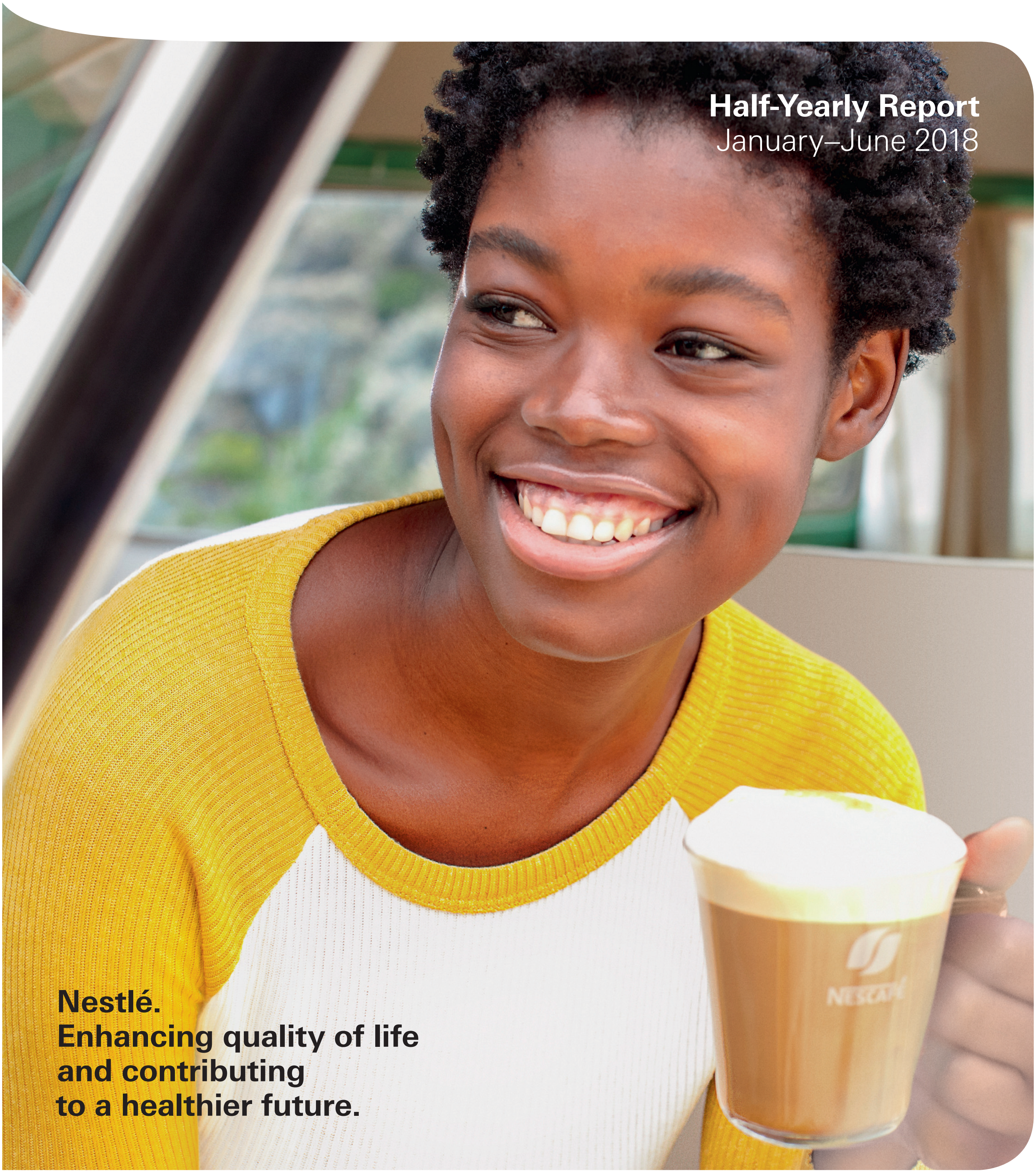
Nestlé

Good Food, Good Life



Half-Yearly Report
January–June 2018

Nestlé.
Enhancing quality of life
and contributing
to a healthier future.

Letter to our shareholders

Dear fellow shareholder,

Foreword

The Half-Yearly Report contains certain financial performance measures not defined by IFRS, which are used by management to assess the financial and operational performance of the Group. It includes among others:

- Organic growth, Real internal growth and Pricing;
- Underlying Trading operating profit margin and Trading operating profit margin;
- Net financial debt;
- Free cash flow; and
- Underlying earnings per share as reported and in constant currency.

Management believes that these non-IFRS financial performance measures provide useful information regarding the Group's financial and operating performance.

The "Alternative Performance Measures" document published under https://www.nestle.com/investors/publications defines these non-IFRS financial performance measures.

Introduction

Our first half results confirmed that our strategic initiatives and rigorous execution are clearly paying off. Nestlé has maintained the encouraging organic revenue growth momentum we saw at the beginning of the year. In particular, the United States and China markets showed a meaningful improvement. We were also pleased by the enhanced organic growth in our core infant nutrition category.

Our margin development is fully consistent with our 2020 target. We are creating value by pursuing growth and profitability in a balanced manner. In line with this approach, we have accelerated our product innovation efforts to drive future growth and initiated significant cost reduction efforts, in particular in Zone EMENA and at our Corporate Center.

As we look towards the second half of 2018, we expect further improvement in our organic revenue growth. Margin improvement is expected to accelerate with further benefits from our efficiency programs and more favorable commodity pricing.

Group results

Group Sales

Organic growth of 2.8% in the first half was in line with our expectations and within our guidance for 2018. Real internal growth (RIG) was 2.5% and remained at the high end of the food and beverage industry. Pricing contributed 0.3%, reflecting the challenging environment in Europe and lower inflation in some emerging markets. Organic growth in the first half improved materially in North America and China. All categories reported positive growth, led by coffee, petcare, and Nestlé Health Science. Infant nutrition sales growth accelerated, with a broad-based improvement across all geographies, helped by recent product launches, including HMOs (Human Milk Oligosaccharides) infant formula.

Acquisitions and divestments had a net neutral impact on reported sales, with the acquisition of Atrium Innovations and other deals being offset by divestments, mainly US Confectionery. Foreign exchange had a negative impact of 0.5%. Total sales increased by 2.3% on a reported basis to CHF 43.9 billion.

Underlying Trading operating profit

Underlying Trading operating profit increased by 3.5% to CHF 7.1 billion. The Underlying Trading operating profit margin increased by 20 basis points in constant currency, and by 20 basis points on a reported basis to 16.1%.

Margin expansion was supported by operational efficiencies and successful execution of ongoing restructuring initiatives. These cost savings were partially offset by higher commodity and packaging costs of CHF 90 million, amounting to a 20 basis point headwind. Distribution costs also increased.

The Underlying Trading operating profit margin is expected to improve further in the second half of the year, driven by further benefits from efficiency programs and more favorable commodity prices.

Restructuring expenditure and net other trading items increased by CHF 323 million to CHF 672 million. As a consequence, Trading operating profit decreased by 1.3% to CHF 6.4 billion and the Trading operating profit margin decreased by 50 basis points on a reported basis to 14.6%.

Net profit and Earnings Per Share

Net profit increased by 19.0% to CHF 5.8 billion and Earnings per share increased by 21.4% to CHF 1.92. The increase was mainly the result of income from the disposal of businesses, lower taxes and improved operating performance.

Underlying earnings per share increased by 9.2% in constant currency and by 10.4% on a reported basis to CHF 1.86. Nestlé's share buyback program contributed 1.5% to the Underlying earnings per share increase, net of finance costs.

Cash flow

Free cash flow increased by 52%, from CHF 1.9 billion to CHF 2.9 billion. This was mainly driven by an improvement in working capital, lower taxes and increased operating profit.

Portfolio Management

Nestlé has made further progress to actively evolve the portfolio towards high-growth, high-margin categories and brands.

On May 7, 2018, an agreement was announced granting Nestlé the perpetual rights to market Starbucks consumer and foodservice products globally, outside of Starbucks coffee shops. As part of this transaction, Starbucks will receive an up-front cash payment of USD 7.15 billion for a business which generated annual sales of USD 2 billion. The agreement is now expected to close at the end of August 2018.

The process of exploring strategic options for the Gerber Life Insurance business is on track with completion expected in 2018.

Zone Americas (AMS)

Sales	CHF 14.2 billion
Organic growth	+1.0%
Real internal growth	+1.0%
Underlying Trading operating profit margin	18.9%
Underlying Trading operating profit margin	+30 basis points
Trading operating profit margin	17.8%
Trading operating profit margin	+10 basis points

- 1.0% organic growth: 1.0% RIG; 0% pricing.
- North America saw positive organic growth in the first half, with increased momentum in the United States. Both RIG and pricing were positive.
- Latin America reported positive RIG and organic growth. Pricing was negative but increased significantly in the second quarter.
- The Underlying Trading operating profit margin increased by 30 basis points to 18.9%.

Organic growth was 1.0%, driven entirely by RIG with flat pricing. Net divestments reduced sales by 1.0%, largely related to the divestment of the US Confectionery business. Foreign exchange had a negative impact on sales of 3.6%. Reported sales in Zone AMS decreased by 3.6% to CHF 14.2 billion.

North America saw positive organic growth and pricing in the first half. RIG improved materially in the United States and Canada versus last year. There was solid growth in *Purina* petcare, *Coffee-mate* creamers and coffee, particularly in e-commerce. *Hot Pockets* and pizza, particularly *Di Giorno*, also made positive contributions.

Latin America delivered positive organic growth, but slowed compared to the prior year. In Brazil a nationwide strike by truckers in May disrupted operations and distribution and reduced Zone growth by around 80 basis points in the second quarter. Mexico maintained mid single-digit organic growth, with strong support by *Nescafé*. There was also good momentum in other parts of Latin America.

The Zone's Underlying Trading operating profit margin improved by 30 basis points, as ongoing restructuring projects reduced structural costs. Operational efficiency savings more than offset cost increases from commodity and freight inflation, as well as foreign exchange.

Zone Europe, Middle East and North Africa (EMENA)

Sales	CHF 9.3 billion
Organic growth	+2.5%
Real internal growth	+3.1%
Underlying Trading operating profit margin	18.9%
Underlying Trading operating profit margin	+70 basis points
Trading operating profit margin	17.5%
Trading operating profit margin	+40 basis points

- 2.5% organic growth: 3.1% RIG; –0.6% pricing.
- Western Europe returned to positive organic growth in the second quarter. RIG accelerated, offsetting negative pricing.
- Central and Eastern Europe posted mid single-digit growth, with strong RIG. Pricing was negative.
- Middle East and North Africa saw mid single-digit organic growth, both RIG and pricing were positive.
- The Underlying Trading operating profit margin grew by 70 basis points to 18.9%.

