



**Nestlé**

Good food, Good life

# **Financial Statements 2022**

**Consolidated Financial Statements  
of the Nestlé Group 2022**

**156th Financial Statements  
of Nestlé S.A.**



# Consolidated Financial Statements of the Nestlé Group 2022

71	<b>Principal exchange rates</b>	156	<b>Companies of the Nestlé Group, joint arrangements and associates</b>
72	<b>Consolidated income statement for the year ended December 31, 2022</b>	174	<b>Report of the statutory auditor</b>
73	<b>Consolidated statement of comprehensive income for the year ended December 31, 2022</b>	184	<b>Financial information – 5-year review</b>
74	<b>Consolidated balance sheet as at December 31, 2022</b>		
76	<b>Consolidated cash flow statement for the year ended December 31, 2022</b>		
77	<b>Consolidated statement of changes in equity for the year ended December 31, 2022</b>		
79	<b>Notes</b>		
79	1. Accounting policies		
81	2. Scope of consolidation, acquisitions and disposals of businesses and acquisitions of non-controlling interests		
87	3. Analyses by segment		
96	4. Net other trading and operating income/ (expenses)		
98	5. Net financial income/(expense)		
99	6. Inventories		
	7. Trade and other receivables/payables		
101	8. Property, plant and equipment		
105	9. Goodwill and intangible assets		
113	10. Employee benefits		
123	11. Provisions and contingencies		
126	12. Financial instruments		
139	13. Taxes		
142	14. Associates and joint ventures		
145	15. Earnings per share		
146	16. Cash flow statement		
148	17. Equity		
153	18. Transactions with related parties		
154	19. Guarantees		
155	20. Effects of hyperinflation		
	21. Events after the balance sheet date		

## Principal exchange rates

CHF per

		2022	2021	2022	2021
		Year-end rates		Weighted average annual rates	
1 US Dollar	USD	0.925	0.915	0.956	0.915
1 Euro	EUR	0.985	1.034	1.004	1.081
100 Chinese Yuan Renminbi	CNY	13.297	14.344	14.148	14.179
100 Brazilian Reais	BRL	17.722	16.389	18.555	16.988
100 Mexican Pesos	MXN	4.743	4.470	4.750	4.505
1 Pound Sterling	GBP	1.116	1.235	1.175	1.257
100 Philippine Pesos	PHP	1.660	1.793	1.752	1.855
1 Canadian Dollar	CAD	0.682	0.718	0.735	0.730
100 Indian Rupee	INR	1.117	1.232	1.216	1.236
1 Australian Dollar	AUD	0.627	0.664	0.663	0.686
100 Chilean Pesos	CLP	0.108	0.107	0.109	0.120

# Consolidated income statement for the year ended December 31, 2022

In millions of CHF			
	Notes	2022	2021
<b>Sales</b>	3	<b>94 424</b>	<b>87 088</b>
Other revenue		356	382
Cost of goods sold		(51 745)	(45 468)
Distribution expenses		(8 386)	(7 919)
Marketing and administration expenses		(16 850)	(17 294)
Research and development costs		(1 696)	(1 670)
Other trading income	4	107	171
Other trading expenses	4	(3 015)	(3 131)
<b>Trading operating profit</b>	3	<b>13 195</b>	<b>12 159</b>
Other operating income	4	340	698
Other operating expenses	4	(1 209)	(1 178)
<b>Operating profit</b>		<b>12 326</b>	<b>11 679</b>
Financial income	5	210	80
Financial expense	5	(1 250)	(953)
<b>Profit before taxes, associates and joint ventures</b>		<b>11 286</b>	<b>10 806</b>
Taxes	13	(2 730)	(2 261)
Income from associates and joint ventures	14	1 040	8 651
<b>Profit for the year</b>		<b>9 596</b>	<b>17 196</b>
of which attributable to non-controlling interests		326	291
of which attributable to shareholders of the parent (Net profit)		9 270	16 905
<b>As percentages of sales</b>			
Trading operating profit		14.0%	14.0%
Profit for the year attributable to shareholders of the parent (Net profit)		9.8%	19.4%
<b>Earnings per share (in CHF)</b>			
Basic earnings per share	15	3.42	6.06
Diluted earnings per share	15	3.42	6.06

