sales
6 863	6 552	6 213	Total amount of dividend
2 864	2 655	2 422	Depreciation of property, plant and equipment
			Balance sheet and Cash flow statement
30 066	34 020	33 324	Current assets
90 376	91 857	80 767	Non-current assets
120 442	125 877	114 091	Total assets
32 917	38 597	35 232	Current liabilities
23 386	24 616	20 585	Non-current liabilities
62 575	61 007	56 797	Equity attributable to shareholders of the parent
1 564	1 657	1 477	Non-controlling interests
14 690	18 120	14 319	Net financial debt
23.5%	29.7%	25.2%	Ratio of net financial debt to equity (gearing)
14 992	15 668	10 180	Operating cash flow ^(a)
102.1%	86.5%	71.1%	as % of net financial debt
10 486	9 905	4 757	Free cash flow ^(b)
4 928	5 273	4 779	Capital expenditure
5.3%	5.9%	5.7%	as % of sales
			Data per share
3 191	3 186	3 196	Weighted average number of shares outstanding (in millions of units)
3.14	3.21	2.97	Basic earnings per share
3.50	3.25	3.08	Underlying earnings per share ^(c)
2.15	2.05	1.95	Dividend
68.5%	63.9%	65.7%	Pay-out ratio based on basic earnings per share
70.00	62.30	55.45	Stock prices (high)
59.20	52.50	43.50	Stock prices (low)
3.1/3.6	3.3/3.9	3.5/4.5	Yield ^(d)
208 279	190 038	171 287	Market capitalisation
333	333	328	Number of employees (in thousands)

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

(f) 2012 restated following the implementation of IFRS 11 and IAS 19 revised, and adjusted following the final valuation of the Wyeth Nutrition acquisition (refer to Note 1 – Accounting Policies and Note 2 – Acquisitions and disposals of businesses of the 2012 Consolidated Financial Statements).

Companies of the Nestlé Group, joint arrangements and associates

In the context of the SIX Swiss Exchange Directive on Information relating to Corporate Governance, the disclosure criteria of the principal affiliated companies are as follows:

- operating companies are disclosed if their sales exceed CHF 10 million or equivalent;
- financial companies are disclosed if either their equity exceeds CHF 10 million or equivalent and/or the total balance sheet is higher than CHF 50 million or equivalent.

Entities directly held by Nestlé S.A. that are below the disclosure criteria are listed with a °.

Swiss based joint arrangements that are below the disclosure criteria are listed with a *.

All companies listed below are fully consolidated except for:

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

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

Percentage of capital shareholding corresponds to voting powers unless stated otherwise.

△ Companies listed on the stock exchange

◊ Sub-holding, financial and property companies

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Europe					
Austria					
Galderma Austria GmbH	Linz		100%	EUR	35 000
Nespresso Österreich GmbH & Co. OHG	Wien		100%	EUR	35 000
Nestlé Österreich GmbH	Wien	34.4%	100%	EUR	7 270 000
Azerbaijan					
Nestlé Azerbaijan LLC	Baku	100%	100%	USD	200 000
Belgium					
Centre de Coordination Nestlé S.A.	◊ Bruxelles	91.5%	100%	EUR	4 298 971 818
Nespresso Belgique S.A.	Bruxelles	100%	100%	EUR	550 000
Nestlé Belgilux S.A.	Bruxelles	56.9%	100%	EUR	64 924 438
Nestlé Catering Services N.V.	Bruxelles		100%	EUR	14 035 500
Nestlé Waters Benelux S.A.	Etalle		100%	EUR	5 601 257
Bosnia and Herzegovina					
Nestlé Adriatic BH d.o.o.	Sarajevo	100%	100%	BAM	2 151
Bulgaria					
Nestlé Bulgaria A.D.	Sofia	100%	100%	BGN	10 234 933
Croatia					
Nestlé Adriatic d.o.o.	Zagreb	100%	100%	HRK	14 685 500

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Czech Republic					
Cereal Partners Czech Republic	1) Praha		50%	CZK	23 100 000
Nestlé Cesko s.r.o.	Praha	100%	100%	CZK	300 000 000
Denmark					
Glycom A/S	3) Copenhagen	35.7%	35.7%	DKK	1 382 655
Nestlé Danmark A/S	Copenhagen	100%	100%	DKK	44 000 000
Oscar A/S	Rønnede		100%	DKK	12 000 000
Finland					
Puljonki Oy	Juuka		100%	EUR	85 000
Suomen Nestlé Oy	Helsinki	100%	100%	EUR	10 000 000
France					
Centres de Recherche et Développement Nestlé S.A.S.	Beauvais		100%	EUR	3 138 230
Cereal Partners France SNC	1) Noisiel		50%	EUR	3 000 000
Galderma International S.A.S.	Courbevoie	52.9%	100%	EUR	940 020
Galderma Q-Med S.A.S.	Nanterre		100%	EUR	3 769 870
Galderma Research and Development SNC	Biot		100%	EUR	70 518 259
Herta S.A.S.	Noisiel		100%	EUR	12 908 610
L'Oréal S.A. ^(a)	Δ3) Paris	23.1%	23.1%	EUR	112 596 670
<i>Listed on the Paris stock exchange, market capitalisation EUR 87.4 billion, quotation code (ISIN) FR0000120321</i>					
Laboratoires Galderma S.A.S.	Alby-sur-Chéran		100%	EUR	14 015 454
Lactalis Nestlé Produits Frais S.A.S.	3) Laval	40%	40%	EUR	69 208 832
Nespresso France S.A.S.	Paris		100%	EUR	1 360 000
Nestlé Health Science France S.A.S.	Noisiel		100%	EUR	57 943 072
Nestlé Entreprises S.A.S.	◊ Noisiel	84%	100%	EUR	739 559 392
Nestlé France M.G. S.A.S.	Noisiel		100%	EUR	50 000
Nestlé France S.A.S.	Noisiel		100%	EUR	130 925 520
Nestlé Grand Froid S.A.	Noisiel	<0.1%	100%	EUR	3 120 000
Nestlé Purina PetCare France S.A.S.	Noisiel		100%	EUR	21 091 872
Nestlé Waters S.A.S.	◊ Issy-les-Moulineaux		100%	EUR	254 893 080
Nestlé Waters France S.A.S.	◊ Issy-les-Moulineaux		100%	EUR	44 856 149
Nestlé Waters Management & Technology S.A.S.	Issy-les-Moulineaux		100%	EUR	38 113
Nestlé Waters Marketing & Distribution S.A.S.	Issy-les-Moulineaux		100%	EUR	26 740 940
Nestlé Waters Services S.A.S.	Issy-les-Moulineaux		100%	EUR	1 356 796
Nestlé Waters Supply Centre S.A.S.	Issy-les-Moulineaux		100%	EUR	2 577 000
Nestlé Waters Supply Est S.A.S.	Issy-les-Moulineaux		100%	EUR	17 539 660
Nestlé Waters Supply Sud S.A.S.	Issy-les-Moulineaux		100%	EUR	7 309 106
Société de Bouchages Emballages					
Conditionnement Moderne S.A.S.	3) Lavardac		50%	EUR	10 200 000
Société des Produits Alimentaires de Caudry S.A.S.	Noisiel		100%	EUR	1 440 000
Société Immobilière de Noisiel S.A.	◊ Noisiel		100%	EUR	22 753 550
Société Industrielle de Transformation					
de Produits Agricoles S.A.S.	Noisiel		100%	EUR	9 718 000