Organic growth increased to 2.5%. RIG was strong at 3.1% following an acceleration in the second quarter. This more than offset negative pricing. Net divestments reduced sales by 0.2%. Foreign exchange had a positive impact of 4.1%. Reported sales increased by 6.4% to CHF 9.3 billion.

Zone EMENA saw positive growth across most geographies and categories. Petcare, coffee and nutrition were the main contributors. Petcare maintained strong momentum, based on the success of *Felix* in Russia. Coffee also saw good growth with stronger RIG, supported by the relaunch of *Nescafé Gold*. Nutrition and dairy performed well in Central and Eastern Europe, and the Middle East and North Africa. Confectionery saw improved growth, particularly in the United Kingdom. New product launches included *KitKat Ruby* and *MilkyBar Wowsomes*, a new chocolate bar with 30% less sugar based on Nestlé's breakthrough natural structured sugar.

The Zone's Underlying Trading operating profit margin increased by 70 basis points, supported by operational efficiencies, structural cost savings and lower commodity costs. Strong RIG also led to better capacity utilization and operating leverage.

Zone Asia, Oceania and sub-Saharan Africa (AOA)

Sales	CHF 10.6 billion
Organic growth	+4.4%
Real internal growth	+3.7%
Underlying Trading operating profit margin	22.9%
Underlying Trading operating profit margin	–20 basis points
Trading operating profit margin	20.6%
Trading operating profit margin	–190 basis points

– 4.4% organic growth: 3.7% RIG; 0.7% pricing.
– China saw mid single-digit growth, improving versus last year. RIG and pricing were both positive.
– South-East Asia posted mid single-digit growth with a balanced contribution from RIG and pricing.
– South Asia saw mid single-digit organic growth, with good RIG and flat pricing.
– Sub-Saharan Africa posted high single-digit growth, with solid RIG and positive pricing.
– Japan and Oceania markets were flat, with robust RIG offset by negative pricing.
– The Underlying Trading operating profit margin decreased by 20 basis points to 22.9%.

Organic growth was 4.4%, with RIG of 3.7% and pricing of 0.7%. Net divestments and foreign exchange reduced sales by 0.1% and 0.8%, respectively. Reported sales increased by 3.5% to CHF 10.6 billion.

Zone AOA delivered mid single-digit growth, with positive contributions from most geographies and categories. First-half organic growth in China accelerated, with strong momentum in coffee, culinary, and in e-commerce. South-East Asia delivered solid results with strong contributions from Vietnam and Indonesia, especially *Milo*. Mid single-digit growth in South Asia was supported by innovation and renovation, particularly for *Maggi*, *KitKat* and *Nescafé*. Sub-Saharan Africa saw high single-digit growth, even as inflation-driven pricing slowed versus last year. Japan and Oceania were flat, with positive RIG offset by negative pricing in a deflationary environment. Nutrition saw improved sales momentum in most markets.

The Zone's Underlying Trading operating profit margin remained strong and highly accretive to the group. The decrease of 20 basis points was due to the phasing of certain cost items.

Nestlé Waters

Sales	CHF 4.0 billion
Organic growth	+1.0%
Real internal growth	–0.7%
Underlying Trading operating profit margin	10.0%
Underlying Trading operating profit margin	–270 basis points
Trading operating profit margin	8.7%
Trading operating profit margin	–350 basis points

– 1.0% organic growth: –0.7% RIG; 1.7% pricing.
– North America saw positive growth. Pricing increased and RIG improved in the second quarter, driven by the launch of the sparkling range.
– Europe had slightly negative growth, reflecting weak RIG and slightly positive pricing.
– Emerging markets were flat, impacted by negative organic sales development in China and Brazil.
– The Underlying Trading operating profit margin decreased by 270 basis points to 10.0% following higher commodity and distribution costs.

Organic growth for the first half was 1.0% following a sequential improvement in the second quarter, driven largely by North America. RIG declined by 0.7%, mainly due to Europe and some emerging markets. Pricing increased to 1.7%. Net divestments and foreign exchange reduced reported sales by 0.8% and 0.7%, respectively. Reported sales in Nestlé Waters decreased by 0.5% to CHF 4.0 billion.

In the United States, price increases were implemented in June to reflect significant inflation in packaging and distribution costs. The launch of the sparkling range under our regional spring water brands (*Poland Spring*, *Deer Park*, *Zephyrhills*, *Ozarka*, *Ice Mountain* and *Arrowhead*) made a positive contribution to our growth. Europe saw slightly negative organic growth, reflecting difficult comparables. Emerging markets were flat, impacted by negative sales development in China and the pending divestment of the business in Brazil. The international premium brands, *S.Pellegrino* and *Perrier*, continued to deliver good growth.

The Underlying Trading operating profit margin decreased by 270 basis points as higher costs related to PET packaging and distribution were not yet compensated by price increases.

Other businesses

Sales	CHF 5.9 billion
Organic growth	+5.7%
Real internal growth	+5.4%
Underlying Trading operating profit margin	16.4%
Underlying Trading operating profit margin	+160 basis points
Trading operating profit margin	15.6%
Trading operating profit margin	+130 basis points

- 5.7% organic growth: 5.4% RIG; 0.3% pricing.
- Nespresso maintained mid single-digit organic growth, with strong momentum in North America and Asia.
- Nestlé Health Science delivered mid single-digit organic growth, with strong RIG.
- Nestlé Skin Health saw mid single-digit growth, with positive RIG but negative pricing.
- The Underlying Trading operating profit margin increased by 160 basis points to 16.4%.

Organic growth of 5.7% was based on strong RIG of 5.4% and pricing of 0.3%. Net acquisitions increased reported sales by 4.9%, mainly due to the consolidation of Atrium Innovations into Nestlé Health Science from March 2018. Foreign exchange also had a positive 1.4% impact. Reported sales in Other Businesses increased by 12.0% to CHF 5.9 billion.

Nespresso maintained mid single-digit growth. The Americas and Asia saw strong growth and Western Europe was resilient in a context of increasing competitive pressure. Growth was supported by the continued progress of the Vertuo system roll-out and boutique expansion. Nestlé Health Science saw mid single-digit growth, with good growth in Medical Nutrition. The acquisition of Atrium Innovations provided additional momentum in the second quarter, with strong demand for its non-GMO, organic and natural product offerings. Nestlé Skin Health had mid single-digit growth but pricing was negative.

The Underlying Trading operating profit margin increased by 160 basis points. This was mainly driven by an improvement in Nestlé Skin Health and Nespresso.

2018 outlook

Full-year guidance for 2018 confirmed, with organic sales growth expectation narrowed to around 3%; Underlying Trading operating profit margin improvement in line with our 2020 target. Restructuring costs* are expected at around CHF 700 million. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

Paul Bulcke
Chairman of the Board

U. Mark Schneider
Chief Executive Officer

* Not including impairment of fixed assets, litigation and onerous contracts

Key figures (consolidated)

Key figures in CHF

In millions (except for data per share)	January–June 2018	January–June 2017 *
Results		
Sales	43 920	42 926
Underlying Trading operating profit **	7 063	6 821
as % of sales	16.1%	15.9%
Trading operating profit **	6 391	6 472
as % of sales	14.6%	15.1%
Profit for the period attributable to shareholders of the parent (Net profit)	5 825	4 897
as % of sales	13.3%	11.4%
Balance sheet and cash flow statement		
Equity attributable to shareholders of the parent (a)	56 314	60 157
Net financial debt **/(a)(b)	28 809	23 720
Ratio of net financial debt to equity (gearing) (a)	51.2%	39.4%
Operating cash flow	4 399	3 384
Free cash flow **/(b)	2 884	1 894
Capital additions	4 191	1 797
Data per share		
Weighted average number of shares outstanding (in millions of units)	3 035	3 098
Basic earnings per share	1.92	1.58
Market capitalization	**231 419**	**258 574**

* 2017 restated figures include modifications as described in Note 1 Accounting policies and related impacts in Note 12.
** Certain financial performance measures are not defined by IFRS. For further details, refer to the document "Alternative Performance Measures" published under https://www.nestle.com/investors/publications.

(a) Situation as at June 30.
(b) Definition has been modified as from January 1, 2018; comparatives have been adjusted accordingly. Refer to the document "Alternative Performance Measures" published under https://www.nestle.com/investors/publications.

Principal key figures in USD and EUR (illustrative)

Income statement and cash flow statement figures translated at weighted average rate;
Balance sheet figures at ending June exchange rate

In millions (except for data per share)	January–June 2018	January–June 2017 *	January–June 2018	January–June 2017 *
	in USD	in USD	in EUR	in EUR
Sales	45 397	43 180	37 540	39 868
Underlying Trading operating profit **	7 301	6 862	6 037	6 335
Trading operating profit **	6 606	6 510	5 463	6 011
Profit for the period attributable to shareholders of the parent (Net profit)	6 021	4 926	4 979	4 548
Equity attributable to shareholders of the parent [(a)]	56 614	62 827	48 663	54 993
Basic earnings per share	1.98	1.59	1.64	1.47
Market capitalization	232 652	270 051	199 977	236 378

* 2017 restated figures include modifications as described in Note 1 Accounting policies and related impacts in Note 12.
** Certain financial performance measures are not defined by IFRS. For further details, refer to the document “Alternative Performance Measures” published under https://www.nestle.com/investors/publications.

(a) Situation as at June 30.