# Consolidated statement of comprehensive income for the year ended December 31, 2022

In millions of CHF

	Notes	2022	2021
<b>Profit for the year recognized in the income statement</b>		<b>9 596</b>	<b>17 196</b>
Currency retranslations, net of taxes	17	(1 399)	2 130
Changes in cash flow hedge and cost of hedge reserves, net of taxes		214	368
Share of other comprehensive income of associates and joint ventures	14/17	167	157
<b>Items that are or may be reclassified subsequently to the income statement</b>		<b>(1 018)</b>	<b>2 655</b>
Remeasurement of defined benefit plans, net of taxes	10/17	(378)	2 204
Fair value changes on equity instruments, net of taxes	17	167	52
Share of other comprehensive income of associates and joint ventures	14/17	95	455
<b>Items that will never be reclassified to the income statement</b>		<b>(116)</b>	<b>2 711</b>
<b>Other comprehensive income for the year</b>	17	<b>(1 134)</b>	<b>5 366</b>
<b>Total comprehensive income for the year</b>		<b>8 462</b>	<b>22 562</b>
of which attributable to non-controlling interests		342	285
of which attributable to shareholders of the parent		8 120	22 277

# Consolidated balance sheet as at December 31, 2022

before appropriations

In millions of CHF	Notes	2022	2021
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	12/16	5 511	6 988
Short-term investments	12	1 176	7 007
Inventories	6	15 019	11 982
Trade and other receivables	7/12	11 116	11 155
Prepayments		549	575
Derivative assets	12	309	278
Current income tax assets		1 285	1 204
Assets held for sale		97	68
<b>Total current assets</b>		<b>35 062</b>	<b>39 257</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	30 141	28 345
Goodwill	9	31 262	31 012
Intangible assets	9	20 237	22 223
Investments in associates and joint ventures	14	13 023	11 806
Financial assets	12	3 253	2 824
Employee benefits assets and reimbursement rights	10	1 161	2 417
Deferred tax assets	13	1 043	1 258
<b>Total non-current assets</b>		<b>100 120</b>	<b>99 885</b>
<b>Total assets</b>		<b>135 182</b>	<b>139 142</b>



In millions of CHF			
	Notes	2022	2021
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Financial debt	12	10 892	10 092
Derivative liabilities	12	352	464
Trade and other payables	7/12	20 523	20 907
Accruals		5 114	5 051
Provisions	11	620	532
Current income tax liabilities		2 447	2 962
Liabilities directly associated with assets held for sale		28	12
<b>Total current liabilities</b>		<b>39 976</b>	<b>40 020</b>
<b>Non-current liabilities</b>			
Financial debt	12	43 420	36 482
Derivative liabilities	12	470	—
Employee benefits liabilities	10	2 884	3 779
Provisions	11	1 113	1 106
Deferred tax liabilities	13	3 671	3 794
Other payables	12	856	234
<b>Total non-current liabilities</b>		<b>52 414</b>	<b>45 395</b>
<b>Total liabilities</b>		<b>92 390</b>	<b>85 415</b>
<b>Equity</b>	17		
Share capital		275	282
Treasury shares		(9 303)	(6 194)
Translation reserve		(23 559)	(22 266)
Other reserves		(63)	(45)
Retained earnings		74 632	81 363
<b>Total equity attributable to shareholders of the parent</b>		<b>41 982</b>	<b>53 140</b>
Non-controlling interests		810	587
<b>Total equity</b>		<b>42 792</b>	<b>53 727</b>
<b>Total liabilities and equity</b>		<b>135 182</b>	<b>139 142</b>

# Consolidated cash flow statement for the year ended December 31, 2022

In millions of CHF			2022	2021
	Notes			
<b>Operating activities</b>				
Operating profit	16		12 326	11 679
Depreciation and amortization	16		3 541	3 440
Impairment	16		2 726	2 614
Net result on disposal of businesses	4		79	(235)
Other non-cash items of income and expense	16		216	(253)
<b>Cash flow before changes in operating assets and liabilities</b>			<b>18 888</b>	<b>17 245</b>
Decrease/(increase) in working capital	16		(3 133)	(173)
Variation of other operating assets and liabilities	16		(514)	(427)
<b>Cash generated from operations</b>			<b>15 241</b>	<b>16 645</b>
Interest paid			(953)	(753)
Interest and dividend received			118	43
Taxes paid			(3 107)	(2 722)
Dividends and interest from associates and joint ventures	14		608	651
<b>Operating cash flow</b>			<b>11 907</b>	<b>13 864</b>
<b>Investing activities</b>				
Capital expenditure	8		(5 095)	(4 880)
Expenditure on intangible assets	9		(266)	(461)
Acquisition of businesses, net of cash acquired	2		(1 710)	(6 394)
Disposal of businesses, net of cash disposed of	2		160	3 530
Investments in associates and joint ventures	14		(918)	(715)
Divestments in associates and joint ventures	14		—	9 294
Inflows/(outflows) from treasury investments			5 902	(3 610)
Other investing activities			24	192
<b>Investing cash flow</b>			<b>(1 903)</b>	<b>(3 044)</b>
<b>Financing activities</b>				
Dividend paid to shareholders of the parent	17		(7 618)	(7 681)
Dividends paid to non-controlling interests			(284)	(302)
Acquisition (net of disposal) of non-controlling interests			(605)	(601)
Purchase (net of sale) of treasury shares <sup>(a)</sup>			(10 679)	(6 548)
Inflows from bonds and other long term financial debt	12		10 936	11 339
Outflows from bonds, lease liabilities and other long term financial debt	12		(3 283)	(4 474)
Inflows/(outflows) from short term financial debt	12		148	(885)
<b>Financing cash flow</b>			<b>(11 385)</b>	<b>(9 152)</b>
Currency retranslations			(100)	89
<b>Increase/(decrease) in cash and cash equivalents</b>			<b>(1 481)</b>	<b>1 757</b>
Cash and cash equivalents at beginning of year			6 992	5 235
<b>Cash and cash equivalents at end of year</b>			<b>5 511</b>	<b>6 992</b>
Cash and cash equivalents classified as held for sale			—	(4)
<b>Cash and cash equivalents as per balance sheet</b>	16		<b>5 511</b>	<b>6 988</b>