^(a) Voting powers amount to 23.2%

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Georgia					
Nestlé Georgia LLC	° Tbilisi	100%	100%	CHF	700 000
Germany					
Bübben-Werk Ewald Hermes Pharmazeutische Fabrik GmbH					
	Soest		100%	EUR	25 565
C.P.D. Cereal Partners Deutschland GmbH & Co. OHG	¹⁾ Frankfurt am Main		50%	EUR	511 292
Erlenbacher Backwaren GmbH	Darmstadt		100%	EUR	2 582 024
Galderma Laboratorium GmbH	Düsseldorf		100%	EUR	800 000
Nestlé Deutschland AG	Frankfurt am Main		100%	EUR	214 266 628
Nestlé Product Technology Centre					
Lebensmittelforschung GmbH	Singen		100%	EUR	52 000
Nestlé Schöller Produktions GmbH	Nürnberg		100%	EUR	30 000
Nestlé Unternehmungen Deutschland GmbH	⁰⁾ Frankfurt am Main		100%	EUR	60 000 000
Nestlé Waters Deutschland GmbH	Frankfurt am Main		100%	EUR	10 566 000
Trinks GmbH	³⁾ Goslar		25%	EUR	2 360 000
Trinks Süd GmbH	³⁾ München		25%	EUR	260 000
Greece					
C.P.W. Hellas Breakfast Cereals S.A.	¹⁾ Maroussi		50%	EUR	201 070
Nespresso Hellas S.A.	Maroussi	100%	100%	EUR	500 000
Nestlé Hellas S.A.	Maroussi	100%	100%	EUR	39 119 726
Hungary					
Nestlé Hungária Kft.	Budapest	100%	100%	HUF	6 000 000 000
Italy					
Fastlog S.p.A.	Assago		100%	EUR	154 935
Galderma Italia S.p.A.	Milano		100%	EUR	612 000
Nespresso Italiana S.p.A.	Assago		100%	EUR	250 000
Nestlé Italiana S.p.A.	Assago	100%	100%	EUR	25 582 492
Sanpellegrino S.p.A.	San Pellegrino Terme		100%	EUR	58 742 145
Kazakhstan					
Nestlé Food Kazakhstan LLP	Almaty	100%	100%	KZT	91 900
Lithuania					
UAB „Nestlé Baltics“	Vilnius	100%	100%	EUR	31 856
Luxembourg					
Compagnie Financière du Haut-Rhin S.A.	⁰⁾ Luxembourg		100%	EUR	105 200 000
Nespresso Luxembourg Sàrl	Luxembourg	100%	100%	EUR	12 525
Nestlé Finance International Ltd	⁰⁾ Luxembourg	100%	100%	EUR	440 000
Nestlé Treasury International S.A.	⁰⁾ Luxembourg	100%	100%	EUR	1 000 000
NTC-Europe S.A.	⁰⁾ Luxembourg	100%	100%	EUR	3 565 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Macedonia					
Nestlé Adriatik Makedonija d.o.o.e.l.	Skopje-Karpos	100%	100%	MKD	31 065 780
Malta					
Nestlé Malta Ltd	Lija	99.9%	100%	EUR	116 470
Moldova					
LLC Nestlé	° Chisinau	100%	100%	USD	1 000
Netherlands					
East Springs International N.V.	∅ Amsterdam		100%	EUR	25 370 000
Galderma BeNeLux B.V.	Rotterdam		100%	EUR	18 002
Nespresso Nederland B.V.	Amsterdam		100%	EUR	680 670
Nestlé Nederland B.V.	Amstelveen	100%	100%	EUR	11 346 000
Norway					
A/S Nestlé Norge	Oslo		100%	NOK	81 250 000
Poland					
Cereal Partners Poland Torun-Pacific Sp. Z o.o.	¹⁾ Torun	50%	50%	PLN	14 572 838
Galderma Polska Z o.o.	Warszawa		100%	PLN	93 000
Nestlé Polska S.A.	Warszawa	100%	100%	PLN	50 000 000
Nestlé Waters Polska S.A.	Warszawa		100%	PLN	196 100 000
Portugal					
Cereal Associados Portugal A.E.I.E.	¹⁾ Oeiras		50%	EUR	99 760
Nestlé Portugal S.A.	Oeiras		100%	EUR	30 000 000
Prolacto-Lacticínios de São Miguel S.A.	Ponta Delgada		100%	EUR	700 000
Republic of Ireland					
Nestlé (Ireland) Ltd	Dublin		100%	EUR	41 964 052
Wyeth Nutritionals Ireland Ltd	Askeaton		100%	USD	885 599 990
Republic of Serbia					
Nestlé Adriatic S d.o.o., Beograd-Surcin	Beograd-Surcin	100%	100%	RSD	12 222 327 814
Romania					
Nestlé Romania S.R.L.	Bucharest	100%	100%	RON	132 906 800
Russia					
Cereal Partners Rus, LLC	¹⁾ Moscow	35%	50%	RUB	28 730 860
Nestlé Kuban LLC	Timashevsk	67.4%	100%	RUB	11 041 793
Nestlé Rossiya LLC	Moscow	84.1%	100%	RUB	880 154 115
ooo Galderma LLC	Moscow		100%	RUB	25 000 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Slovak Republic					
Nestlé Slovensko s.r.o.	Prievidza	100%	100%	EUR	13 277 568
Slovenia					
Nestlé Adriatic Trgovina d.o.o.	° Ljubljana	100%	100%	EUR	8 763
Spain					
Cereal Partners España A.E.I.E.	1) Esplugues de Llobregat (Barcelona)		50%	EUR	120 202
Helados y Postres S.A.	Vitoria (Alava)		100%	EUR	50 900 001
Laboratorios Galderma, S.A.	Madrid		100%	EUR	432 480
Nestlé España S.A.	Esplugues de Llobregat (Barcelona)	100%	100%	EUR	100 000 000
Nestlé Purina PetCare España S.A.	Castellbisbal (Barcelona)		100%	EUR	12 000 000
Productos del Café S.A.	Reus (Tarragona)		100%	EUR	6 600 000
Sweden					
Galderma Holding AB	◊ Uppsala		100%	SEK	50 000
Galderma Nordic AB	Uppsala		100%	SEK	31 502 698
Nestlé Sverige AB	Helsingborg		100%	SEK	20 000 000
Q-Med AB	Uppsala		100%	SEK	24 845 500
Switzerland					
Beverage Partners Worldwide (Europe) AG	◊ 1) Zürich	50%	50%	CHF	1 000 000
CPW Operations Sàrl	1) Prilly	50%	50%	CHF	20 000
CPW S.A.	1) Prilly	50%	50%	CHF	10 000 000
DPA (Holding) S.A.	◊ ° Vevey	100%	100%	CHF	100 000
Eckes-Granini (Suisse) S.A.	2) Henniez		49%	CHF	2 000 000
Entreprises Maggi S.A.	◊ Cham	100%	100%	CHF	100 000
Galderma Pharma S.A.	◊ Lausanne	40.2%	100%	CHF	48 900 000
Galderma S.A.	Cham		100%	CHF	178 100
Galderma Schweiz AG	Egerkingen		100%	CHF	100 000
Intercona Re AG	◊ Châtel-St-Denis		100%	CHF	35 000 000
Materna-Nestlé GmbH	° Zug	51%	51%	CHF	20 000
Nespresso – DO & CO S.A.	1)* Lausanne		50%	CHF	1 000 000
Nestec S.A.	Vevey	100%	100%	CHF	5 000 000
Nestlé Capital Advisers S.A.	Vevey	100%	100%	CHF	400 000
Nestlé Finance S.A.	◊ Cham		100%	CHF	30 000 000
Nestlé Health Science S.A.	° Vevey	100%	100%	CHF	100 000
Nestlé Institute of Health Sciences S.A.	Ecublens		100%	CHF	100 000
Nestlé International Travel Retail S.A.	Vevey	100%	100%	CHF	3 514 000
Nestlé Skin Health S.A.	° Lausanne	100%	100%	CHF	100 000
Nestlé Nespresso S.A.	Lausanne	100%	100%	CHF	2 000 000
Nestlé Operational Services Worldwide S.A.	Bussigny-près-Lausanne	100%	100%	CHF	100 000
Nestlé Waters (Suisse) S.A.	Henniez		100%	CHF	5 000 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Switzerland (continued)					
Nestrade S.A.	La Tour-de-Peilz	100%	100%	CHF	6 500 000
Nutrition-Wellness Venture AG	◊ Vevey	100%	100%	CHF	100 000
Provestor AG	◊ Cham	100%	100%	CHF	2 000 000
Servcom S.A.	◊ La Tour-de-Peilz	100%	100%	CHF	50 000
Société des Produits Nestlé S.A.	Vevey	100%	100%	CHF	54 750 000
Sofinol S.A.	Manno		100%	CHF	3 000 000
Somafa S.A.	◊ Cham	100%	100%	CHF	400 000
Spirig Pharma AG	Egerkingen		100%	CHF	600 000
Vetropa S.A.	◊ Fribourg	100%	100%	CHF	2 500 000
Turkey					
Cereal Partners Gıda Ticaret Limited Sirketi	¹⁾ Istanbul		50%	TRY	25 020 000
Erikli Dagitim ve Pazarlama A.S.	Bursa		100%	TRY	3 849 975
Erikli Su ve Mesrubat Sanayi ve Ticaret A.S.	Bursa		100%	TRY	12 700 000
Nestlé Türkiye Gıda Sanayi A.S.	Istanbul	99.9%	99.9%	TRY	35 000 000
Nestlé Waters Gıda ve Mesrubat Sanayi Ticaret A.S.	Bursa		100%	TRY	8 000 000
Ukraine					
LLC Nestlé Ukraine	Kyiv	100%	100%	USD	150 000
PJSC „Lviv Confectionery Factory Svitoch“	◊ Lviv	97%	97%	UAH	88 111 060
PRJSC Volynholding	◊ Torchyn	90.5%	100%	UAH	100 000
United Kingdom					
Cereal Partners UK	¹⁾ Herts		50%	GBP	—
Galderma (UK) Ltd	Watford		100%	GBP	1 500 000
Nespresso UK Ltd	Gatwick		100%	GBP	275 000
Nestec York Ltd	Gatwick		100%	GBP	500 000
Nestlé Capital Management Ltd	Gatwick		100%	GBP	2 000 000
Nestlé Holdings (UK) PLC	◊ Gatwick	93.7%	100%	GBP	77 940 000
Nestlé Purina PetCare (UK) Ltd	Gatwick		100%	GBP	44 000 000
Nestlé UK Ltd	Gatwick		100%	GBP	129 972 342
Nestlé Waters UK Ltd	Gatwick		100%	GBP	640
Nestlé Waters (UK) Holdings Ltd	◊ Gatwick		100%	GBP	6 500 000
Vitaflo (International) Ltd	Liverpool		100%	GBP	625 379