Consolidated income statement for the six months ended June 30, 2018

In millions of CHF	Notes	January–June 2018	January–June 2017 *
Sales	3	**43 920**	**42 926**
Other revenue		154	165
Cost of goods sold		(22 259)	(21 719)
Distribution expenses		(4 166)	(3 920)
Marketing and administration expenses		(9 792)	(9 804)
Research and development costs		(794)	(827)
Other trading income	5	19	59
Other trading expenses	5	(691)	(408)
Trading operating profit	3	**6 391**	**6 472**
Other operating income	5	2 467	180
Other operating expenses	5	(1 158)	(158)
Operating profit		**7 700**	**6 494**
Financial income		81	73
Financial expense		(427)	(405)
Profit before taxes, associates and joint ventures		**7 354**	**6 162**
Taxes		(1 939)	(1 662)
Income from associates and joint ventures	6	573	563
Profit for the period		**5 988**	**5 063**
of which attributable to non-controlling interests		163	166
of which attributable to shareholders of the parent (Net profit)		5 825	4 897
As percentages of sales			
Trading operating profit		14.6%	15.1%
Profit for the period attributable to shareholders of the parent (Net profit)		13.3%	11.4%
Earnings per share (in CHF)			
Basic earnings per share		1.92	1.58
Diluted earnings per share		1.92	1.57

* 2017 restated figures include modifications as described in Note 1 Accounting policies and related impacts in Note 12.

Consolidated statement of comprehensive income for the six months ended June 30, 2018

In millions of CHF	January–June 2018	January–June 2017 *
Profit for the period recognized in the income statement	**5 988**	**5 063**
Currency retranslations, net of taxes	33	(2 618)
Fair value changes on available-for-sale financial instruments, net of taxes	–	16
Fair value changes on debt instruments, net of taxes	(140)	–
Fair value changes on cash flow hedges, net of taxes	132	(93)
Share of other comprehensive income of associates and joint ventures	(51)	127
Items that are or may be reclassified subsequently to the income statement	(26)	(2 568)
Remeasurement of defined benefit plans, net of taxes	520	619
Fair value changes on equity instruments, net of taxes	3	–
Share of other comprehensive income of associates and joint ventures	(90)	32
Items that will never be reclassified to the income statement	433	651
Other comprehensive income for the period	**407**	**(1 917)**
Total comprehensive income for the period	**6 395**	**3 146**
of which attributable to non-controlling interests	84	101
of which attributable to shareholders of the parent	6 311	3 045

* 2017 restated figures include modifications as described in Note 1 Accounting policies and related impacts in Note 12.

Consolidated balance sheet as at June 30, 2018

In millions of CHF	Notes	June 30, 2018	December 31, 2017 *
Assets			
Current assets			
Cash and cash equivalents		4 615	7 938
Short-term investments		2 102	655
Inventories		10 060	9 177
Trade and other receivables		11 841	12 036
Prepayments and accrued income		857	573
Derivative assets		596	231
Current income tax assets		784	917
Assets held for sale	2	4 176	357
Total current assets		**35 031**	**31 884**
Non-current assets			
Property, plant and equipment		29 906	30 777
Goodwill		30 786	29 746
Intangible assets		20 931	20 615
Investments in associates and joint ventures		10 462	11 628
Financial assets		2 709	6 003
Employee benefits assets		591	392
Current income tax assets		80	62
Deferred tax assets		1 952	2 103
Total non-current assets		**97 417**	**101 326**
Total assets		**132 448**	**133 210**

* 2017 restated figures include modifications as described in Note 1 Accounting policies and related impacts in Note 12.

In millions of CHF	Notes	June 30, 2018	December 31, 2017 *
Liabilities and equity			
Current liabilities			
Financial debt		15 756	11 211
Trade and other payables		16 979	18 864
Accruals and deferred income		4 285	4 299
Provisions		855	819
Derivative liabilities		498	507
Current income tax liabilities		2 776	2 477
Liabilities directly associated with assets held for sale	2	2 640	12
Total current liabilities		**43 789**	**38 189**
Non-current liabilities			
Financial debt		19 847	18 566
Employee benefits liabilities		6 306	7 111
Provisions		1 088	1 147
Deferred tax liabilities		3 380	3 492
Other payables		483	2 476
Total non-current liabilities		**31 104**	**32 792**
Total liabilities		**74 893**	**70 981**
Equity			
Share capital	8	306	311
Treasury shares		(4 045)	(4 537)
Translation reserve		(19 496)	(19 436)
Other reserves		(234)	989
Retained earnings		79 783	83 629
Total equity attributable to shareholders of the parent		56 314	60 956
Non-controlling interests		1 241	1 273
Total equity		**57 555**	**62 229**
Total liabilities and equity		**132 448**	**133 210**

* 2017 restated figures include modifications as described in Note 1 Accounting policies and related impacts in Note 12.

Consolidated cash flow statement for the six months ended June 30, 2018

In millions of CHF	Notes	January–June 2018	January–June 2017 *
Operating activities			
Operating profit	7	7 700	6 494
Depreciation and amortization		1 943	1 945
Impairment		384	120
Net result on disposal of businesses		(1 400)	(25)
Other non-cash items of income and expense		6	(50)
Cash flow before changes in operating assets and liabilities	7	**8 633**	**8 484**
Decrease/(increase) in working capital		(2 779)	(3 392)
Variation of other operating assets and liabilities		(197)	(113)
Cash generated from operations		**5 657**	**4 979**
Interest paid		(367)	(306)
Interest received		63	61
Taxes paid		(1 640)	(1 883)
Dividends and interest from associates and joint ventures		686	533
Operating cash flow		**4 399**	**3 384**
Investing activities			
Capital expenditure		(1 158)	(1 024)
Expenditure on intangible assets		(251)	(354)
Acquisition of businesses	2	(2 341)	(140)
Disposal of businesses	2	2 719	19
Investments (net of divestments) in associates and joint ventures		725	(172)
Inflows/(outflows) from treasury investments		(1 441)	196
Other investing activities		(106)	(112)
Investing cash flow		**(1 853)**	**(1 587)**
Financing activities			
Dividend paid to shareholders of the parent	8	(7 124)	(7 126)
Dividends paid to non-controlling interests		(139)	(187)
Acquisition (net of disposal) of non-controlling interests	2	(1)	(527)
Purchase (net of sale) of treasury shares		(3 911)	(123)
Inflows from bonds and other non-current financial debt		2 121	1 021
Outflows from bonds and other non-current financial debt		(1 353)	(1 518)
Inflows/(outflows) from current financial debt		4 724	2 879
Financing cash flow		**(5 683)**	**(5 581)**
Currency retranslations		(186)	(252)
Increase/(decrease) in cash and cash equivalents		**(3 323)**	**(4 036)**
Cash and cash equivalents at beginning of year		7 938	7 990
Cash and cash equivalents at end of period		**4 615**	**3 954**

* 2017 restated figures include modifications as described in Note 1 Accounting policies and related impacts in Note 12.

Consolidated statement of changes in equity for the six months ended June 30, 2018

In millions of CHF

	Share capital	Treasury shares	Translation reserve	Other reserves	Retained earnings	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
Equity as at December 31, 2016 as originally published	**311**	**(990)**	**(18 799)**	**1 198**	**82 870**	**64 590**	**1 391**	**65 981**
First application of IFRS 15	—	—	—	—	(268)	**(268)**	—	**(268)**
First application of IFRS 16	—	—	—	—	(189)	**(189)**	—	**(189)**
Other	—	—	—	—	(61)	**(61)**	—	**(61)**
Equity restated as at January 1, 2017 *	**311**	**(990)**	**(18 799)**	**1 198**	**82 352**	**64 072**	**1 391**	**65 463**
Profit for the period *	—	—	—	—	4 897	**4 897**	166	**5 063**
Other comprehensive income for the period *	—	—	(2 582)	78	652	**(1 852)**	(65)	**(1 917)**
Total comprehensive income for the period *	—	—	(2 582)	78	5 549	**3 045**	101	**3 146**
Dividends	—	—	—	—	(7 126)	**(7 126)**	(187)	**(7 313)**
Movement of treasury shares	—	(248)	—	—	109	**(139)**	—	**(139)**
Equity compensation plans	—	154	—	—	(60)	**94**	—	**94**
Changes in non-controlling interests [(a)]	—	—	—	—	296	**296**	(157)	**139**
Total transactions with owners	—	(94)	—	—	(6 781)	**(6 875)**	(344)	**(7 219)**
Other movements	—	—	—	2	(87)	**(85)**	—	**(85)**
Equity restated as at June 30, 2017 *	**311**	**(1 084)**	**(21 381)**	**1 278**	**81 033**	**60 157**	**1 148**	**61 305**

* 2017 restated figures include modifications as described in Note 1 Accounting policies and related impacts in Note 12.

(a) Movements reported under retained earnings include the impact of the acquisitions (see Note 2.2) as well as put options for the acquisition of non-controlling interests.

In millions of CHF

	Share capital	Treasury shares	Translation reserve	Other reserves	Retained earnings	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
Equity as at January 1, 2018 *	311	(4 537)	(19 436)	989	83 629	60 956	1 273	62 229
First application of IFRS 9 [(a)]	—	—	(176)	(1 170)	1 333	(13)	(2)	(15)
Equity as at January 1, 2018 after first application of IFRS 9	311	(4 537)	(19 612)	(181)	84 962	60 943	1 271	62 214
Profit for the period	—	—	—	—	5 825	5 825	163	5 988
Other comprehensive income for the period	—	—	116	(65)	435	486	(79)	407
Total comprehensive income for the period	—	—	116	(65)	6 260	6 311	84	6 395
Dividends	—	—	—	—	(7 124)	(7 124)	(139)	(7 263)
Movement of treasury shares	—	(3 757)	—	—	(70)	(3 827)	—	(3 827)
Equity compensation plans	—	136	—	—	(54)	82	—	82
Changes in non-controlling interests	—	—	—	—	26	26	24	50
Reduction in share capital	(5)	4 113	—	—	(4 108)	—	—	—
Total transactions with owners	(5)	492	—	—	(11 330)	(10 843)	(115)	(10 958)
Transfer to non-financial assets of cash flow hedge reserve, net of taxes	—	—	—	12	—	12	1	13
Other movements	—	—	—	—	(109)	(109)	—	(109)
Equity as at June 30, 2018	306	(4 045)	(19 496)	(234)	79 783	56 314	1 241	57 555

* 2017 restated figures include modifications as described in Note 1 Accounting policies and related impacts in Note 12.

(a) Mainly relates to Nestlé's share in fair value changes of equity instruments held by associates.

Notes

1. Accounting policies

Basis of preparation
These Condensed Interim Financial Statements are the unaudited Condensed Interim Consolidated Financial Statements (hereafter "the Condensed Interim Financial Statements") of Nestlé S.A., a company registered in Switzerland, and its subsidiaries for the six-month period ended June 30, 2018. They have been prepared in accordance with International Accounting Standard IAS 34 – Interim Financial Reporting, and should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2017.