(a) Mostly relates to share buyback programs launched in 2022 and 2020.

# Consolidated statement of changes in equity for the year ended December 31, 2022

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
<b>Equity as at January 1, 2021</b>	<b>288</b>	<b>(6 643)</b>	<b>(24 397)</b>	<b>(365)</b>	<b>76 812</b>	<b>45 695</b>	<b>819</b>	<b>46 514</b>
Profit for the year	—	—	—	—	16 905	16 905	291	17 196
Other comprehensive income for the year	—	—	2 131	523	2 718	5 372	(6)	5 366
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>2 131</b>	<b>523</b>	<b>19 623</b>	<b>22 277</b>	<b>285</b>	<b>22 562</b>
Dividends	—	—	—	—	(7 681)	(7 681)	(302)	(7 983)
Movement of treasury shares	—	(6 551)	—	—	72	(6 479)	—	(6 479)
Equity compensation plans	—	222	—	—	(80)	142	(1)	141
Changes in non-controlling interests <sup>(a)</sup>	—	—	—	—	(382)	(382)	(214)	(596)
Reduction in share capital <sup>(b)</sup>	(6)	6 778	—	—	(6 772)	—	—	—
<b>Total transactions with owners</b>	<b>(6)</b>	<b>449</b>	<b>—</b>	<b>—</b>	<b>(14 843)</b>	<b>(14 400)</b>	<b>(517)</b>	<b>(14 917)</b>
Other movements <sup>(c)</sup>	—	—	—	(203)	(229)	(432)	—	(432)
<b>Equity as at December 31, 2021</b>	<b>282</b>	<b>(6 194)</b>	<b>(22 266)</b>	<b>(45)</b>	<b>81 363</b>	<b>53 140</b>	<b>587</b>	<b>53 727</b>
<b>Equity as at January 1, 2022</b>	<b>282</b>	<b>(6 194)</b>	<b>(22 266)</b>	<b>(45)</b>	<b>81 363</b>	<b>53 140</b>	<b>587</b>	<b>53 727</b>
Profit for the year	—	—	—	—	9 270	9 270	326	9 596
Other comprehensive income for the year	—	—	(1 408)	380	(122)	(1 150)	16	(1 134)
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>(1 408)</b>	<b>380</b>	<b>9 148</b>	<b>8 120</b>	<b>342</b>	<b>8 462</b>
Dividends	—	—	—	—	(7 618)	(7 618)	(284)	(7 902)
Movement of treasury shares	—	(10 653)	—	—	(93)	(10 746)	—	(10 746)
Equity compensation plans	—	209	—	—	(69)	140	(1)	139
Changes in non-controlling interests <sup>(a)</sup>	—	—	—	—	(685)	(685)	168	(517)
Reduction in share capital <sup>(b)</sup>	(7)	7 335	—	—	(7 328)	—	—	—
<b>Total transactions with owners</b>	<b>(7)</b>	<b>(3 109)</b>	<b>—</b>	<b>—</b>	<b>(15 793)</b>	<b>(18 909)</b>	<b>(117)</b>	<b>(19 026)</b>
Other movements <sup>(c)</sup>	—	—	115	(398)	(86)	(369)	(2)	(371)
<b>Equity as at December 31, 2022</b>	<b>275</b>	<b>(9 303)</b>	<b>(23 559)</b>	<b>(63)</b>	<b>74 632</b>	<b>41 982</b>	<b>810</b>	<b>42 792</b>

(a) Movements reported under retained earnings include put options for the acquisition of non-controlling interests.

(b) Reduction in share capital, see Note 17.1.