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Africa					
Algeria					
Nestlé Algérie SpA	Alger	100%	100%	DZD	2 600 000 000
Nestlé Industrie Algérie SpA	Alger	70%	70%	DZD	100 000 000
Nestlé Waters Algérie SpA	Blida		60%	DZD	377 606 250
Angola					
Nestlé Angola Lda	Luanda	99%	100%	AOA	24 000 000
Burkina Faso					
Nestlé Burkina Faso S.A.	Ouagadougou		100%	XOF	50 000 000
Cameroon					
Nestlé Cameroun S.A.	Douala	100%	100%	XAF	4 323 960 000
Chad					
Nestlé Chad S.A.	N'Djamena	100%	100%	XAF	50 000 000
Côte d'Ivoire					
Centre de Recherche et de Développement					
Nestlé Abidjan S.A.	Abidjan		100%	XOF	10 000 000
Nestlé Côte d'Ivoire S.A.	Abidjan	79.6%	86.5%	XOF	5 517 600 000
<i>Listed on the Abidjan stock exchange, market capitalisation XOF 55.2 billion, quotation code (ISIN) CI0009240728</i>					
Democratic Republic of the Congo					
Nestlé Congo S.A.R.L	Kinshasa	99.5%	100%	USD	33 200 000
Egypt					
Nestlé Egypt S.A.E.	Giza	100%	100%	EGP	80 722 000
Nestlé Waters Egypt S.A.E.	Cairo		63.8%	EGP	90 140 000
Gabon					
Nestlé Gabon, S.A.	Libreville	90%	90%	XAF	344 000 000
Ghana					
Nestlé Central and West Africa Ltd	Accra	100%	100%	GHS	46 000
Nestlé Ghana Ltd	Accra	76%	76%	GHS	20 100 000
Guinea					
Nestlé Guinée S.A.	Conakry	99%	99%	GNF	3 424 000 000
Kenya					
Nestlé Equatorial African Region Ltd	Nairobi	100%	100%	KES	132 000 000
Nestlé Kenya Ltd	Nairobi	100%	100%	KES	226 100 400

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Mali					
Nestlé Mali S.A.U.	Bamako		100%	XOF	10 000 000
Mauritius					
Nestlé's Products (Mauritius) Ltd	Port Louis	100%	100%	BSD	71 500
Morocco					
Nestlé Maghreb S.A.	Casablanca	100%	100%	MAD	300 000
Nestlé Maroc S.A.	El Jadida	94.5%	94.5%	MAD	156 933 000
Mozambique					
Nestlé Moçambique Lda	Maputo	87.5%	100%	MZN	4 000
Niger					
Nestlé Niger S.A.	Niamey		99.6%	XOF	50 000 000
Nigeria					
Nestlé Nigeria Plc	^Δ Ilupeju	63.5%	63.5%	NGN	396 328 126
<i>Listed on the Nigerian Stock Exchange, market capitalisation NGN 682.0 billion, quotation code (ISIN) NGNESTLE0006</i>					
Senegal					
Nestlé Sénégal S.A.	Dakar	100%	100%	XOF	1 620 000 000
South Africa					
Galderma Laboratories South Africa (Pty) Ltd	Bryanston		100%	ZAR	375 000
Nestlé (South Africa) (Pty) Ltd	Johannesburg	100%	100%	ZAR	553 400 000
Togo					
Nestlé Togo S.A.U.	Lome		100%	XOF	50 000 000
Tunisia					
Nestlé Tunisie Distribution S.A.	Tunis	<0.1%	99.5%	TND	100 000
Nestlé Tunisie S.A.	Tunis	99.5%	99.5%	TND	8 438 280
Zambia					
Nestlé Zambia Trading Ltd	Lusaka	99.8%	100%	ZMW	2 317 500
Zimbabwe					
Nestlé Zimbabwe (Private) Ltd	Harare	100%	100%	USD	2 100 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Americas					
Argentina					
Nestlé Waters Argentina S.A.	Buenos Aires		100%	ARS	18 791 615
Eco de Los Andes S.A.	Buenos Aires		50.9%	ARS	92 524 285
Galderma Argentina S.A.	Buenos Aires		100%	ARS	9 900 000
Nestlé Argentina S.A.	Buenos Aires	100%	100%	ARS	233 316 000
Bermuda					
Centram Holdings Ltd	^o Hamilton	100%	100%	USD	12 000
Bolivia					
Industrias Alimenticias Fagal S.R.L.	Santa Cruz	98%	100%	BOB	133 100 000
Nestlé Bolivia S.A.	Santa Cruz	99%	100%	BOB	191 900
Brazil					
Chocolates Garoto S.A.	Vila Velha		100%	BRL	161 450 000
CPW Brasil Ltda	¹⁾ Caçapava		50%	BRL	7 885 520
Dairy Partners Americas Brasil Ltda	³⁾ São Paulo	49%	49%	BRL	27 606 368
Dairy Partners Americas Manufacturing Brasil Ltda	São Paulo		100%	BRL	39 468 974
Dairy Partners Americas Nordeste – Produtos Alimentícios Ltda	³⁾ Garanhuns		49%	BRL	100 000
Galderma Brasil Ltda	São Paulo		100%	BRL	39 741 602
Nestlé Brasil Ltda	São Paulo	100%	100%	BRL	452 985 643
Nestlé Nordeste Alimentos e Bebidas Ltda	Feira de Santana		100%	BRL	12 713 641
Nestlé Sudeste Alimentos e Bebidas Ltda	São Paulo		100%	BRL	109 317 818
Nestlé Sul – Alimentos e Bebidas Ltda	Carazinho		100%	BRL	73 049 736
Nestlé Waters Brasil – Bebidas e Alimentos Ltda	São Paulo	100%	100%	BRL	87 248 341
Ralston Purina do Brasil Ltda	^o Ribeirão Preto	22.6%	100%	BRL	79 473 771
SOCOPAL – Sociedade Comercial de Corretagem de Seguros e de Participações Ltda	^o São Paulo	100%	100%	BRL	2 155 600
Canada					
G. Production Canada Inc.	Baie D'Urfé (Québec)		100%	CAD	100
Galderma Canada Inc.	New Brunswick		100%	CAD	100
Nestlé Canada Inc.	Toronto (Ontario)	65.7%	100%	CAD	47 165 540
Nestlé Capital Canada Ltd	^o Toronto (Ontario)		100%	CAD	1 010
Cayman Islands					
Hsu Fu Chi International Limited	^o Grand Cayman	60%	60%	SGD	7 950 000
Chile					
Aguas CCU – Nestlé Chile S.A.	³⁾ Santiago de Chile		49.8%	CLP	49 799 375 321
Cereales CPW Chile Ltda	¹⁾ Santiago de Chile		50%	CLP	3 026 156 114
Nestlé Chile S.A.	Santiago de Chile	99.7%	99.7%	CLP	11 832 926 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Colombia					
Comestibles La Rosa S.A.	Bogotá	52.4%	100%	COP	126 397 400
Dairy Partners Americas Manufacturing Colombia Ltda	Bogotá		100%	COP	200 000 000
Galderma de Colombia S.A.	Bogotá		100%	COP	2 250 000 000
Nestlé de Colombia S.A.	Bogotá	100%	100%	COP	1 291 305 400
Nestlé Purina PetCare de Colombia S.A.	Bogotá	<0.1%	100%	COP	17 030 000 000
Costa Rica					
Compañía Nestlé Costa Rica S.A.	Barreal de Heredia	100%	100%	CRC	18 000 000
Gerber Ingredients, S.A.	San José	100%	100%	CRC	10 000
Cuba					
Coralac S.A.	La Habana		60%	USD	6 350 000
Los Portales S.A.	La Habana		50%	USD	24 110 000
Dominican Republic					
Nestlé Dominicana S.A.	Santo Domingo	98.7%	99.9%	DOP	1 657 445 000
Silsa Dominicana S.A.	Santo Domingo		99.9%	USD	50 000
Ecuador					
Ecuajugos S.A.	Quito	100%	100%	USD	521 583
Industrial Surindu S.A.	Quito	<0.1%	100%	USD	3 000 000
Nestlé Ecuador S.A.	Quito	100%	100%	USD	1 776 760
El Salvador					
Nestlé El Salvador, S.A. de C.V.	San Salvador	100%	100%	USD	4 457 200
Guatemala					
Malher Export S.A.	Guatemala	100%	100%	GTQ	5 000
Malher S.A.	Guatemala	100%	100%	GTQ	100 000 000
Nestlé Guatemala S.A.	Mixco	35%	100%	GTQ	23 460 600
SERESA, Contratación de Servicios Empresariales, S.A.	Guatemala		100%	GTQ	5 000
Honduras					
Nestlé Hondureña S.A.	Tegucigalpa	95%	100%	PAB	200 000
Jamaica					
Nestlé Jamaica Ltd	Kingston	100%	100%	JMD	49 200 000
Mexico					
CPW México, S. de R.L. de C.V.	¹⁾ México, D.F.		50%	MXN	43 138 000
Galderma México, S.A. de C.V.	México, D.F.		100%	MXN	2 385 000
Manantiales La Asunción, S.A.P.I. de C.V. ^(a)	México, D.F.		40%	MXN	1 035 827 492
Marcas Nestlé, S.A. de C.V.	México, D.F.	<0.1%	100%	MXN	500 050 000