The accounting conventions and accounting policies are the same as those applied in the Consolidated Financial Statements for the year ended December 31, 2017 (as described in Note 1 and highlighted with a grey background in the relevant notes), except for the changes in presentation, in accounting policies and in accounting standards mentioned below.

The preparation of the Condensed Interim Financial Statements requires Group Management to exercise judgment and to make estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities and disclosures. The key sources of estimation uncertainty within these Condensed Interim Financial Statements remain the same as those applied to the Consolidated Financial Statements for the year ended December 31, 2017 to which are added the ones on right of use of assets following the first application of IFRS 16 Leases.

Changes in presentation – income statement
The following main changes have been applied:
- the costs of defective products, and maintenance and other costs of trade assets (such as coffee machines, water coolers and freezers) previously reported under Marketing and administration expenses have been reclassified to Cost of goods sold; and
- some costs previously reported under Marketing and administration expenses have been reclassified to Research and development expenses and Distribution expenses.

The above changes have been made to better align with the function of the expenditure.

2017 comparatives have been restated (see Note 12).

Changes in presentation – cash flow statement
There were non significant changes in presentation between operating cash flow, cash flow from financing activities and cash flow from investing activities regarding cash flows of treasury investments and current financial debt.

2017 comparatives have been restated (see Note 12).

Changes in accounting policies
The following main changes have been applied:
- some costs that were previously included in the carrying value of inventory are now expensed as incurred, following a re-evaluation of the relevance of including these costs (the major part of which relates to allocated information technology costs) in inventory. For a like-for-like comparison of the performance 2017 and onwards, the value of inventory on hand at January 1, 2017 has been restated; and
- some taxes and levies on revenue or receipts, reported previously as Taxes, are considered now respectively as a reduction of Sales and as Marketing and administration expenses, in order to better align with the function of the expenditure.

2017 comparatives have been restated (see Note 12).

Changes in accounting standards

The Group has applied as from January 1, 2018 the following new accounting standards.

IFRS 15 – Revenue from Contract with Customers

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

It defines a new five-step model to recognize revenue from customer contracts. The Group undertook a review of the main types of commercial arrangements used with customers under this model and has concluded that the application of IFRS 15 had the main following effects:

i) as a consequence of the change in revenue recognition from transfer of risks and rewards to transfer of control, a small proportion of sales (less than 0.5% of annual sales) is recognized on average 2 days later under the new standard;
ii) payments to customers currently treated as distribution costs have been reclassified as deductions from sales under the new standard;
iii) the timing of accruals for certain amounts payable to customers was reviewed and as a result the current liability for these amounts at the beginning of 2017 was increased.

This standard was mandatory for the accounting period beginning on January 1, 2018 and has been applied with retrospective impact, utilizing the practical expedient to not restate contracts that begin and end within the same annual accounting period.

2017 comparatives have been restated (see Note 12).

IFRS 16 – Leases

This standard replaces 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 recognize assets and liabilities for almost all leases and therefore resulted in an increase of Property, plant and equipment and total Financial debt at January 1, 2017.

This standard is mandatory for the accounting period beginning on January 1, 2019 but the Group early adopted it on January 1, 2018 under the full retrospective approach, utilizing the practical expedient to not reassess whether a contract contains a lease.

2017 comparatives have been restated (see Note 12).

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 Group has performed a review of the business model corresponding to the different portfolios of financial assets and of the characteristics of these financial assets.

Consequently, debt instruments whose cash flows are solely payments of principal and interest (“SPPI”) were designated either at amortized cost or at fair value through Other comprehensive income depending the objectives of the business model. The existing investments in equity instruments at the date of the initial application were generally designated at fair value through Other comprehensive income by election. This election generated a reclassification between equity components of CHF 1.2 billion with no net significant impact on the total Group’s equity.

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

The impact of the new impairment model has been reviewed. The analysis required the identification of the credit risk associated with the counterparties and – considering that the majority of Group’s financial assets are trade receivables – also integrates statistical data reflecting the actual past experience of incurred loss due to default. The amount of additional impairment recognized on January 1, 2018 is CHF 15 million.

Furthermore, the Group has updated the definitions of its hedging relationships in line with its risk management activities and policies, with specific attention to the identification of the components in the pricing of the commodities.

This standard was mandatory for the accounting period beginning on January 1, 2018 and was applied retrospectively as at January 1, 2018, but with no restatement of comparative information for prior years. Consequently, the Group recognized any difference between the carrying amount of financial instruments under IAS 39 and the carrying amount under IFRS 9 in the opening retained earnings (or other equity components) as at January 1, 2018.

The Group has applied the 12-month credit loss model on debt securities considering the low credit risk or the absence of significant increases of the credit risk of the counterparties since the initial recognition of the investments.

Changes to hedge accounting policies have been applied prospectively. All hedging relationships designated under IAS 39 at December 31, 2017 met the criteria for hedge accounting under IFRS 9 at January 1, 2018 and are therefore regarded as continuing hedging relationships.

The total adjustment (net of taxes) to the opening equity as at January 1, 2018 was not material.

See Note 12 for the changes from the original measurement category under IAS 39 and the new category under IFRS 9 for each class of Group's financial assets as at January 1, 2018. The changes on the fair value hierarchy of financial instruments as at January 1, 2018 are presented in Note 9.

IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 specifies how to reflect uncertainty in accounting for income taxes. IFRIC 23 is mandatory for the accounting period beginning on January 1, 2019 but the Group early adopted it with effect from January 1, 2018. There was no impact on the measurement of taxes as a consequence of this adoption. The uncertain tax liabilities formerly included under Provisions have been reclassified to Current income tax liabilities.

2017 comparatives have been restated (see Note 12).

In addition, a number of other existing standards have been modified on miscellaneous points with effect from January 1, 2018. Such changes include Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2), Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 1 and IAS 28), and IFRIC 22 Foreign Currency Transactions and Advance Consideration.

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

New accounting policies with effect from January 1, 2018

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 recognized in the income statement at the moment when control of the goods have been transferred to the customer, which is mainly upon arrival at the customer.

Trade assets (mainly coffee machines, water coolers and freezers) may be sold or leased separately to customers. Arrangements where the Group transfers substantially all the risks and rewards incidental to ownership to the customer are treated as finance lease arrangements. Operating lease revenue for trade asset rentals is recognized on a straight-line basis over the lease term.

Revenue is measured as the amount of consideration which the Group expects to receive, based on 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. The level of discounts, allowances and promotional rebates is recognized as a deduction from revenue at the time that the related sales are recognized or when the rebate is offered to the customer (or consumer if applicable). They are estimated based on historical experience and the specific terms of the agreements with the customers. Payments made to customers for commercial services received are expensed.

Sales returns provisions are recognized as revenue deductions when there is a historical practice of taking products back from customers (mainly in the Infant Nutrition business). The amount recorded is based on estimated rates of return, considering historical return rates and other relevant factors (including current levels of inventory in the trade and sales throughput rates). No asset is recognized for products to be recoverable from these returns, as they are not anticipated to be resold.

Other revenue is primarily sales-based royalties and license fees from third parties which have been earned during the period.

Financial Instruments

Financial Assets – Initial Recognition and Measurement

Financial assets are initially recognized at fair value plus directly attributable transaction costs. However when a financial asset at fair value to income statement is recognized, the transaction costs are expensed immediately. Subsequent remeasurement of financial assets is determined by their categorization, which is revisited at each reporting date. The settlement date is used for both initial recognition and subsequent derecognition of financial assets as these transactions are generally under contracts whose terms require delivery within the time frame established by regulation or convention in the market place (regular-way purchase or sale).

Financial Assets – Classes and Categories

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified either:

- as measured at amortized cost;
- as a fair value to Other comprehensive income (FVOCI) – bond investment;
- as a FVOCI – equity investment; or
- at fair value to income statement (abbreviated as FVTPL, short for fair value through profit or loss, which has the same meaning).

All financial assets not classified as measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect classify it as a FVOCI – equity investment, with subsequent changes in the investment's fair value in Other comprehensive income (OCI). This election is made on an investment-by-investment basis.

Bonds are held in a separate portfolio governed and executed as a prudently managed broad base of quality securities. The two principal objectives of the portfolio are to maximize investment income and provide financial stability, subject to a limited risk tolerance, and to obtain relatively favorable risk adjusted investment returns to achieve long-term growth of surplus. The Group considers that these securities are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. The contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI.

Equity securities represent investments that the Group intends to hold for the long term for strategic purposes. The Group would generally designate these investments at the date of initial application as measured at FVOCI. The accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

Commercial paper are held by the Group's treasury unit in a separate portfolio in order to provide interest income and mitigate the credit risk exposure of the Group. The Group considers that these securities are held within a business model whose objective is achieved by collecting contractual cash flows. The contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as measured at amortized cost.

Trade and other receivables are classified at amortized cost.

Debt funds and equity funds are managed in a separate portfolio dedicated to self-insurance activities. The shares of funds owned by the Group are puttable shares which do not qualify for equity instruments as per IAS 32. As a consequence, these investments funds are classified as at FVTPL.

Financial Assets – Impairment and Derecognition

At each balance sheet date, the Group assesses whether its financial assets are impaired. Impairment losses are recognized 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. This analysis requires the identification of the credit risk associated with the counterparties and, considering that the majority of Group's financial assets are trade receivables, integrates statistical data reflecting the past experience of losses incurred due to default.

The Group measures loss allowances at an amount equal to lifetime expected credit losses (ECL), except for the following, which are measured as 12-month ECLs:

– debt securities that are determined to have low credit risk at the reporting date; and
– other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

The Group presumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due and the overdue is caused by the lack of treasury resources of the counterparty. This presumption can be rebutted when the overdue situation results from a dispute or negotiation on the amount of variable consideration due from a customer, and not from a credit issue.

The Group considers a financial asset to be in default when:

– the borrower is unlikely to have the funding resources to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
– the financial asset is more than 90 days past due and the overdue is caused by the lack of treasury resources of the counterparty.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The Group considers this to be Baa3 or higher per Moody's or BBB- or higher per Standard & Poor.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls due to a credit default event of the counterparty (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

Impairment losses related to trade and other receivables, including contract assets, are not presented separately in the consolidated income statement but are reported under the heading Marketing and administration expenses.

The model and some of the assumptions used in calculating these ECLs are key sources of estimation uncertainty. The ECLs on Trade receivables are calculated at reporting unit level, based on actual credit loss experience over the preceding three to five years.