(c) Other movements in Other reserves relate mainly to cash flow hedge transactions. In addition, Other movements in Retained earnings is explained further in Note 14 in the table of movement of carrying value of Associates and joint ventures.



## 1. Accounting policies

### Accounting convention and accounting standards

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

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

The Consolidated Financial Statements 2022 were approved for issue by the Board of Directors on February 15, 2023, and are subject to approval by the Annual General Meeting on April 20, 2023.

### Accounting policies

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

### Key accounting judgments, estimates and assumptions

The preparation of the Consolidated Financial Statements requires Group Management to exercise judgement and to make estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities and disclosures. Estimated climate impacts, current and probable stated regulatory changes and Nestlé's environmental commitments have been taken into account. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Information about potential impacts under alternative scenarios (including among others the policies aligned with the Paris ambition and Nestlé's environmental commitments) on the medium and long term, aligned with the Task Force on Climate-related Financial Disclosures (TCFD) methodology, has been considered. Management believes that the Financial Statements as of December 31, 2022, reflect the most reasonable view of the value of the assets and liabilities at this date. The implications for the Group and the global economy of the war in Ukraine (described in Note 2) as well as potential escalations are highly uncertain, and remain difficult to predict or quantify. Actual results and outcomes could differ from the judgments and estimates taken into account in these Consolidated Financial Statements.

Those areas that involved a higher degree of judgment or uncertainty are explained further in the relevant Notes, including:

- assessment of control and estimating the fair value of net assets acquired in business combinations and fair value of considerations received with regards of disposal of businesses (see Note 2);
- recognition and estimation of revenue (see Note 3);
- presentation of additional line items and subtotals in the income statement (see Note 4);
- identification of a lease and lease term (see Note 8);
- identification of cash generating units (CGUs) and estimation of recoverable amount for impairment tests (see Note 9);
- assessment of useful lives of intangible assets, including assessment as finite or indefinite (see Note 9);
- measurement of employee benefit obligations (see Note 10);
- recognition and measurement of provisions (see Note 11); and
- estimation of current and deferred taxes, including uncertain tax positions (see Note 13).

### Foreign currencies

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

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

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

Differences arising from the retranslation of opening net assets of foreign operations, together with differences arising from the translation of the net results for the year of foreign operations, are recognized in Other comprehensive income.

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

### **Hyperinflationary economies**

Several factors are considered when evaluating whether an economy is hyperinflationary, including the cumulative three-year inflation, and the degree to which the population's behaviors and government policies are consistent with such a condition.

The balance sheet and results of subsidiaries operating in hyperinflationary economies are restated for the changes in the general purchasing power of the local currency, using official indices at the balance sheet date, before translation into Swiss Francs and, as a result, are stated in terms of the measuring unit current at the balance sheet date. The hyperinflationary economies in which the Group operates are listed in Note 20.

### **Other revenue**

Other revenue are primarily sales-based royalties and license fees from third parties (including associates and joint ventures) which have been earned during the period.

### **Expenses**

Operating expenses are presented in the income statement using the function of expense method, as this is the method used by management to analyze performance and is commonly used in the consumer goods industry, and thus provides more relevant information.

Cost of goods sold is determined on the basis of the cost of purchase or of production (comprised of the costs of raw and packaging material, direct labor, energy, manufacturing overheads and depreciation of factory assets, which are allocated to products using activity-based drivers), adjusted for the variation of inventories. It includes the cost of royalties due to third-party licensors for the use of their intellectual property, which are accrued in accordance with the respective agreement. Cost of goods sold also includes amortization of intangible assets related to acquired licenses to sell products or to use technology, and as well as maintenance and depreciation of equipment used in the sales process like coffee machines and water coolers.

All other expenses, including those in respect of advertising and promotions, are recognized when the Group receives the risks and rewards of ownership of the goods or when it receives the services. Government grants that are not related to assets are credited to the income statement as a deduction of the related expense when they are received, if there is reasonable assurance that the terms of the grant will be met.

Distribution expenses encompass the costs of storing products and transporting products between factories, warehouses and customer locations. It includes the costs of outsourced transportation services, salaries and wages of drivers, warehouse employees and customer service staff, as well as depreciation and running costs of warehouses and related storage, transportation and handling equipment.

Marketing and administration expenses include the costs of advertising and consumer promotion activities, merchandising, sales teams and head office functions such as finance, human resources, legal, information technology, supply chain and general management. It is primarily comprised of salaries, depreciation and maintenance of real estate, and the costs of third-party services.

Additional details of research and development, other trading income and expenses and other operating income and expenses are provided in the respective Notes.

### **Changes in accounting standards**

Several amendments apply for the first time in 2022 including among others Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37), Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) and Fees in the “10 per cent” Test for Derecognition of Financial Liabilities (Amendment to IFRS 9). None of these had a material impact on the Group's Financial Statements.