^(a) Voting powers amount to 51%

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Mexico (continued)					
Nescalín, S.A. de C.V.	◊ México, D.F.	100%	100%	MXN	445 826 740
Nespresso México, S.A. de C.V.	México, D.F.	<0.1%	100%	MXN	10 050 000
Nestlé Holding México, S.A. de C.V.	◊° México, D.F.	100%	100%	MXN	50 000
Nestlé México, S.A. de C.V.	México, D.F.	<0.1%	100%	MXN	607 532 730
Nestlé Servicios Corporativos, S.A. de C.V.	México, D.F.	<0.1%	100%	MXN	170 100 000
Nestlé Servicios Industriales, S.A. de C.V.	México, D.F.		100%	MXN	1 050 000
Productos Gerber, S.A. de C.V.	Queretaro		100%	MXN	5 252 440
Ralston Purina México, S.A. de C.V.	México, D.F.	<0.1%	100%	MXN	9 257 112
Waters Partners Services México, S.A.P.I. de C.V. ^(a)	México, D.F.		40%	MXN	620 000
Nicaragua					
Compañía Centroamericana de Productos Lácteos, S.A.	Managua	66.1%	92.6%	NIO	10 294 900
Nestlé Nicaragua, S.A.	Managua	95%	100%	USD	150 000
Panama					
Garma Enterprises, S.A.	◊ Panamá City	100%	100%	PAB	0
Lacteos de Centroamérica, S.A.	Panamá City		100%	USD	1 500 000
Nestlé Centroamérica, S.A.	Panamá City	100%	100%	USD	1 000 000
Nestlé Panamá, S.A.	Panamá City	100%	100%	PAB	17 500 000
Unilac, Inc.	◊ Panamá City	100%	100%	USD	750 000
Paraguay					
Nestlé Paraguay S.A.	Asunción	100%	100%	PYG	100 000 000
Peru					
Nestlé Marcas Perú, S.A.C.	Lima	50%	100%	PEN	1 000
Nestlé Perú, S.A.	Lima	99.5%	99.5%	PEN	88 998 365
Puerto Rico					
Nestlé Puerto Rico, Inc.	San Juan	100%	100%	USD	500 000
Payco Foods Corporation	Bayamon		100%	USD	890 000
Trinidad and Tobago					
Nestlé Caribbean, Inc.	Valsayn	95%	100%	USD	100 000
Nestlé Trinidad and Tobago Ltd	Valsayn	100%	100%	TTD	35 540 000
United States					
Beverage Partners Worldwide (North America)	¹⁾ Wilmington (Delaware)		50%	USD	—
Brand Direct Health, LLC	Wilmington (Delaware)		100%	USD	—
Checkerboard Holding Company, Inc.	◊ Wilmington (Delaware)		100%	USD	1 001
Dreyer's Grand Ice Cream Holdings, Inc.	◊ Wilmington (Delaware)		100%	USD	10
Galderma Research and Development, LLC	Delaware		100%	USD	2 050 000
Gerber Life Insurance Company	◊ New York		100%	USD	148 500 000

^(a) Voting powers amount to 51%

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
United States (continued)					
Gerber Products Company	Fremont (Michigan)		100%	USD	1 000
Malher, Inc.	Stafford (Texas)		100%	USD	1 000
Merrick Pet Care, Inc.	Dallas (Texas)		100%	USD	1 000 000
Merrick Pet Care Holdings Corporation	◊ Wilmington (Delaware)		100%	USD	100
Nespresso USA, Inc.	Wilmington (Delaware)		100%	USD	1 000
Nestlé Capital Corporation	◊ Wilmington (Delaware)		100%	USD	1 000 000
Nestlé Dreyer's Ice Cream Company	Wilmington (Delaware)		100%	USD	1
Nestlé HealthCare Nutrition, Inc.	Wilmington (Delaware)		100%	USD	50 000
Nestlé Health Science-Pamlab, Inc.	Wilmington (Delaware)		100%	USD	1
Nestlé Health Science US Holdings, Inc.	◊ Wilmington (Delaware)		100%	USD	1
Nestlé Holdings, Inc.	◊ Wilmington (Delaware)		100%	USD	100 000
Nestlé Insurance Holdings, Inc.	◊ Wilmington (Delaware)		100%	USD	10
Nestlé Nutrition R&D Centers, Inc.	Wilmington (Delaware)		100%	USD	10 000
Nestlé Prepared Foods Company	Philadelphia (Pennsylvania)		100%	USD	476 760
Nestlé Purina PetCare Company	St. Louis (Missouri)		100%	USD	1 000
Nestlé Purina PetCare Global Resources, Inc.	Wilmington (Delaware)		100%	USD	1 000
Nestlé R&D Center, Inc.	Wilmington (Delaware)		100%	USD	10 000
Nestlé Regional GLOBE Office North America, Inc.	Wilmington (Delaware)		100%	USD	1 000
Nestlé Skin Health U.S., Inc.	Fort Worth (Texas)		100%	USD	981
Nestlé Transportation Company	Wilmington (Delaware)		100%	USD	100
Nestlé USA, Inc.	Wilmington (Delaware)		100%	USD	1 000
Nestlé Waters North America Holdings, Inc.	◊ Wilmington (Delaware)		100%	USD	10 000 000
Nestlé Waters North America, Inc.	Wilmington (Delaware)		100%	USD	10 700 000
NiMCo US, Inc.	◊ Wilmington (Delaware)	100%	100%	USD	1
Prometheus Laboratories Inc.	Los Angeles (California)		100%	USD	100
Red Maple Insurance Company	◊ Williston (Vermont)		100%	USD	1 200 000
Sweet Leaf Tea Company	Austin (Texas)		100%	USD	10
The Stouffer Corporation	◊ Cleveland (Ohio)		100%	USD	0
Tradewinds Beverage Company	Cincinnati (Ohio)		100%	USD	0
TSC Holdings, Inc.	◊ Wilmington (Delaware)		100%	USD	100 000
Vitality Foodservice, Inc.	Dover (Delaware)		100%	USD	1 240
Waggin' Train LLC	Wilmington (Delaware)		100%	USD	—
Zuke's LLC	Wilmington (Delaware)		100%	USD	0
Uruguay					
Nestlé del Uruguay S.A.	Montevideo	100%	100%	UYU	9 495 189
Venezuela					
Nestlé Cadipro, S.A.	Caracas		100%	VEF	50 633 501
Nestlé Venezuela, S.A.	Caracas	100%	100%	VEF	516 590