Impairment losses on other financial assets related to treasury activities are presented under Financial expense, similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss due to materiality considerations.

Financial assets are derecognized (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.

Financial liabilities at amortized cost

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

Subsequent to initial measurement, financial liabilities are recognized at amortized cost. The difference between the initial carrying amount of the financial liabilities and their redemption value is recognized 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 amortized 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 derecognized (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.

Hedge accounting

The Group designates and documents the use of certain derivatives and other financial assets or financial liabilities as hedging instruments against changes in fair values of recognized assets and liabilities (fair value hedges) and highly probable forecast transactions (cash flow hedges). The effectiveness of such hedges is assessed at inception and verified at regular intervals and at least on a quarterly basis.

The Group excludes from the designation of the hedging relationship the hedging cost element. Consequently the cross currency basis spread and time value of the options are recognized in OCI and accumulated in a cost of hedging reserve as a separate component within equity.

For the designation of hedging relationships on commodities, the Group applies the component hedging model when the hedged item is separately identifiable and measurable.

Leases

At inception, the Group assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset.

The Group has elected not to separate lease and non-lease components for leases of vehicles.

The Group recognizes a right of use (ROU) asset and a lease liability at the commencement of the lease. The ROU is initially measured based on the present value of lease payments, plus initial direct costs and the cost of obligations to refurbish the asset, less any incentives received. The ROU is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU is subject to testing for impairment if there is an indicator for impairment.

Lease payments generally include fixed payments and variable payments that depend on an index (such as an inflation index). When the lease contains an extension or purchase option that the Group considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

ROU assets are included in the heading Property, plant and equipment, and the lease liability is included in the headings current and non-current Financial debt.

The Group has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for leases of low value IT equipment. The payments for such leases are recognized in the income statement on a straight-line basis over the lease term.

Changes in IFRS that may affect the Group after June 30, 2018

The following new standards and amendments to existing standards have been published and are mandatory for accounting periods beginning on or after January 1, 2019. The Group has not early adopted them.

Improvements and other amendments to IFRS/IAS

A number of standards have been modified on miscellaneous points. These include Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28), Plan Amendments, Curtailment or Settlement (Amendments to IAS 19), Annual Improvements to IFRSs 2015–2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23).

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, acquisitions of non-controlling interests and assets held for sale

2.1 Modification of the scope of consolidation

Acquisitions

– Atrium Innovations, mainly North America, nutritional health products (Nutrition and Health Science), 100%, March.

There were no other significant acquisitions.

During the comparative period, there were no significant acquisitions.

Disposals

– US Confectionery business, North America, chocolate and sugar products (Confectionery), 100%, March.

There were no other significant disposals.

During the comparative period, there were no significant disposals.

Cash outflows of the 2018 interim period are mainly related to Atrium Innovations and those of the comparative period mainly related to a payment for an acquisition from prior years.

Inflows of the 2018 interim period are mainly due to the US Confectionery business and those of the comparative period are related to non-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

			2018	2017
	Atrium Innovations	Other	Total	Total
Property, plant and equipment	27	15	**42**	7
Intangible assets [(a)]	1 165	—	**1 165**	19
Inventories and other assets	300	11	**311**	20
Financial debt	—	(2)	**(2)**	(10)
Employee benefits, deferred taxes and provisions	(176)	—	**(176)**	(15)
Other liabilities	(107)	(9)	**(116)**	(15)
Fair value of identifiable net assets	**1 209**	**15**	**1 224**	**6**

(a) Mainly trademarks and trade names.

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

The goodwill arising on acquisitions and the cash outflow are:

In millions of CHF

			2018	2017
	Atrium Innovations	Other	Total	Total
Fair value of consideration transferred	**2 193**	**225**	**2 418**	**40**
Non-controlling interests [(a)]	23	2	**25**	(8)
Sub-total	2 216	227	**2 443**	32
Fair value of identifiable net assets	(1 209)	(15)	**(1 224)**	(6)
Goodwill	**1 007**	**212**	**1 219**	**26**

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

In millions of CHF

			2018	2017
	Atrium Innovations	Other	Total	Total
Fair value of consideration transferred	**2 193**	**225**	**2 418**	**40**
Cash and cash equivalents acquired	(47)	(2)	**(49)**	(4)
Consideration payable	—	(28)	**(28)**	—
Payment of consideration payable on prior years acquisitions	—	—	**—**	104
Cash outflow on acquisitions	**2 146**	**195**	**2 341**	**140**

The consideration transferred consists of payments made in cash with some consideration remaining payable.

Atrium Innovations

On March 8, 2018, Nestlé acquired Atrium Innovations, a global leader in nutritional health products with sales mainly in the US. Atrium's brands are a natural complement to the Nestlé's Consumer Care portfolio and its portfolio extends Nestlé's product range with value-added solutions such as probiotics, plant-based protein nutrition, meal replacements and an extensive multivitamin line. Atrium's largest brands are *Garden of Life*, the first brand in the natural products industry in the US; and *Pure Encapsulations*, a full line of hypoallergenic, research-based dietary supplements and the first recommended brand in the US practitioner market. The goodwill arising on this acquisition includes elements such as market share and strong growth potential and is not expected to be deductible for tax purposes.

Sales and profit for the period of the Atrium Innovations business included in the 2018 Condensed Interim Financial Statements amount respectively to CHF 260 million and CHF 18 million. The Group's total sales and profit for the period would have respectively amounted to CHF 44 038 million and CHF 5997 million if the acquisition had been effective January 1, 2018.

Acquisition-related costs

Acquisition-related costs have been recognized under other operating expenses in the income statement (see Note 4.2) for an amount of CHF 14 million (2017: CHF 3 million).

Acquisition after June 30, 2018

On May 7, 2018, the Group announced it is entering agreement for the perpetual rights to market, sell and distribute Starbucks consumer and foodservice products (excluding Ready-to-Drink products) globally, outside Starbucks' coffee shops. Starbucks will receive an up-front cash payment of USD 7.15 billion for a business which generates annual sales of USD 2 billion. The agreement is subject to customary regulatory approval and is expected to close before the end of the third quarter 2018.

2.3 Disposals of businesses

The gain on disposal of businesses is mainly composed of the disposal at end of March 2018 of the US Confectionery business classified as held for sale as of December 31, 2017. The assets disposed of (primarily fixed assets and inventory) were part of the Zone AMS operating segment. The related cumulative currency translation loss in other comprehensive income recycled to the income statement amounted to CHF 37 million. The cash inflow of the transaction included in the interim period amounted to CHF 2650 million and the result, net of disposal related expenses, amounted to CHF 2245 million (recorded in other operating income under profit on disposal of businesses).

2.4 Acquisitions of non-controlling interests

During the comparative interim period the Group increased its ownership interests in certain subsidiaries, the most significant one being in China. The consideration paid to non-controlling interests in cash amounted to CHF 527 million and the decrease of non-controlling interests amounted to CHF 152 million. Part of the consideration was recorded as a liability in previous years for CHF 518 million. The equity attributable to shareholders of the parent was positively impacted by CHF 143 million.

2.5 Assets held for sale

As of June 30, 2018, assets held for sale and liabilities directly associated with assets held for sale are mainly composed of the Gerber Life Insurance business, which is part of the Other businesses segment. Reclassified assets and liabilities of the Gerber Life Insurance business consist primarily of financial assets, intangible assets and policy insurance liabilities. A write-off of CHF 881 million has been recognized in other operating expenses under loss on disposal of businesses to arrive at the estimated fair value based on market survey available at the time of the establishment of the Condensed Interim Financial Statements (categorized as Level 3 in accordance to IFRS 13). The related cumulative loss currently recognized in other comprehensive income has been estimated at about CHF 190 million (including cumulative currency translation loss, and losses in fair value changes on debt instruments reserve) and will be recognized in the income statement at the date the control is lost.

As of December 31, 2017, assets held for sale were mainly composed of the US Confectionery business (see Note 2.3).

3. Analyses by segment

3.1 Operating segments
Revenue and results

In millions of CHF	Sales (a)	Underlying Trading operating profit (b)	Trading operating profit	Net other trading income/(expenses) (c)	of which impairment of property, plant and equipment	of which restructuring costs	Depreciation and amortization
							January–June 2018
Zone EMENA	9 303	1 758	1 631	(127)	(9)	(112)	(384)
Zone AMS	14 153	2 680	2 514	(166)	(29)	(77)	(489)
Zone AOA	10 634	2 435	2 193	(242)	(195)	(32)	(389)
Nestlé Waters	3 967	398	346	(52)	(8)	(24)	(205)
Other businesses (d)	5 863	960	915	(45)	(7)	(24)	(374)
Unallocated items (e)	—	(1 168)	(1 208)	(40)	(4)	(30)	(102)
Total	**43 920**	**7 063**	**6 391**	**(672)**	**(252)**	**(299)**	**(1 943)**

In millions of CHF	Sales (a)	Underlying Trading operating profit (b)	Trading operating profit	Net other trading income/(expenses) (c)	of which impairment of property, plant and equipment	of which restructuring costs	Depreciation and amortization
							January–June 2017 *
Zone EMENA	8 741	1 593	1 493	(100)	(10)	(52)	(357)
Zone AMS	14 689	2 734	2 604	(130)	(35)	(79)	(516)
Zone AOA	10 273	2 377	2 314	(63)	(46)	(12)	(394)
Nestlé Waters	3 988	505	486	(19)	(6)	(8)	(212)
Other businesses (d)	5 235	777	751	(26)	(1)	(9)	(362)
Unallocated items (e)	—	(1 165)	(1 176)	(11)	(1)	(6)	(104)
Total	**42 926**	**6 821**	**6 472**	**(349)**	**(99)**	**(166)**	**(1 945)**

* 2017 adjusted following changes of business structure, effective as from January 1, 2018, mainly Nestlé Nutrition (NN) from a Globally Managed to a Regionally Managed Business transferred to the Zones and Other businesses. 2017 restated figures include also other modifications as described in Note 1 Accounting policies and related impacts in Note 12.

(a) Inter-segment sales are not significant.
(b) Trading operating profit before Net other trading income/(expenses).
(c) Included in Trading operating profit.
(d) Mainly Nespresso, Nestlé Health Science, Nestlé Skin Health and Gerber Life Insurance.
(e) Mainly corporate expenses as well as research and development costs.