### **Changes in IFRS that may affect the Group after December 31, 2022**

There are no standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods.

## 2. Scope of consolidation, acquisitions and disposals of businesses and acquisitions of non-controlling interests

### Scope of consolidation

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

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

Following the outbreak of the war in Ukraine in late February 2022, several countries imposed sanctions on Russia, Belarus and certain regions in Ukraine. These new circumstances strongly limited the freedom of Nestlé Russia Region businesses to operate. In accordance with the accounting policy described above, the Group has assessed and confirmed that the changes in the legal and operating environment of Russia and Ukraine have not impacted the ability to exercise control over the Group entities in these countries.

As part of the Consolidated Financial Statements, the list of the principal subsidiaries is provided in the section Companies of the Nestlé Group, joint arrangements and associates after Note 21.

### Business combinations

Where not all of the equity of a subsidiary is acquired the non-controlling interests are recognized at the non-controlling interest's share of the acquiree's net identifiable assets. Upon obtaining control in a business combination achieved in stages, the Group remeasures its previously held equity interest at fair value and recognizes a gain or a loss in the income statement.

### 2.1 Modification of the scope of consolidation

#### Acquisitions

In 2022, the significant acquisition was:

- Orgain, North America – nutritional health products (Nutrition and Health Science) – 51%, April.

Among several other non-significant acquisitions, in September Nestlé Health Science closed the acquisitions of Puravida in Brazil (a premium consumer health business) and The Better Health Company in New Zealand (a vitamins, minerals and supplements business).

In 2021, the significant acquisition was:

- Core brands and related business of The Bountiful Company, mainly North America – vitamins, minerals and nutritional supplements (Nutrition and Health Science) – 99.4%, early August.

Among several other non-significant acquisitions, in early March the Group acquired Essentia Water, a premium functional water brand (Water) and in early July Nuun, a functional hydration products brand (Nutrition and Health Science).

### Disposals

In 2022, there was no significant disposal.

Among several non-significant disposals, Freshly, a healthy prepared meals business has been contributed to a newly created associated company Sous Chef TopCo, L.P. (“Sous Chef”) over which Nestlé has significant influence (see Note 14), resulting in loss of control. Before the disposal, impairment charges have been recorded through the year, primarily in Other trading expenses (see Note 4.1).

In 2021, there was one significant disposal:

- Nestlé Waters North America, USA and Canada – regional spring water brands, purified water and beverage delivery service businesses (Water) – 100%, end of March.

## 2.2 Acquisitions of businesses

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

In millions of CHF

	2022			2021		
	Orgain	Other	Total	The Bountiful Company	Other	Total
Inventories	172	61	233	559	15	574
Other assets	36	100	136	288	41	329
Property, plant and equipment	3	63	66	313	40	353
Intangible assets <sup>(a)</sup>	623	209	832	2 820	486	3 306
Financial debt	(3)	(42)	(45)	(33)	(36)	(69)
Other liabilities	(63)	(52)	(115)	(269)	(34)	(303)
Deferred taxes	(40)	(16)	(56)	(710)	(41)	(751)
<b>Fair value of identifiable net assets/(liabilities)</b>	<b>728</b>	<b>323</b>	<b>1 051</b>	<b>2 968</b>	<b>471</b>	<b>3 439</b>

(a) Mainly intellectual property rights, customer lists, trademarks and trade names, composed of CHF 102 million (2021: CHF 581 million) of finite life, and of CHF 730 million (2021: CHF 2725 million) of indefinite life intangible assets.

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



2. Scope of consolidation, acquisitions and disposals of businesses and acquisitions of non-controlling interests

The goodwill arising on acquisitions and the cash outflow are:

In millions of CHF						
	2022			2021		
	Orgain	Other	Total	The Bountiful Company	Other	Total
Fair value of consideration transferred	896	825	1 721	5 410	1 038	6 448
Non-controlling interests	193	1	194	16	—	16
<b>Subtotal</b>	<b>1 089</b>	<b>826</b>	<b>1 915</b>	<b>5 426</b>	<b>1 038</b>	<b>6 464</b>
Fair value of identifiable net (assets)/liabilities	(728)	(323)	(1 051)	(2 968)	(471)	(3 439)
<b>Goodwill</b>	<b>361</b>	<b>503</b>	<b>864</b>	<b>2 458</b>	<b>567</b>	<b>3 025</b>