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Asia					
Bahrain					
Nestlé Bahrain Trading WLL	Manama	49%	49%	BHD	200 000
Bangladesh					
Nestlé Bangladesh Limited	Dhaka	100%	100%	BDT	100 000 000
Greater China Region					
Anhui Yinlu Foods Co., Limited	Chuzhou	60%	60%	CNY	303 990 000
Chengdu Hsu Chi Foods Co., Limited	Chengdu		60%	CNY	40 000 000
Chengdu Yinlu Foods Co., Limited	Chengdu	60%	60%	CNY	215 800 000
Dongguan Andegu Plastic Packaging Material Limited	Dongguan		60%	HKD	10 000 000
Dongguan Hsu Chi Food Co., Limited	Dongguan		60%	HKD	700 000 000
Galderma Hong Kong Limited	Hong Kong		100%	HKD	10 000
Galderma Trading (Shanghai) Co., Limited	Shanghai		100%	EUR	400 000
Guangzhou Refrigerated Foods Limited	Guangzhou	95.5%	95.5%	CNY	390 000 000
Henan Hsu Fu Chi Foods Co., Limited	Zhumadian		60%	CNY	210 000 000
Hsu Fu Chi International Holdings Limited	Wanchai		60%	USD	100 000
Hubei Yinlu Foods Co., Limited	Hanchuan	60%	60%	CNY	353 000 000
Nestlé (China) Limited	Beijing	100%	100%	CNY	250 000 000
Nestlé Dongguan Limited	Dongguan	100%	100%	CNY	536 000 000
Nestlé Hong Kong Limited	Hong Kong	100%	100%	HKD	250 000 000
Nestlé Hulunbeir Limited	Hulunbeir	100%	100%	CNY	158 000 000
Nestlé Nespresso Beijing Limited	Beijing	100%	100%	CNY	7 000 000
Nestlé Purina PetCare Tianjin Limited	Tianjin	100%	100%	CNY	40 000 000
Nestlé Qingdao Limited	Laixi	100%	100%	CNY	930 000 000
Nestlé R&D (China) Limited	Beijing		100%	CNY	40 000 000
Nestlé Shanghai Limited	Shanghai	95%	95%	CNY	200 000 000
Nestlé Shuangcheng Limited	Shuangcheng	97%	97%	CNY	435 000 000
Nestlé Sources Shanghai Limited	Shanghai	100%	100%	CNY	1 149 700 000
Nestlé Sources Tianjin Limited	Tianjin	95%	95%	CNY	204 000 000
Nestlé Taiwan Limited	Taipei	100%	100%	TWD	100 000 000
Nestlé Tianjin Limited	Tianjin	100%	100%	CNY	785 000 000
Q-Med International Trading (Shanghai) Limited	Shanghai		100%	USD	600 000
Shandong Yinlu Foods Co., Limited	Jinan	60%	60%	CNY	146 880 000
Shanghai Nestlé Product Services Limited	Shanghai		100%	CNY	83 000 000
Shanghai Totole First Food Limited	Shanghai	80%	80%	CNY	72 000 000
Shanghai Totole Food Limited	Shanghai	80%	80%	USD	7 800 000
Sichuan Haoji Food Co., Limited	Puge	80%	80%	CNY	80 000 000
Suzhou Hexing Food Co., Limited	Suzhou	80%	80%	CNY	40 000 000
The Waterman Co., Limited (Shanghai)	Shanghai	100%	100%	USD	25 414 500
Wyeth (Hong Kong) Holding Co., Limited	Hong Kong	100%	100%	HKD	100 010
Wyeth (Shanghai) Trading Co., Limited	Shanghai		100%	USD	1 000 000
Wyeth Nutritional (China) Co., Limited	Suzhou		100%	CNY	900 000 000
Xiamen Yinlu Foods Group Co., Limited	Xiamen	60%	60%	CNY	496 590 000
Yunnan Dashan Drinks Co., Limited	Kunming	100%	100%	CNY	35 000 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
India					
Galderma India Private Ltd	Mumbai		100%	INR	24 156 000
Nestlé R&D Centre India Private Ltd	New Delhi	100%	100%	INR	2 101 380 000
Nestlé India Ltd	^Δ New Delhi	34.3%	62.8%	INR	964 157 160
<i>Listed on the Bombay stock exchange, market capitalisation INR 562.0 billion, quotation code (ISIN) INE239A01016</i>					
SMA Nutrition India Private Limited	[°] New Delhi	97%	100%	INR	22 000 000
Indonesia					
P. T. Nestlé Indofood Citarasa Indonesia	¹⁾ Jakarta	50%	50%	IDR	200 000 000 000
P. T. Nestlé Indonesia	Jakarta	90.2%	90.2%	IDR	152 753 440 000
P. T. Wyeth Nutrition Sduaenam	Jakarta		90%	IDR	2 000 000 000
Iran					
Anahita Polour Industrial Mineral Water Company	Tehran		100%	IRR	35 300 000 000
Nestlé Iran (Private Joint Stock Company)	Tehran	89.7%	89.7%	IRR	358 538 000 000
Israel					
Nespresso Israel Ltd	Tel Aviv	100%	100%	ILS	1 000
OSEM Investments Ltd	^Δ Shoam	63.7%	63.7%	ILS	110 644 444
<i>Listed on the Tel Aviv stock exchange, market capitalisation ILS 7.4 billion, quotation code (ISIN) IL0003040149</i>					
Japan					
Galderma K.K.	Tokyo		100%	JPY	10 000 000
Nestlé Japan Ltd	Kobe	100%	100%	JPY	10 000 000 000
Nestlé Nespresso K.K.	Kobe		100%	JPY	10 000 000
Jordan					
Ghadeer Mineral Water Co. WLL	Amman		75%	JOD	1 785 000
Nestlé Jordan Trading Company Ltd	Amman	77.8%	77.8%	JOD	410 000
Kuwait					
Nestlé Kuwait General Trading Company WLL	Safat	49%	49%	KWD	300 000
Lebanon					
Société des Eaux Minérales Libanaises S.A.L.	Hazmieh		100%	LBP	1 610 000 000
Société pour l'Exportation des Produits Nestlé S.A.	Baabda	100%	100%	CHF	1 750 000
SOHAT Distribution S.A.L.	Hazmieh		100%	LBP	160 000 000
Malaysia					
Cereal Partners (Malaysia) Sdn. Bhd.	¹⁾ Petaling Jaya	50%	50%	MYR	2 500 000
Nestlé (Malaysia) Bhd.	^{Δ°} Petaling Jaya	72.6%	72.6%	MYR	234 500 000
<i>Listed on the Kuala Lumpur stock exchange, market capitalisation MYR 17.2 billion, quotation code (ISIN) MYL470700005</i>					
Nestlé Asean (Malaysia) Sdn. Bhd.	Petaling Jaya		72.6%	MYR	42 000 000
Nestlé Manufacturing (Malaysia) Sdn. Bhd.	Petaling Jaya		72.6%	MYR	132 500 000
Nestlé Products Sdn. Bhd.	Petaling Jaya		72.6%	MYR	25 000 000
Nestlé Regional Service Centre (Malaysia) Sdn. Bhd.	[°] Petaling Jaya	100%	100%	MYR	1 000 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Malaysia (continued)					
Purina PetCare (Malaysia) Sdn. Bhd.	Petaling Jaya	100%	100%	MYR	1 100 000
Wyeth Nutrition (Malaysia) Sdn. Bhd.	Petaling Jaya		100%	MYR	61 969 505
Myanmar					
Nestlé Myanmar Limited	^o Yangon	95%	95%	USD	5 000 000
Oman					
Nestlé Oman Trading LLC	Muscat	49%	49%	OMR	300 000
Pakistan					
Nestlé Pakistan Ltd	^Δ Lahore	59%	59%	PKR	453 495 840
<i>Listed on the Pakistan Stock Exchange (formerly Karachi and Lahore, merged on 15 January 2016), market capitalisation PKR 353.7 billion, quotation code (ISIN) PK0025101012</i>					
Palestinian Territories					
Nestlé Trading Private Limited Company	Bethlehem	97.5%	97.5%	JOD	200 000
Philippines					
CPW Philippines, Inc.	¹⁾ Makati City	50%	50%	PHP	7 500 000
Galderma Philippines, Inc.	Manila		100%	PHP	12 500 000
Nestlé Business Services AOA, Inc.	Bulacan	100%	100%	PHP	70 000 000
Nestlé Philippines, Inc.	Cabuyao	55%	100%	PHP	2 300 927 400
Penpro, Inc. ^(a)	[◇] Makati City		88.5%	PHP	630 000 000
Wyeth Philippines, Inc.	Manila	100%	100%	PHP	610 418 100
Qatar					
Al Manhal Water Factory Co. Ltd WLL	Doha		51%	QAR	5 500 000
Nestlé Qatar Trading LLC	Doha	49%	49%	QAR	1 680 000
Republic of Korea					
Galderma Korea Ltd	Seoul		100%	KRW	500 000 000
LOTTE-Nestlé (Korea) Co., Ltd	¹⁾ Cheongju	50%	50%	KRW	52 783 120 000
Nestlé Korea Yuhan Chaegim Hoesa	Seoul	100%	100%	KRW	10 100 000 000
Pulmuone Waters Co., Ltd	Gyeonggi-Do		51%	KRW	6 778 760 000
Saudi Arabia					
Al Anhar Water Factory Co. Ltd	Jeddah		64%	SAR	7 500 000
Al Manhal Water Factory Co. Ltd	Riyadh		64%	SAR	7 000 000
Nestlé Saudi Arabia LLC	Jeddah		75%	SAR	27 000 000
Nestlé Water Factory Co. Ltd	Riyadh		64%	SAR	15 000 000
Pure Water Factory Co. Ltd	Madinah		64%	SAR	5 000 000
SHAS Company for Water Services Ltd	Riyadh		64%	SAR	13 500 000
Springs Water Factory Co. Ltd	Dammam		64%	SAR	5 000 000

