NESTLÉ S.A.

HERMANN WIRZ
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INTERNATIONAL ACCOUNTING STANDARDS BOARD
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24 November 2009

ANNUAL IMPROVEMENTS TO IFRSs — EXPOSURE DRAFT ED/2009/11

Ladies and Gentlemen,

Please find below our answer to your invitation to comment on the above mentioned exposure draft (ED).

GENERAL COMMENTS

We generally welcome the proposed amendments but we have reservations on several points, the most substantive ones are listed below and explained in more detail in the annexe:

- While we admit that users should receive some improved information on financial instruments at an interim closing, we do not consider that all such information is relevant to preparers from the non-financial sector. We therefore believe that only the requirements concerning changes in financial instrument classification and changes in contingent assets and contingent liabilities are relevant to non-financial companies.
- We also consider that the withdrawal of the materiality clause from IFRS 7 is rather unfortunate and could lead in having non financial entities to disclose information that is not relevant to the users just for the sake of the avoidance of non compliance issues.

Thank you very much for your attention to the above.

Yours very truly,

NESTLE S.A.

H. Wirz
Senior Vice President
Head of Group Accounting and Reporting

Encl. ment.

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ANNEXE

ANSWERS TO QUESTIONS

GENERAL QUESTIONS (APPLICABLE TO ALL PROPOSED AMENDMENTS)

Question 1

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

While we agree with the process of amending the IFRSs as described in the ED, we have reservations concerning certain changes. Our objections are explained in the answers to your specific questions and in our other points below.

Question 2

Do you agree with the proposed transition provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

We agree with the transition clauses as proposed by the Board.

SPECIFIC QUESTIONS

Question 3

The Board proposes changes to IAS 34 Interim Financial Reporting to emphasise its disclosure principles. It also adds to the guidance to illustrate better how to apply these principles. The Board published an exposure draft Fair Value Measurement in May 2009. In that exposure draft, the Board proposes that all of the fair value measurement disclosures required in IFRS 7 Financial Instruments: Disclosures for annual financial statements should also be required for interim financial statements.

Do you agree that this proposed amendment is likely to lead to more useful information being made available to investors and other users of interim financial reports? If not, why? What would you propose instead and why?

First we consider that some of the proposed changes of § 15B will impose a burden on the preparers which are not financial institutions. This refers to the changes in circumstances that affect the fair value (lit. h) and the movements between the hierarchy levels (lit. k) which are either not frequent or not material in non financial companies and affect essentially financial institutions. The problem of these disclosures is exacerbated because the Board has removed the materiality reference to financial instrument disclosures (please see our comments regarding the IFRS 7 changes).

Nevertheless we consider that the other proposed new disclosures could also make sense for industrial and commercial entities, i.e., lit (l) changes in classification of assets and lit (m) changes in contingent liabilities and assets.

Question 4

The Board proposes changes to IAS 34 Interim Financial Reporting. Do you agree that amending IAS 34 to require particular disclosures to be made in interim financial statements is a more effective way of ensuring that users of interim financial statements are provided with useful information? If not, why? What approach would you propose instead and why?

We would agree in principle but, we do not consider that interim financial reporting should replicate requirements applicable at year-end and focus only on material changes compared to year-end.

Question 5

The Board proposes to amend IAS 40 Investment Property to remove the requirement to transfer investment property carried at fair value to inventory when it will be developed for sale, to add a requirement for investment property held for sale to be displayed as a separate category in the statement of financial position and to require disclosures consistent with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Do you agree that the proposed amendment should be included within Improvements to IFRSs or should a separate project be undertaken to address this issue? If you believe a separate project should be undertaken, please explain why.

While the change is not applicable in our Group, we do not see the rationale for the not permitting the reclassification if it is triggered by a change in the business model of the entity.

Comments on other changes not subject to specific questions in the ED

IFRS 7

We disagree with the removal of the materiality clauses of IFRS 7 § 34 (b) and the related implementation guidance of §§ IG3 and IG4. As said in our answer to questions 3 and 4 above, financial instrument disclosures impose a burden on non-financial entities. In the absence of a materiality clause, there is also a risk that non-financial entities would disclose information in excess of what is necessary for the needs of the users just for the sake of avoiding issues with the auditors and the regulators. Therefore it is important that materiality clauses be maintained.

Accounting policies - IAS 8

Regarding the proposed amendment, we do not understand why the Board is proposing an annual improvement related to consequential changes of the conceptual Framework that should be issued concomitantly with it.

IAS 27 Consolidated and separate financial statements

We disagree with the Board's views expressed in BC2 that investments in subsidiaries, jointly controlled entities and associates should be viewed as financial investments. We consider that these investments cannot be compared to mere financial instruments because the nature of the relationship between the holding company and its subsidiaries, jointly controlled entities and associates is economically not the same as an investment accounted for in accordance with IAS 39 because the holding company exercises control, joint control or significant influence over these investments which are consequently more akin to investments in non-financial assets. Consequently any impairment tests should be performed on the basis of IAS 36.