Other information

In millions of CHF	January–June 2018		January–June 2017 *	
	Impairment of goodwill	Impairment of intangible assets	Impairment of goodwill	Impairment of intangible assets
Zone EMENA	(99)	—	—	(18)
Zone AMS	—	(4)	—	—
Zone AOA	—	—	—	—
Nestlé Waters	(29)	—	(3)	—
Other businesses (a)	—	—	—	—
Unallocated items (b)	—	—	—	—
Total	**(128)**	**(4)**	**(3)**	**(18)**

* 2017 adjusted following changes of business structure, effective as from January 1, 2018, mainly Nestlé Nutrition (NN) from a Globally Managed to a Regionally Managed Business transferred to the Zones and Other businesses.

(a) Mainly Nespresso, Nestlé Health Science, Nestlé Skin Health and Gerber Life Insurance.
(b) Mainly corporate and research and development assets.

3.2 Products
Revenue and results

In millions of CHF — January–June 2018

	Sales	Underlying Trading operating profit (a)	Trading operating profit	Net other trading income/(expenses) (b)	of which impairment of property, plant and equipment	of which restructuring costs
Powdered and Liquid Beverages	10 265	2 394	2 306	(88)	(17)	(43)
Water	3 729	352	308	(44)	(4)	(22)
Milk products and Ice cream	6 385	1 128	1 086	(42)	(7)	(25)
Nutrition and Health Science	7 912	1 603	1 287	(316)	(209)	(85)
Prepared dishes and cooking aids	5 819	1 010	945	(65)	(7)	(57)
Confectionery	3 634	449	414	(35)	(4)	(23)
PetCare	6 176	1 295	1 253	(42)	—	(14)
Unallocated items (c)	—	(1 168)	(1 208)	(40)	(4)	(30)
Total	**43 920**	**7 063**	**6 391**	**(672)**	**(252)**	**(299)**

In millions of CHF — January–June 2017 *

	Sales	Underlying Trading operating profit (a)	Trading operating profit	Net other trading income/(expenses) (b)	of which impairment of property, plant and equipment	of which restructuring costs
Powdered and Liquid Beverages	9 805	2 256	2 204	(52)	(14)	(16)
Water	3 734	486	467	(19)	(6)	(8)
Milk products and Ice cream	6 492	1 172	1 073	(99)	(48)	(38)
Nutrition and Health Science	7 471	1 477	1 435	(42)	(2)	(21)
Prepared dishes and cooking aids	5 724	959	885	(74)	(18)	(38)
Confectionery	3 700	388	331	(57)	(10)	(37)
PetCare	6 000	1 248	1 253	5	—	(2)
Unallocated items (c)	—	(1 165)	(1 176)	(11)	(1)	(6)
Total	**42 926**	**6 821**	**6 472**	**(349)**	**(99)**	**(166)**

* 2017 adjusted following changes of business structure, effective as from January 1, 2018, mainly Nestlé Nutrition (NN) from a Globally Managed to a Regionally Managed Business transferred to the Zones and Other businesses. 2017 restated figures include also other modifications as described in Note 1 Accounting policies and related impacts in Note 12.

(a) Trading operating profit before Net other trading income/(expenses).
(b) Included in Trading operating profit.
(c) Mainly corporate expenses as well as research and development costs.

Other information

In millions of CHF	January–June 2018		January–June 2017	
	Impairment of goodwill	Impairment of intangible assets	Impairment of goodwill	Impairment of intangible assets
Powdered and Liquid Beverages	—	(4)	—	—
Water	(29)	—	(3)	—
Milk products and Ice cream	—	—	—	(1)
Nutrition and Health Science	—	—	—	—
Prepared dishes and cooking aids	(99)	—	—	(14)
Confectionery	—	—	—	(3)
PetCare	—	—	—	—
Unallocated items [(a)]	—	—	—	—
Total	**(128)**	**(4)**	**(3)**	**(18)**

(a) Mainly corporate and research and development assets.

3.3 Sales by geographic area (country and type of market)

In millions of CHF	January–June 2018	January–June 2017 *
EMENA	**13 253**	**12 424**
France	2 283	2 117
Germany	1 357	1 248
United Kingdom	1 357	1 209
Italy	902	857
Spain	775	730
Russia	765	751
Switzerland	610	621
Rest of EMENA	5 204	4 891
AMS	**19 000**	**19 244**
United States	12 590	12 602
Brazil	1 724	2 043
Mexico	1 361	1 313
Canada	918	854
Rest of AMS	2 407	2 432
AOA	**11 667**	**11 258**
Greater China Region	3 416	3 127
Philippines	1 239	1 309
Japan	828	830
India	759	727
Australia	755	745
Rest of AOA	4 670	4 520
Total sales	**43 920**	**42 926**
of which developed markets	24 929	24 201
of which emerging markets	18 991	18 725

* 2017 restated figures include modifications as described in Note 1 Accounting policies and related impacts in Note 12.

3.4 Reconciliation from Underlying Trading operating profit to profit before taxes, associates and joint ventures

In millions of CHF	January–June 2018	January–June 2017 *
Underlying Trading operating profit [(a)]	**7 063**	**6 821**
Net other trading income/(expenses)	(672)	(349)
Trading operating profit	**6 391**	**6 472**
Impairment of goodwill	(128)	(3)
Net other operating income/(expenses) excluding impairment of goodwill	1 437	25
Operating profit	**7 700**	**6 494**
Net financial income/(expense)	(346)	(332)
Profit before taxes, associates and joint ventures	**7 354**	**6 162**

* 2017 restated figures include modifications as described in Note 1 Accounting policies and related impacts in Note 12.

(a) Trading operating profit before Net other trading income/(expenses).

4. Seasonality

The business of the Group is not highly cyclical. Seasonal evolutions in some countries or product groups are generally compensated within the Group.

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

5.1 Net other trading income/(expenses)

In millions of CHF	January–June 2018	January–June 2017
Other trading income	**19**	**59**
Restructuring costs	(299)	(166)
Impairment of property, plant and equipment and intangible assets [a]	(256)	(117)
Litigations and onerous contracts	(104)	(85)
Miscellaneous trading expenses	(32)	(40)
Other trading expenses	**(691)**	**(408)**
Total net other trading income/(expenses)	**(672)**	**(349)**

(a) January–June 2018: mainly includes an impairment of property, plant and equipment in Zone AOA.

5.2 Net other operating income/(expenses)

In millions of CHF	Notes	January–June 2018	January–June 2017
Profit on disposal of businesses	2	2 317	55
Miscellaneous operating income		150	125
Other operating income		**2 467**	**180**
Loss on disposal of businesses	2	(917)	(30)
Impairment of goodwill [a]		(128)	(3)
Miscellaneous operating expenses		(113)	(125)
Other operating expenses		**(1 158)**	**(158)**
Total net other operating income/(expenses)		**1 309**	**22**

(a) January–June 2018: mainly in Zone EMENA.

6. Share of results of associates and joint ventures

This item mainly includes our share of the estimated results of L'Oréal as well as the share of results of our joint ventures.

7. Cash flow before changes in operating assets and liabilities

In millions of CHF	January–June 2018	January–June 2017
Profit for the period	**5 988**	**5 063**
Income from associates and joint ventures	(573)	(563)
Taxes	1 939	1 662
Financial income	(81)	(73)
Financial expense	427	405
Operating profit	**7 700**	**6 494**
Depreciation of property, plant and equipment	1 767	1 762
Impairment of property, plant and equipment	252	99
Impairment of goodwill	128	3
Amortization of intangible assets	176	183
Impairment of intangible assets	4	18
Net result on disposal of businesses	(1 400)	(25)
Net result on disposal of assets	57	13
Non-cash items in financial assets and liabilities	(129)	(168)
Equity compensation plans	70	78
Other	8	27
Non-cash items of income and expense	**933**	**1 990**
Cash flow before changes in operating assets and liabilities	**8 633**	**8 484**

8. Equity

8.1 Share capital

The share capital changed in 2018 as a consequence of the Share Buy-Back program launched in July 2017. The cancellation of shares was approved at the Annual General Meeting on April 12, 2018. The share capital was reduced by 49 160 000 shares from CHF 311 million to CHF 306 million.

At June 30, 2018, the share capital of Nestlé S.A. is composed of 3 063 000 000 registered shares with a nominal value of CHF 0.10 each.

Started in July 2017, a Share Buy-Back program of up to CHF 20 billion to be completed by the end of June 2020 was still on going at end of June 2018. It is subject to market conditions and strategic opportunities.

8.2 Dividend

The dividend related to 2017 was paid on April 18, 2018 in accordance with the decision taken at the Annual General Meeting on April 12, 2018. Shareholders approved the proposed dividend of CHF 2.35 per share, resulting in a total dividend of CHF 7124 million.

9. Fair value of financial instruments

9.1 Fair value hierarchy

In millions of CHF	June 30, 2018	December 31, 2017
Derivative assets	73	11
Bonds and debt funds [a]	690	735
Equity and equity funds	238	227
Other financial assets	17	42
Derivative liabilities	(64)	(65)
Prices quoted in active markets (Level 1)	**954**	**950**
Commercial paper [b]	—	4 600
Time deposits [b]	—	1 331
Derivative assets	523	220
Bonds and debt funds [c]	399	3 417
Equity and equity funds	260	278
Other financial assets	804	783
Derivative liabilities	(434)	(442)
Valuation techniques based on observable market data (Level 2)	**1 552**	**10 187**
Valuation techniques based on unobservable input (Level 3) [a]	**67**	**258**
Total financial instruments at fair value	**2 573**	**11 395**

(a) Following the first application of IFRS 9, as at January 1, 2018, an amount of CHF 101 million in level 1 and CHF 24 million in level 3 of Bonds and debt funds have been taken out from the financial instruments carried at fair value.
(b) Following the first application of IFRS 9, Commercial paper and Time deposits are now carried at amortized cost.
(c) As at December 31, 2017 the fair value hierarchy included financial assets of CHF 3381 million which were reclassified as assets held for sale during the year. This relates mainly to bonds included in level 2.

The fair values categorized in level 2 above were determined from discounted cash flows and market-based valuation parameters (primarily interest rates, foreign exchange rates and underlying asset prices).

There have been no significant transfers between the different hierarchy levels in 2018.

9.2 Carrying amount and fair value

As at June 30, 2018, the carrying amount of bonds issued is CHF 18.2 billion (December 31, 2017: CHF 17.0 billion), compared to a fair value of CHF 18.5 billion (December 31, 2017: CHF 17.4 billion). This fair value is categorized as level 2, measured on the basis of quoted prices.