^(a) Voting powers amount to 40%

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Singapore					
Galderma Singapore Private Ltd	Singapore		100%	SGD	1 387 000
Nestlé R&D Center (Pte) Ltd	Singapore		100%	SGD	20 000 000
Nestlé Singapore (Pte) Ltd	Singapore	100%	100%	SGD	1 000 000
Nestlé TC Asia Pacific Pte Ltd	[◊] Singapore	100%	100%	JPY	10 000 000 000
				SGD	2
Wyeth Nutritionals (Singapore) Pte Ltd	Singapore	100%	100%	SGD	2 159 971 715
Sri Lanka					
Nestlé Lanka PLC	[△] Colombo	90.8%	90.8%	LKR	537 254 630
<i>Listed on the Colombo stock exchange, market capitalisation LKR 110.1 billion, quotation code (ISIN) LK0128N00005</i>					
Syria					
Nestlé Syria S.A.	Damascus	99.9%	100%	SYP	800 000 000
Thailand					
Galderma (Thailand) Ltd	Bangkok		100%	THB	100 000 000
Nestlé (Thai) Ltd	Bangkok	100%	100%	THB	880 000 000
Nestlé Trading (Thailand) Ltd	[◊] Bangkok	52%	52%	THB	3 000 000
Perrier Vittel (Thailand) Ltd	Bangkok		100%	THB	235 000 000
Quality Coffee Products Ltd	Bangkok	49%	50%	THB	500 000 000
United Arab Emirates					
CP Middle East FZCO	¹⁾ Dubai	50%	50%	AED	600 000
Nestlé Dubai Manufacturing LLC	Dubai	49%	49%	AED	300 000
Nestlé Middle East FZE	Dubai	100%	100%	AED	3 000 000
Nestlé Middle East Manufacturing LLC	[◊] Dubai	49%	49%	AED	300 000
Nestlé Treasury Centre-Middle East & Africa Ltd	[◊] Dubai	100%	100%	USD	2 997 343 684
Nestlé UAE LLC	Dubai	49%	49%	AED	2 000 000
Nestlé Waters Factory H&O LLC	Dubai		48%	AED	22 300 000
Uzbekistan					
Uzbek-Swiss JV Nestlé Uzbekistan LLC	Namangan	96.4%	100%	USD	38 715 463
Namangansut-Nafosat MCHJ LLC	[◊] Namangan	53.9%	99.9%	USZ	46 227 969
Vietnam					
La Vie Limited Liability Company	Long An		65%	USD	2 663 400
Nestlé Vietnam Ltd	Bien Hoa	100%	100%	USD	155 266 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Oceania					
Australia					
Cereal Partners Australia Pty Ltd	¹⁾ Sydney		50%	AUD	107 800 000
Galderma Australia Pty Ltd	Belrose		100%	AUD	2 500 300
Nestlé Australia Ltd	Sydney	100%	100%	AUD	274 000 000
Fiji					
Nestlé (Fiji) Ltd	Lami	33%	100%	FJD	3 000 000
French Polynesia					
Nestlé Polynésie S.A.S.	Papeete	100%	100%	XPF	5 000 000
New Caledonia					
Nestlé Nouvelle-Calédonie S.A.S.	Nouméa	100%	100%	XPF	64 000 000
New Zealand					
CPW New Zealand	¹⁾ Auckland		50%	NZD	—
Nestlé New Zealand Limited	Auckland	100%	100%	NZD	300 000
Papua New Guinea					
Nestlé (PNG) Ltd	Lae	100%	100%	PGK	11 850 000

All scientific research and technological development is undertaken in a number of dedicated centres, specialised as follows:

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

The Technical Assistance centre is Nestec S.A., a technical, scientific, commercial and business assistance company. The units of Nestec S.A., 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. Nestec S.A. is also responsible for all scientific research and technological development, which it undertakes itself or through affiliated companies.

The centres involved are listed below:

	City of operations	
Switzerland		
Clinical Development Unit	Lausanne	R
CPW R&D Centre	¹⁾ Orbe	R&D
Galderma R&D Centre	Egerkingen	R&D
Nestec S.A.	Vevey	TA
Nestlé Institute of Health Sciences	Ecublens	R
Nestlé Product Technology Centre	Konolfingen	PTC
Nestlé Product Technology Centre	Orbe	PTC
Nestlé R&D Centre	Broc	R&D
Nestlé R&D Centre	Orbe	R&D
Nestlé Research Centre	Lausanne	R
Nestlé System Technology Centre	Orbe	PTC
Australia		
CPW R&D Centre	¹⁾ Rutherglen	R&D
Chile		
Nestlé R&D Centre	Santiago de Chile	R&D
Côte d'Ivoire		
Nestlé R&D Centre	Abidjan	R&D
France		
Galderma R&D Centre	Biot	R&D
Nestlé Product Technology Centre	Beauvais	PTC
Nestlé Product Technology Centre	Lisieux	PTC
Nestlé Product Technology Centre	Vittel	PTC
Nestlé R&D Centre	Aubigny	R&D
Nestlé R&D Centre	Tours	R&D

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

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Good Food, Good Life

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Income statement for the year ended 31 December 2015

In millions of CHF

	Notes	2015	2014
Income from Group companies	2	12 315	8 977
Profit on disposal of assets	3	59	7 449
Other income		107	100
Financial income	4	174	305
Total income		12 655	16 831
Expenses recharged from Group companies ^(a)	5	(2 470)	(2 361)
Personnel expenses ^(a)		(122)	(106)
Other expenses ^(a)		(322)	(154)
Write-downs and amortisation	6	(1 156)	(2 200)
Financial expense	7	(362)	(53)
Taxes	8	(398)	(457)
Total expenses		(4 830)	(5 331)
Profit for the year		7 825	11 500

(a) 2014 comparative figures have been presented according to the new structure; refer to Note 1.