In millions of CHF						
	2022			2021		
	Orgain	Other	Total	The Bountiful Company	Other	Total
Fair value of consideration transferred	896	825	1 721	5 410	1 038	6 448
Cash and cash equivalents acquired	6	(15)	(9)	(37)	(5)	(42)
Consideration payable	—	(89)	(89)	(48)	(14)	(62)
Payment of consideration payable on prior years acquisitions	—	87	87	—	50	50
<b>Cash outflow on acquisitions</b>	<b>902</b>	<b>808</b>	<b>1 710</b>	<b>5 325</b>	<b>1 069</b>	<b>6 394</b>

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

### Orgain

On April 1, 2022, the Group purchased a majority stake in Orgain, a leader in plant-based nutrition, from founder Dr. Andrew Abraham and Butterfly Equity, who will continue to be minority share owners. The agreement includes options giving the right to Dr. Abraham and Butterfly Equity to sell their shares and an option for Nestlé Health Science to buy their shares, both based on the 12-month period ending June 2024 results. Orgain complements Nestlé Health Science's existing portfolio of nutrition products that support healthier lives. The goodwill arising on this acquisition includes synergies with existing Nestlé Health Science's organization and growth expansion in geography and in new channels of distribution for plant-based nutrition. It is expected to be deductible for tax purposes.

Sales of Orgain included in the 2022 Financial Statements amount to CHF 372 million. The Group's total sales would have amounted to CHF 94 543 million if the acquisition had been effective January 1, 2022. The contribution of Orgain to the profit of the Group is not significant.

### **The Bountiful Company**

On August 9, 2021, the Group acquired the core brands and related business of The Bountiful Company. The Bountiful Company is a pure-play leader in the growing global nutrition and supplement category. The transaction includes the brands *Nature's Bounty*, *Solgar*, *Osteo Bi-Flex* and *Puritan's Pride* as well as the company's US private label business. These brands will be integrated into Nestlé Health Science and will complement the existing health and nutrition portfolio in terms of brands. By combining The Bountiful Company's core assets together with Nestlé's science and innovation in health and nutrition, Nestlé is well placed to accelerate benefits in prevention and treatment solutions to consumers across the world. The goodwill arising on this acquisition includes elements such as creating a leading position in the area of vitamins, minerals, herbals and supplements (VMHS) and geographic growth potential. It is not expected to be deductible for tax purposes.

### **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 46 million (2021: CHF 55 million).

### 2.3 Disposals of businesses

There were no significant disposals of business during the year.

In 2021, the gain on disposal of businesses was mainly composed of the gain on disposal of the Nestlé Waters North America business (part of the Zone NA operating segment).

In millions of CHF

	2022			2021
	Total	Nestlé Waters North America	Other	Total
Cash, cash equivalents and short-term investments	12	57	2	59
Inventories	58	135	13	148
Trade and other receivables, prepayments and other assets	16	463	6	469
Deferred tax assets	11	—	3	3
Property, plant and equipment	175	1 985	23	2 008
Goodwill and intangible assets	333	811	3	814
Financial assets	—	257	—	257
Financial liabilities	(27)	(383)	(4)	(387)
Trade and other payables, accruals and other liabilities	(31)	(706)	(17)	(723)
Employee benefits and provisions	(14)	(242)	(37)	(279)
Deferred tax liabilities	—	(103)	—	(103)
Non-controlling interests	—	—	(9)	(9)
<b>Net assets disposed of</b>	<b>533</b>	<b>2 274</b>	<b>(17)</b>	<b>2 257</b>
Cumulative other comprehensive income items, net, reclassified to income statement	29	1 064	—	1 064
Profit/(loss) on disposals, net of disposal costs	(79)	196	39	235
<b>Total disposal consideration, net of disposal costs</b>	<b>483</b>	<b>3 534</b>	<b>22</b>	<b>3 556</b>
Cash and cash equivalents disposed of	(12)	(57)	—	(57)
Shares in associates <sup>(a)</sup>	(296)	—	(15)	(15)
Consideration receivable	(32)	(15)	—	(15)
Receipt of consideration receivable on prior years' disposals	17	—	61	61
<b>Cash inflow on disposals, net of disposal costs</b>	<b>160</b>	<b>3 462</b>	<b>68</b>	<b>3 530</b>

(a) In 2022, related to the fair value of the equity interest in Sous Chef received as part of the disposal of Freshly (see Notes 2.1 and 14), which was determined using a discounted cash flow methodology based on the forecasted business plans of entities held by Sous Chef (the combination of Freshly and Kettle Cuisine, see Notes 2.1 and 14).

## 2.4 Acquisitions of non-controlling interests

### Acquisitions and disposals of non-controlling interests

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

In 2022, there is no significant transaction with non-controlling interests.

In 2021, the Group increased its ownership interests in certain subsidiaries, primarily in the United States, leading to a decrease of non-controlling interests amounting to CHF 221 million. The consideration to non-controlling interests was in the form of cash of CHF 601 million and the recognition of a payable of CHF 446 million (settled in 2022). Part of the consideration was recorded as a liability in previous years for CHF 502 million. The equity attributable to shareholders of the parent was negatively impacted by CHF 324 million.