For all other financial assets and liabilities, the carrying amount is a reasonable approximation of the fair value.

10. Bonds

In millions of CHF							January–June 2018
Issuer		Face value in millions	Coupon	Effective interest rates	Year of issue/ maturity	Comments	Carrying amount
New issues							
Nestlé S.A., Switzerland	CHF	600	0.75%	0.66%	2018–2028		604
	CHF	900	0.25%	0.26%	2018–2024		899
Nestlé Holdings, Inc., USA	USD	600	3.13%	3.23%	2018–2023		576
Total new issues							**2 079**
Repayments							
Nestlé Holdings, Inc., USA	CHF	250	2.63%	2.66%	2007–2018	(a)	(196)
	USD	500	1.25%	1.32%	2012–2018		(484)
	AUD	175	3.75%	3.84%	2013–2018	(a)	(178)
Total repayments							**(858)**

(a) Subject to derivatives that create debts in the currency of the issuer.

11. Events after the balance sheet date

As at July 25, 2018 the Group has no subsequent events which either warrant a modification of the value of its assets and liabilities or any additional disclosure.

12. Restatements of 2017 comparatives and first application of IFRS 9

As described in Note 1 Accounting policies, June 2017 comparatives have been restated following the application of IFRS 15, IFRS 16, IFRIC 23 as well as some other changes in presentation and in accounting policies. Impacts on the income statement, statement of comprehensive income, cash flow statement and balance sheet are presented thereafter.

Consolidated income statement for the six months ended June 30, 2017

In millions of CHF

	January–June 2017 as originally published	IFRS 15	IFRS 16	Other	**January–June 2017 restated**
Sales	**43 023**	**(82)**	**–**	**(15)**	**42 926**
Other revenue	164	1	–	–	165
Cost of goods sold	(21 408)	–	4	(315)	(21 719)
Distribution expenses	(4 014)	79	24	(9)	(3 920)
Marketing and administration expenses	(10 149)	2	14	329	(9 804)
Research and development costs	(818)	–	–	(9)	(827)
Other trading income	59	–	–	–	59
Other trading expenses	(408)	–	–	–	(408)
Trading operating profit	**6 449**	**–**	**42**	**(19)**	**6 472**
Other operating income	180	–	–	–	180
Other operating expenses	(158)	–	–	–	(158)
Operating profit	**6 471**	**–**	**42**	**(19)**	**6 494**
Financial income	73	–	–	–	73
Financial expense	(374)	–	(31)	–	(405)
Profit before taxes, associates and joint ventures	**6 170**	**–**	**11**	**(19)**	**6 162**
Taxes	(1 678)	–	(3)	19	(1 662)
Income from associates and joint ventures	563	–	–	–	563
Profit for the period	**5 055**	**–**	**8**	**–**	**5 063**
of which attributable to non-controlling interests	166	–	–	–	166
of which attributable to shareholders of the parent (Net profit)	4 889	–	8	–	4 897
As percentages of sales					
Trading operating profit	15.0%	+3 bps	+10 bps	–4 bps	15.1%
Profit for the year attributable to shareholders of the parent (Net profit)	11.4%	+2 bps	+2 bps	–	11.4%
Earnings per share (in CHF)					
Basic earnings per share	1.58	–	–	–	1.58
Diluted earnings per share	1.57	–	–	–	1.57

Statement of comprehensive income for the six months ended June 30, 2017

In millions of CHF

	January–June 2017 as originally published	IFRS 15	IFRS 16	Other	January–June 2017 restated
Profit for the period recognized in the income statement	**5 055**	**–**	**8**	**–**	**5 063**
Currency retranslations, net of taxes	(2 623)	3	2	–	(2 618)
Fair value adjustments on available-for-sale financial instruments, net of taxes	16	–	–	–	16
Fair value adjustments on cash flow hedges, net of taxes	(93)	–	–	–	(93)
Share of other comprehensive income of associates and joint ventures	127	–	–	–	127
Items that are or may be reclassified subsequently to the income statement	(2 573)	3	2	–	(2 568)
Remeasurement of defined benefit plans, net of taxes	619	–	–	–	619
Share of other comprehensive income of associates and joint ventures	32	–	–	–	32
Items that will never be reclassified to the income statement	651	–	–	–	651
Other comprehensive income for the period	**(1 922)**	**3**	**2**	**–**	**(1 917)**
Total comprehensive income for the period	**3 133**	**3**	**10**	**–**	**3 146**
of which attributable to non-controlling interests	101	–	–	–	101
of which attributable to shareholders of the parent	3 032	3	10	–	3 045

Consolidated cash flow statement for the six months ended June 30, 2017

In millions of CHF

	January–June 2017 as originally published	IFRS 15	IFRS 16	Other	**January–June 2017 restated**
Operating activities					
Operating profit	6 471	–	42	(19)	6 494
Depreciation and amortization	1 590	–	355	–	1 945
Impairment	95	–	25	–	120
Net result on disposal of businesses	(25)	–	–	–	(25)
Other non-cash items of income and expense	(50)	–	–	–	(50)
Cash flow before changes in operating assets and liabilities	**8 081**	**–**	**422**	**(19)**	**8 484**
Decrease/(increase) in working capital	(3 384)	–	(8)	–	(3 392)
Variation of other operating assets and liabilities	(83)	–	(30)	–	(113)
Cash generated from operations	**4 614**	**–**	**384**	**(19)**	**4 979**
Net cash flows from treasury activities	(255)	–	(36)	46	(245)
Taxes paid	(1 902)	–	–	19	(1 883)
Dividends and interest from associates and joint ventures	533	–	–	–	533
Operating cash flow	**2 990**	**–**	**348**	**46**	**3 384**
Investing activities					
Capital expenditure	(1 021)	–	(3)	–	(1 024)
Expenditure on intangible assets	(354)	–	–	–	(354)
Acquisition of businesses	(140)	–	–	–	(140)
Disposal of businesses	19	–	–	–	19
Investments (net of divestments) in associates and joint ventures	(172)	–	–	–	(172)
Inflows/(outflows) from treasury investments	200	–	–	(4)	196
Other investing activities	(112)	–	–	–	(112)
Investing cash flow	**(1 580)**	**–**	**(3)**	**(4)**	**(1 587)**
Financing activities					
Dividend paid to shareholders of the parent	(7 126)	–	–	–	(7 126)
Dividends paid to non-controlling interests	(187)	–	–	–	(187)
Acquisition (net of disposal) of non-controlling interests	(527)	–	–	–	(527)
Purchase (net of sale) of treasury shares	(123)	–	–	–	(123)
Inflows from bonds and other non-current financial debt	1 021	–	–	–	1 021
Outflows from bonds and other non-current financial debt	(1 173)	–	(345)	–	(1 518)
Inflows/(outflows) from current financial debt	2 921	–	–	(42)	2 879
Financing cash flow	**(5 194)**	**–**	**(345)**	**(42)**	**(5 581)**
Currency retranslations	(252)	–	–	–	(252)
Increase/(decrease) in cash and cash equivalents	**(4 036)**	**–**	**–**	**–**	**(4 036)**
Cash and cash equivalents at beginning of year	7 990	–	–	–	7 990
Cash and cash equivalents at end of period	**3 954**	**–**	**–**	**–**	**3 954**

Consolidated balance sheet as at June 30, 2017

In millions of CHF

	June 30, 2017 as originally published	IFRS 15	IFRS 16	Other	**June 30, 2017 restated**
Assets					
Current assets					
Cash and cash equivalents	3 954	–	–	–	3 954
Short-term investments	1 039	–	–	–	1 039
Inventories	9 474	203	–	(87)	9 590
Trade and other receivables	11 779	(387)	–	3	11 395
Prepayments and accrued income	872	–	(35)	–	837
Derivative assets	277	–	–	–	277
Current income tax assets	905	–	–	(3)	902
Assets held for sale	338	–	–	–	338
Total current assets	**28 638**	**(184)**	**(35)**	**(87)**	**28 332**
Non-current assets					
Property, plant and equipment	25 954	–	2 646	–	28 600
Goodwill	31 410	–	–	–	31 410
Intangible assets	19 685	–	–	–	19 685
Investments in associates and joint ventures	11 104	–	–	–	11 104
Financial assets	5 696	–	–	–	5 696
Employee benefits assets	308	–	–	–	308
Current income tax assets	115	–	–	–	115
Deferred tax assets	1 920	78	30	26	2 054
Total non-current assets	**96 192**	**78**	**2 676**	**26**	**98 972**
Total assets	**124 830**	**(106)**	**2 641**	**(61)**	**127 304**

Consolidated balance sheet as at June 30, 2017 (continued)

In millions of CHF

	June 30, 2017 as originally published	IFRS 15	IFRS 16	Other	**June 30, 2017 restated**
Liabilities and equity					
Current liabilities					
Financial debt	14 108	–	671	–	14 779
Trade and other payables	15 719	7	(13)	–	15 713
Accruals and deferred income	3 678	209	(12)	–	3 875
Provisions	611	–	(9)	(39)	563
Derivative liabilities	1 165	–	–	–	1 165
Current income tax liabilities	1 074	–	–	1 482	2 556
Liabilities directly associated with assets held for sale	7	–	–	–	7
Total current liabilities	**36 362**	**216**	**637**	**1 443**	**38 658**
Non-current liabilities					
Financial debt	10 879	–	2 270	–	13 149
Employee benefits liabilities	7 405	–	–	–	7 405
Provisions	2 519	–	(28)	(1 443)	1 048
Deferred tax liabilities	3 771	(57)	(39)	–	3 675
Other payables	2 084	–	(20)	–	2 064
Total non-current liabilities	**26 658**	**(57)**	**2 183**	**(1 443)**	**27 341**
Total liabilities	**63 020**	**159**	**2 820**	**–**	**65 999**
Equity					
Share capital	311	–	–	–	311
Treasury shares	(1 084)	–	–	–	(1 084)
Translation reserve	(21 386)	3	2	–	(21 381)
Other reserves	1 278	–	–	–	1 278
Retained earnings	81 543	(268)	(181)	(61)	81 033
Total equity attributable to shareholders of the parent	**60 662**	**(265)**	**(179)**	**(61)**	**60 157**
Non-controlling interests	1 148	–	–	–	1 148
Total equity	**61 810**	**(265)**	**(179)**	**(61)**	**61 305**
Total liabilities and equity	**124 830**	**(106)**	**2 641**	**(61)**	**127 304**