Balance sheet as at 31 December 2015

before appropriations

In millions of CHF			2015	2014
	Notes			
Assets				
Current assets				
Cash and cash equivalents	9		100	2 221
Other current receivables	10		875	1 007
Prepayments and accrued income			14	11
Total current assets			989	3 239
Non-current assets				
Financial assets ^(a)	11		8 459	13 990
Shareholdings ^(a)	12		32 488	31 390
Property, plant and equipment			1	1
Intangible assets			189	—
Total non-current assets			41 137	45 381
Total assets			42 126	48 620
Liabilities and equity				
Current liabilities				
Interest-bearing liabilities ^(a)	13		—	1 965
Other current liabilities ^(a)	14		4 224	2 234
Accruals and deferred income			3	6
Provisions ^(a)	15		827	837
Total current liabilities			5 054	5 042
Non-current liabilities				
Interest-bearing liabilities	13		154	162
Provisions ^(a)	15		498	498
Total non-current liabilities			652	660
Total liabilities			5 706	5 702
Equity				
Share capital	16/17		319	322
Legal retained earnings				
– General legal reserve	17		1 917	1 913
– Reserve for treasury shares	17/18		—	988
Voluntary retained earnings				
– Special reserve	17		28 711	30 146
– Profit brought forward	17		4 998	536
– Profit for the year	17		7 825	11 500
Treasury shares ^(a)	17/19		(7 350)	(2 487)
Total equity			36 420	42 918
Total liabilities and equity			42 126	48 620

(a) 2014 comparative figures have been presented according to the new structure; refer to Note 1.

Notes to the annual accounts

1. Accounting policies

General

Nestlé S.A. (the Company) is the ultimate holding company of the Nestlé Group, domiciled in Cham and Vevey which comprises subsidiaries, associated companies and joint ventures throughout the world.

The accounts are prepared in accordance with accounting principles required by Swiss law (32nd title of the Swiss Code of Obligations). They are prepared under the historical cost convention and on an accrual basis. Where not prescribed by law, the significant accounting and valuation principles applied are described below.

First adoption of new accounting law

The financial statements for the year ended 31 December 2015 have been prepared in accordance with the new provisions of the Swiss law regarding accounting and financial reporting. To ensure the comparability of information, the comparative figures have been restated accordingly. The positions concerned by this restatement are identified by an ^(a).

The following positions are concerned:

- Expenses recharged from Group Companies are now disclosed on a separate line of the income statement.
- Administration and other expenses are now divided into two separate lines, personnel expenses and other expenses.
- The financial assets are now divided into two separate lines, financial assets and shareholdings.
- Short-term payables are now divided into interest-bearing liabilities and other current liabilities.
- Provisions have been split into current and non-current provisions.
- Treasury shares are now disclosed in deduction of the shareholders' equity. The reserve for treasury shares is therefore reclassified except for the shares owned by another Group company.

Foreign currency translation

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward contract. Non-monetary assets and liabilities are carried at historical rates. Monetary assets and liabilities in foreign currencies are translated at year-end rates. Any resulting exchange differences are included in the respective income statement captions depending upon the nature of the underlying transactions. The aggregate unrealised exchange difference is calculated by reference to original transaction date

exchange rates and includes hedging transactions. Where this gives rise to a net loss, it is charged to the income statement whilst a net gain is deferred.

Hedging

The Company uses forward foreign exchange contracts, options, financial futures and currency swaps to hedge foreign currency flows and positions. Unrealised foreign exchange differences on hedging instruments are matched and accounted for with those on the underlying asset or liability. Long-term loans, in foreign currencies, used to finance investments in shareholdings 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 price are recorded in the income statement.

Income statement

Not currently transferable income is recognised only upon receipt.

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

Taxes

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

Shareholdings and financial assets

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

Shareholdings 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.

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

Property, plant and equipment

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

Intangible assets

Trademarks and other industrial property rights are written off on acquisition or exceptionally over a longer period, not exceeding their useful lives.

Provisions

Provisions include present obligations as well as contingencies. A provision for uninsured risks is constituted to cover general risks not insured with third parties, such as consequential loss. Provisions for Swiss taxes are made on the basis of the Company's taxable capital, reserves and profit for the year. A general provision is maintained to cover possible foreign tax liabilities.

Prepayments and accrued income

Prepayments and accrued income are comprised of payments made in advance relating to the following year, and income relating to the current year which will not be received until after the balance sheet date (such as interest accruals on loans or deposits). The positive fair values of forward exchange contracts and 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. The negative fair values of forward exchange contracts and interest rate swaps are also included in this caption.

2. Income from Group companies

This represents dividends and other income from Group companies.

3. Profit on disposal of assets

This represents mainly the net gains realised on the sale of financial assets, trademarks and other industrial property rights previously written down. In 2014, the net gain of CHF 7181 million on the sale of L'Oréal shares is included.

4. Financial income

In millions of CHF

	2015	2014
Result on loans to Group companies	151	197
Other financial income	23	108
	174	305

5. Expenses recharged from Group companies

Expenses of central service companies recharged to Nestlé S.A.

6. Write-downs and amortisation

In millions of CHF

	2015	2014
Shareholdings and loans	1 082	1 700
Trademarks and other industrial property rights	74	500
	1 156	2 200

7. Financial expense

In millions of CHF

	2015	2014
Result on loans from Group companies	7	52
Other financial expenses	355	1
	362	53

8. Taxes

In millions of CHF

	2015	2014
Direct taxes	116	163
Prior year's adjustments	(110)	(64)
Withholding taxes on income from foreign sources	392	358
	398	457

9. Cash and cash equivalents

Cash and cash equivalents include deposits with maturities of less than three months.

10. Other current receivables

In millions of CHF

	2015	2014
Amounts owed by Group companies (current accounts)	846	955
Other receivables	29	52
	875	1 007

11. Financial assets

In millions of CHF

	2015	2014
Loans to Group companies	8 416	13 947
Other investments	43	43
	8 459	13 990

12. Shareholdings

In millions of CHF

	2015	2014
At 1 January	31 390	30 297
Net increase/(decrease)	1 950	1 643
Write-downs	(852)	(550)
At 31 December	32 488	31 390

A list of direct and all significant indirect companies held by Nestlé S.A., with the percentage of the capital controlled is included in the Consolidated Financial Statements of the Nestlé Group.

13. Interest-bearing liabilities

Current and non-current interest-bearing liabilities are amounts owed to Group Companies.

14. Other current liabilities

In millions of CHF

	2015	2014
Amounts owed to Group companies	4 189	2 044
Other liabilities	35	190
	4 224	2 234

15. Provisions

In millions of CHF

					2015	2014
	Uninsured risks	Exchange risks	Swiss and foreign taxes	Other	Total	Total
At 1 January	475	550	189	121	1 335	751
Provisions made in the period	—	—	116	67	183	769
Amounts used	—	—	(163)	(36)	(199)	(116)
Unused amounts reversed	—	(14)	24	(4)	6	(69)
At 31 December	475	536	166	148	1 325	1 335
of which expected to be settled within 12 months					827	837

16. Share capital

	2015	2014
Number of registered shares of nominal value CHF 0.10 each	3 188 400 000	3 224 800 000
In millions of CHF	319	322

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

At 31 December 2015, the share register showed 157 422 registered shareholders. If unprocessed applications for registration, the indirect holders of shares under American Depositary Receipts and the beneficial owners of shareholders registered as nominees are also taken into account, the total number of shareholders probably exceeds 250 000. The Company was not aware of any shareholder holding, directly or indirectly, 5% or more of the share capital.