### 3. Analyses by segment

Nestlé is organized into five geographic Zones as well as Globally Managed Businesses. The Company manufactures and distributes food and beverage products in the following categories: powdered and liquid beverages, water, milk products and ice cream, infant nutrition, prepared dishes and cooking aids, confectionery and petcare. Nestlé also manufactures and distributes nutritional science products through its globally managed business Nestlé Health Science. The Group has factories in 77 countries and sales in 188 countries and employs around 275 000 people.

#### Segment reporting

##### Basis for segmentation

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

The CODM considers the business from both a geographic and product perspective, through geographic Zones as well as Globally Managed Businesses (GMB). Zones and GMBs that meet the quantitative threshold of 10% of total sales, trading operating profit or assets for all operating segments, are presented on a stand-alone basis as reportable segments. Even though it does not meet the reporting threshold, Nespresso is voluntarily reported separately considering its financial contribution to the Group.

As of January 1, 2022, following the creation of Zone North America (NA) and Zone Greater China (GC) the Group is organized into five Zones and two significant GMBs.

Therefore, the Group's reportable segments are:

- Zone North America (NA);
- Zone Europe (EUR);
- Zone Asia, Oceania and Africa (AOA);
- Zone Latin America (LATAM);
- Zone Greater China (GC);
- Nespresso; and
- Nestlé Health Science.

Other business activities and operating segments are combined and presented in Other businesses.

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

##### Revenue and results by segment

Segment results (Trading operating profit) represent the contribution of the different segments to central overheads, unallocated research and development costs and the trading operating profit of the Group. Specific corporate expenses are allocated to the corresponding segments. In addition to the Trading operating profit, Underlying Trading operating profit is shown on a voluntary basis because it is one of the key metrics used by Group Management to monitor the performance of the Group.

Depreciation and amortization include depreciation of property, plant and equipment (including right-of-use assets under leases) and amortization of intangible assets.

#### **Invested capital and other information by segment**

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

Invested capital comprises property, plant and equipment, trade receivables and some other receivables, assets held for sale, inventories, prepayments, less trade payables, accruals and some other payables, liabilities directly associated with assets held for sale and non-current other payables.

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

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

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

Capital additions represent the total cost incurred to acquire property, plant and equipment (including right-of-use assets under leases), intangible assets and goodwill, including those arising from business combinations.

#### **Unallocated items**

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

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

#### **Revenue**

Sales represent amounts received and receivable from third parties for goods supplied to the customers and for services rendered. Sales are recognized when control of the goods has transferred to the customer, which is mainly upon arrival at the customer.

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 using judgments based on historical experience and the specific terms of the agreements with the customers. Payments made to customers for commercial services received are expensed. The Group has a range of credit terms which are typically short term, in line with market practice and without any financing component.

### 3. Analyses by segment

The Group does not generally accept sales returns, except in limited cases mainly in the Infant Nutrition business. Historical experience is used to estimate such returns at the time of sale. No asset is recognized for products to be recoverable from these returns, as they are not anticipated to be resold.

Trade assets (mainly coffee machines and water coolers) 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.

Sales are disaggregated by product group and geography in Notes 3.2 and 3.4.

### 3.1 Operating segments

#### Revenue and results

In millions of CHF

							2022
	Sales <sup>(e)</sup>	Underlying Trading operating profit <sup>(b)</sup>	Trading operating profit	Net other trading income/(expenses) <sup>(c)</sup>	of which impairment of property, plant and equipment	of which restructuring costs	Depreciation and amortization
Zone NA	26 328	5 528	4 904	(624)	(82)	(43)	(713)
Zone EUR	19 128	3 138	2 719	(419)	(199)	(92)	(829)
Zone AOA	18 484	4 237	4 133	(104)	(26)	(44)	(566)
Zone LATAM	11 819	2 501	2 401	(100)	(16)	(11)	(366)
Zone GC	5 351	862	840	(22)	(12)	(15)	(179)
Nespresso	6 448	1 388	1 309	(79)	(24)	(7)	(290)
Nestlé Health Science	6 602	899	(596)	(1 495)	(41)	(42)	(287)
Other businesses <sup>(d)</sup>	264	(17)	(19)	(2)	(4)	—	(38)
Unallocated items <sup>(e)</sup>	—	(2 433)	(2 496)	(63)	1	(19)	(273)
<b>Total</b>	<b>94 424</b>	<b>16 103</b>	<b>13 195</b>	<b>(2 908)</b>	<b>(403)</b>	<b>(273)</b>	<b>(3 541)</b>