Consolidated balance sheet as at January 1, 2017

In millions of CHF

	January 1, 2017 as originally published	IFRS 15	IFRS 16	Other	**January 1, 2017 restated**
Assets					
Current assets					
Cash and cash equivalents	7 990	–	–	–	7 990
Short-term investments	1 306	–	–	–	1 306
Inventories	8 401	206	–	(87)	8 520
Trade and other receivables	12 411	(392)	–	3	12 022
Prepayments and accrued income	573	–	(38)	–	535
Derivative assets	550	–	–	–	550
Current income tax assets	786	–	–	(3)	783
Assets held for sale	25	–	–	–	25
Total current assets	**32 042**	**(186)**	**(38)**	**(87)**	**31 731**
Non-current assets					
Property, plant and equipment	27 554	–	2 743	–	30 297
Goodwill	33 007	–	–	–	33 007
Intangible assets	20 397	–	–	–	20 397
Investments in associates and joint ventures	10 709	–	–	–	10 709
Financial assets	5 719	–	–	–	5 719
Employee benefits assets	310	–	–	–	310
Current income tax assets	114	–	–	–	114
Deferred tax assets	2 049	81	34	26	2 190
Total non-current assets	**99 859**	**81**	**2 777**	**26**	**102 743**
Total assets	**131 901**	**(105)**	**2 739**	**(61)**	**134 474**

Consolidated balance sheet as at January 1, 2017 (continued)

In millions of CHF

	January 1, 2017 as originally published	IFRS 15	IFRS 16	Other	**January 1, 2017 restated**
Liabilities and equity					
Current liabilities					
Financial debt	12 118	–	659	–	12 777
Trade and other payables	18 629	6	(16)	–	18 619
Accruals and deferred income	3 855	215	(4)	–	4 066
Provisions	620	–	(8)	(21)	591
Derivative liabilities	1 068	–	–	–	1 068
Current income tax liabilities	1 221	–	–	1 528	2 749
Liabilities directly associated with assets held for sale	6	–	–	–	6
Total current liabilities	**37 517**	**221**	**631**	**1 507**	**39 876**
Non-current liabilities					
Financial debt	11 091	–	2 361	–	13 452
Employee benefits liabilities	8 420	–	–	–	8 420
Provisions	2 640	–	(5)	(1 507)	1 128
Deferred tax liabilities	3 865	(58)	(41)	–	3 766
Other payables	2 387	–	(18)	–	2 369
Total non-current liabilities	**28 403**	**(58)**	**2 297**	**(1 507)**	**29 135**
Total liabilities	**65 920**	**163**	**2 928**	**–**	**69 011**
Equity					
Share capital	311	–	–	–	311
Treasury shares	(990)	–	–	–	(990)
Translation reserve	(18 799)	–	–	–	(18 799)
Other reserves	1 198	–	–	–	1 198
Retained earnings	82 870	(268)	(189)	(61)	82 352
Total equity attributable to shareholders of the parent	**64 590**	**(268)**	**(189)**	**(61)**	**64 072**
Non-controlling interests	1 391	–	–	–	1 391
Total equity	**65 981**	**(268)**	**(189)**	**(61)**	**65 463**
Total liabilities and equity	**131 901**	**(105)**	**2 739**	**(61)**	**134 474**

Consolidated balance sheet as at December 31, 2017

In millions of CHF

	December 31, 2017 as originally published	IFRS 15	IFRS 16	Other	**December 31, 2017 restated**
Assets					
Current assets					
Cash and cash equivalents	7 938	–	–	–	7 938
Short-term investments	655	–	–	–	655
Inventories	9 061	203	–	(87)	9 177
Trade and other receivables	12 422	(388)	–	2	12 036
Prepayments and accrued income	607	–	(34)	–	573
Derivative assets	231	–	–	–	231
Current income tax assets	919	–	–	(2)	917
Assets held for sale	357	–	–	–	357
Total current assets	**32 190**	**(185)**	**(34)**	**(87)**	**31 884**
Non-current assets					
Property, plant and equipment	27 775	–	3 002	–	30 777
Goodwill	29 748	–	(2)	–	29 746
Intangible assets	20 615	–	–	–	20 615
Investments in associates and joint ventures	11 628	–	–	–	11 628
Financial assets	6 003	–	–	–	6 003
Employee benefits assets	392	–	–	–	392
Current income tax assets	62	–	–	–	62
Deferred tax assets	1 967	71	39	26	2 103
Total non-current assets	**98 190**	**71**	**3 039**	**26**	**101 326**
Total assets	**130 380**	**(114)**	**3 005**	**(61)**	**133 210**

Consolidated balance sheet as at December 31, 2017 (continued)

In millions of CHF

	December 31, 2017 as originally published	IFRS 15	IFRS 16	Other	**December, 31 2017 restated**
Liabilities and equity					
Current liabilities					
Financial debt	10 536	–	675	–	11 211
Trade and other payables	18 872	6	(14)	–	18 864
Accruals and deferred income	4 094	210	(5)	–	4 299
Provisions	863	–	(6)	(38)	819
Derivative liabilities	507	–	–	–	507
Current income tax liabilities	1 170	–	–	1 307	2 477
Liabilities directly associated with assets held for sale	12	–	–	–	12
Total current liabilities	**36 054**	**216**	**650**	**1 269**	**38 189**
Non-current liabilities					
Financial debt	15 932	–	2 634	–	18 566
Employee benefits liabilities	7 111	–	–	–	7 111
Provisions	2 445	–	(29)	(1 269)	1 147
Deferred tax liabilities	3 559	(35)	(32)	–	3 492
Other payables	2 502	–	(26)	–	2 476
Total non-current liabilities	**31 549**	**(35)**	**2 547**	**(1 269)**	**32 792**
Total liabilities	**67 603**	**181**	**3 197**	**–**	**70 981**
Equity					
Share capital	311	–	–	–	311
Treasury shares	(4 537)	–	–	–	(4 537)
Translation reserve	(19 433)	(2)	(1)	–	(19 436)
Other reserves	989	–	–	–	989
Retained earnings	84 174	(293)	(191)	(61)	83 629
Total equity attributable to shareholders of the parent	**61 504**	**(295)**	**(192)**	**(61)**	**60 956**
Non-controlling interests	1 273	–	–	–	1 273
Total equity	**62 777**	**(295)**	**(192)**	**(61)**	**62 229**
Total liabilities and equity	**130 380**	**(114)**	**3 005**	**(61)**	**133 210**

As described in Note 1 Accounting policies, IFRS 9 has been applied for the first time as at January 1, 2018. The following table explains the changes in measurement and category under IFRS 9 for each class of Group's financial assets and the impact on net financial position as at January 1, 2018.

In millions of CHF

	December 31, 2017 restated				January 1, 2018 after first application of IFRS 9			
Classes	Loans, receivables and liabilities at amortized cost	At fair value to income statement	Available for sale	**Total categories**	At amortized cost	At fair value to income statement	At fair value to Other comprehensive income	**Total categories**
Cash at bank and in hand	2 202	—	—	**2 202**	2 202	—	—	**2 202**
Commercial paper	—	—	4 600	**4 600**	4 601	—	—	**4 601**
Time deposits	—	—	1 331	**1 331**	1 331	—	—	**1 331**
Bonds and debt funds	—	396	3 778	**4 174**	119	834	3 215	**4 168**
Equity and equity funds	—	428	114	**542**	—	475	67	**542**
Other financial assets	723	29	995	**1 747**	723	1 024	—	**1 747**
Liquid assets [(a)] and non-current financial assets	2 925	853	10 818	**14 596**	8 976	2 333	3 282	**14 591**
Trade and other receivables	12 036	—	—	**12 036**	12 021	—	—	**12 021**
Derivative assets [(b)]	—	231	—	**231**	—	231	—	**231**
Total financial assets	**14 961**	**1 084**	**10 818**	**26 863**	**20 997**	**2 564**	**3 282**	**26 843**
Trade and other payables	(21 340)	—	—	**(21 340)**	(21 340)	—	—	**(21 340)**
Financial debt	(29 777)	—	—	**(29 777)**	(29 777)	—	—	**(29 777)**
Derivative liabilities [(b)]	—	(507)	—	**(507)**	—	(507)	—	**(507)**
Total financial liabilities	**(51 117)**	**(507)**	**—**	**(51 624)**	**(51 117)**	**(507)**	**—**	**(51 624)**
Net financial position	**(36 156)**	**577**	**10 818**	**(24 761)**	**(30 120)**	**2 057**	**3 282**	**(24 781)**
of which at fair value	—	577	10 818	**11 395**	—	2 057	3 282	**5 339**

(a) Liquid assets are composed of cash and cash equivalents as well as short-term investments.
(b) Include derivatives held in hedge relationships and those that are undesignated (categorized as held-for-trading).

Amounts highlighted with a grey background are those impacted by the first application of IFRS 9.

Principal exchange rates

CHF per		June 2018	December 2017	June 2017	January–June 2018	January–June 2017
			Ending rates		Weighted average rates	
1 US Dollar	USD	0.995	0.977	0.958	0.967	0.994
1 Euro	EUR	1.157	1.168	1.094	1.170	1.077
100 Chinese Yuan Renminbi	CNY	15.032	15.001	14.138	15.182	14.470
100 Brazilian Reais	BRL	25.824	29.531	29.060	28.110	31.247
100 Philippine Pesos	PHP	1.864	1.957	1.895	1.858	1.991
1 Pound Sterling	GBP	1.304	1.316	1.245	1.329	1.251
100 Mexican Pesos	MXN	5.050	4.957	5.296	5.069	5.124
1 Canadian Dollar	CAD	0.752	0.778	0.737	0.757	0.743
100 Japanese Yen	JPY	0.899	0.867	0.856	0.890	0.886
1 Australian Dollar	AUD	0.735	0.761	0.735	0.745	0.750
100 Russian Rubles	RUB	1.587	1.694	1.609	1.624	1.718

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Shareholder information

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

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The *Half-Yearly Report* is available online as a PDF in English, French and German.

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2018 Nine months sales figures

February 14, 2019
2018 Full-Year Results

April 11, 2019
152nd Annual General Meeting, Beaulieu Lausanne, Lausanne (Switzerland)

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