17. Changes in equity

In millions of CHF

	Share capital	General legal reserve	Reserve for treasury shares ^(a)	Special reserve	Retained earnings	Treasury shares	Total
At 1 January 2015	322	1 913	988	30 146	12 036	(2 487)	42 918
Cancellation of 36 400 000 shares (ex-Share Buy-Back Programme)	(4)	4	—	(2 512)	—	2 512	—
Profit for the year	—	—	—	—	7 825	—	7 825
Dividend for 2014	—	—	—	—	(6 950)	—	(6 950)
Movement of treasury shares	—	—	(988)	988	—	(7 375)	(7 375)
Dividend on treasury shares held on the payment date of 2014 dividend	—	—	—	89	(89)	—	—
At 31 December 2015	319	1 917	—	28 711	12 823	(7 350)	36 420

(a) Refer to Note 18.

18. Reserve for treasury shares

At 31 December 2014, the reserve for own shares amounting to CHF 988 million represented the cost of 18 038 445 shares held for trading purposes. These shares were held by another Group company. At 31 December 2015, no shares were held by another Group company.

19. Treasury shares

In millions of CHF

	2015		2014	
	Number	Amount	Number	Amount
Share Buy-Back Programme	76 240 000	5 489	23 742 030	1 645
Long-term incentive plans	9 655 655	542	14 596 288	842
For trading purposes	18 038 445	1 319	—	—
	103 934 100	7 350	38 338 318	2 487

The share capital has been reduced by 36 400 000 shares from CHF 322 million to CHF 319 million through the cancellation of shares purchased as part of the Share Buy-Back Programme. The purchase value of those cancelled shares amounts to CHF 2512 million.

During the year 88 897 970 shares were purchased as part of the Share Buy-Back Programme for CHF 6355 million.

The Company held 9 655 655 shares to cover long-term incentive plans. During the year 4 940 633 shares were delivered as part of the Nestlé Group remuneration plans for a total value of CHF 276 million. All treasury shares are valued at acquisition cost.

The total of own shares of 103 934 100 held by Nestlé S.A. at 31 December 2015 represents 3.3% of the Nestlé S.A. share capital (56 376 763 own shares held at 31 December 2014 by Group companies representing 1.7% of the Nestlé S.A. share capital).

20. Contingencies

At 31 December 2015, the total of the guarantees mainly for credit facilities granted to Group companies and commercial paper programmes, together with the buy-back agreements relating to notes issued, amounted to a maximum of CHF 41 057 million (2014: CHF 41 831 million).

21. Performance Share Units and shares for members of the Board and employees granted during the year

In millions of CHF

	2015		2014	
	Number	Amount	Number	Amount
Performance Share Units granted to Nestlé S.A. employees ^(a)	291 688	21	311 495	20
Share plan for short-term bonus Executive Board ^(b)	124 359	7	125 279	7
Share plan for Board members ^(c)	97 504	6	118 524	7
	513 551	34	555 298	34

(a) Performance Share Units are disclosed at fair value at grant which corresponds to CHF 71.03 in 2015 (2014: CHF 63.70). Includes 216 708 Performance Share Units granted to Executive Board (2014: 215 125).

(b) Shares are valued at the average closing price of the last ten trading days of January, discounted by 16.038% to account for the blocking period of three years.

(c) Shares are valued at the closing price on the ex-dividend date, discounted by 16.038% to account for the blocking period of three years.

22. Full-time equivalents

For Nestlé S.A., the annual average number of full-time equivalents for the reporting year, as well as the previous year, did not exceed 250.

23. Events after the balance sheet date

There are no subsequent events which either warrant a modification of the value of the assets and liabilities or any additional disclosure.

24. Shares and stock options

Shares and stock options ownership of the non-executive members of the Board of Directors and closely related parties

	2015		2014	
	Number of shares held ^(a)	Number of options held ^(b)	Number of shares held ^(a)	Number of options held ^(b)
Peter Brabeck-Letmathe, Chairman	3 422 107	477 600	3 059 108	1 137 600
Andreas Koopmann, Vice Chairman	92 536	—	88 144	—
Beat Hess	32 765	—	28 508	—
Renato Fassbind (since 2015)	14 257	—	—	—
Daniel Borel	236 728	—	234 363	—
Steven G. Hoch	166 516	—	199 153	—
Naiina Lal Kidwai	19 077	—	21 687	—
Jean-Pierre Roth	9 717	—	12 352	—
Ann M. Veneman	12 559	—	10 396	—
Henri de Castries	11 729	—	9 161	—
Eva Cheng	7 542	—	4 974	—
Ruth K. Oniang'o (since 2015)	1 892	—	—	—
Patrick Aebischer (since 2015)	—	—	—	—
Members who retired from the Board during 2015	—	—	99 792	—
Total as at 31 December	4 027 425	477 600	3 767 638	1 137 600

(a) Including shares subject to a three-year blocking period.

(b) The ratio is one option for one Nestlé S.A. share.

Shares and stock options ownership of the members of the Executive Board and closely related parties

	2015		2014	
	Number of shares held ^(a)	Number of options held ^(b)	Number of shares held ^(a)	Number of options held ^(b)
Paul Bulcke	728 472	1 079 500	637 173	1 392 000
Luis Cantarell	169 510	143 170	118 510	260 500
Laurent Freixe	81 195	—	55 761	108 700
Chris Johnson	35 723	125 400	30 298	125 400
Patrice Bula	108 818	101 800	87 051	101 800
Wan Ling Martello	54 332	121 100	43 937	121 100
Stefan Catsicas	—	—	—	—
Marco Settembri	16 810	—	9 120	—
François-Xavier Roger (since 2015)	—	—	—	—
Magdi Batato (since 2015)	6 765	—	—	—
Peter R. Vogt	31 265	—	26 201	—
Martial Rolland	33 803	—	23 632	—
Heiko Schipper	—	—	4 240	—
David P. Frick	44 157	—	48 828	—
Members who retired from the Executive Board during 2015	—	—	143 172	290 300
Total as at 31 December	1 310 850	1 570 970	1 227 923	2 399 800

(a) Including shares subject to a three-year blocking period.

(b) The ratio is one option for one Nestlé S.A. share.

For the detailed disclosures regarding the remunerations of the Board of Directors and the Executive Board that are required by Swiss law, refer to the Compensation report of Nestlé S.A. with the audited sections highlighted with a blue bar.

Proposed appropriation of profit

In CHF

	2015	2014
Retained earnings		
Profit brought forward	4 997 707 777	536 179 231
Profit for the year	7 825 389 939	11 500 096 775
	12 823 097 716	12 036 276 006
We propose the following appropriation:		
Dividend for 2015, CHF 2.25 per share on 3 112 160 000 shares ^(a) (2014: CHF 2.20 on 3 199 349 195 shares) ^(b)	7 002 360 000	7 038 568 229
	7 002 360 000	7 038 568 229
Profit to be carried forward	5 820 737 716	4 997 707 777

(a) Depending on the number of shares issued as of the last trading day with entitlement to receive the dividend (8 April 2016). No dividend is paid on own shares held by the Nestlé Group. The respective amount will be attributed to the special reserve.

(b) The amount of CHF 88 947 650, representing the dividend on 40 430 750 own shares held at the date of the dividend payment, has been transferred to the special reserve.

Provided that the proposal of the Board of Directors is approved by the Annual General Meeting, the gross dividend will amount to CHF 2.25 per share, representing a net amount of CHF 1.4625 per share after payment of the Swiss withholding tax of 35%. The last trading day with entitlement to receive the dividend is 8 April 2016. The shares will be traded ex-dividend as of 11 April 2016. The net dividend will be payable as from 13 April 2016.

The Board of Directors

Cham and Vevey, 17 February 2016

Report of the Statutory Auditor

to the General Meeting of Nestlé S.A., Cham & Vevey

As statutory auditor, we have audited the financial statements (income statement, balance sheet and notes to the annual accounts on pages 161 to 172) of Nestlé S.A. for the year ended 31 December 2015.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the Company's Articles of Association.

Report on other legal requirements

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

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

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



KPMG SA

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

Scott Cormack
Licensed Audit Expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'L. Marty'.

Lukas Marty
Licensed Audit Expert

Geneva, 17 February 2016

Notes