In millions of CHF

							2021 *
	Sales <sup>(a)</sup>	Underlying Trading operating profit <sup>(b)</sup>	Trading operating profit	Net other trading income/(expenses) <sup>(c)</sup>	of which impairment of property, plant and equipment	of which restructuring costs	Depreciation and amortization
Zone NA	23 693	4 804	4 548	(256)	(81)	(59)	(667)
Zone EUR	18 794	3 439	3 316	(123)	(31)	(134)	(824)
Zone AOA	17 894	4 288	3 399	(889)	(11)	(46)	(593)
Zone LATAM	10 086	2 208	2 053	(155)	(31)	(10)	(324)
Zone GC	5 175	700	(466)	(1 166)	(129)	(12)	(188)
Nespresso	6 418	1 475	1 456	(19)	1	(12)	(302)
Nestlé Health Science	4 822	654	628	(26)	—	(16)	(241)
Other businesses <sup>(d)</sup>	206	(32)	(121)	(89)	(16)	—	(36)
Unallocated items <sup>(e)</sup>	—	(2 417)	(2 654)	(237)	(46)	(22)	(265)
<b>Total</b>	<b>87 088</b>	<b>15 119</b>	<b>12 159</b>	<b>(2 960)</b>	<b>(344)</b>	<b>(311)</b>	<b>(3 440)</b>

\* 2021 figures restated following the creation of Zone North America (NA) and Zone Greater China (GC) as of January 1, 2022.  
Zone AOA includes Middle East and North Africa (MENA) previously included in Zone EMENA.

(a) Inter-segment sales are not significant.

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

(c) Included in Trading operating profit.

(d) Composed of businesses not under the direct control of the Zones or GMBs and Group procurement activities.

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



### 3. Analyses by segment

#### Invested capital and other information

In millions of CHF

					2022
	Invested capital	Goodwill and intangible assets	Impairment of goodwill and non-commercialized intangible assets (c)	Impairment of intangible assets (d)	Capital additions
Zone NA	8 218	19 870	(71)	(311)	2 272
Zone EUR	7 997	4 932	—	—	1 489
Zone AOA	5 188	7 677	—	—	930
Zone LATAM	5 185	1 962	—	—	805
Zone GC	572	1 725	—	—	207
Nespresso	1 616	600	—	(3)	520
Nestlé Health Science	2 825	14 060	(565)	(1 373)	1 795
Other businesses (a)	(1 175)	102	—	—	43
Unallocated items (b) and inter-segment eliminations	1 513	571	—	—	203
<b>Total</b>	<b>31 939</b>	<b>51 499</b>	<b>(636)</b>	<b>(1 687)</b>	<b>8 264</b>

In millions of CHF

					2021 *
	Invested capital	Goodwill and intangible assets	Impairment of goodwill and non-commercialized intangible assets (c)	Impairment of intangible assets (d)	Capital additions
Zone NA	6 945	20 392	—	(22)	2 319
Zone EUR	7 637	5 016	—	(21)	1 475
Zone AOA	4 569	8 306	—	(793)	866
Zone LATAM	4 128	1 886	—	(13)	687
Zone GC	476	1 865	(353)	(827)	261
Nespresso	1 039	606	—	—	445
Nestlé Health Science	1 889	14 439	(168)	—	6 594
Other businesses (a)	(1 047)	103	—	(73)	38
Unallocated items (b) and inter-segment eliminations	1 532	622	—	—	292
<b>Total</b>	<b>27 168</b>	<b>53 235</b>	<b>(521)</b>	<b>(1 749)</b>	<b>12 977</b>

\* 2021 figures restated following the creation of Zone North America (NA) and Zone Greater China (GC) as of January 1, 2022.  
Zone AOA includes Middle East and North Africa (MENA) previously included in Zone EMENA.

(a) Composed of businesses not under the direct control of the Zones or GMBs and Group procurement activities.

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

(c) Included in Operating profit.

(d) Included in Trading operating profit.

### 3.2 Products

#### Revenue and results

In millions of CHF

				2022		
	Sales	Underlying Trading operating profit <sup>(a)</sup>	Trading operating profit	Net other trading income/(expenses) <sup>(b)</sup>	of which impairment of property, plant and equipment	of which restructuring costs
Powdered and Liquid Beverages	25 218	5 593	5 358	(235)	(63)	(47)
Water	3 536	277	241	(36)	(8)	(21)
Milk products and Ice cream	11 289	2 568	2 508	(60)	(17)	(16)
Nutrition and Health Science	15 678	2 990	1 323	(1 667)	(62)	(68)
Prepared dishes and cooking aids	12 484	2 038	1 508	(530)	(101)	(57)
Confectionery	8 118	1 364	1 259	(105)	(42)	(14)
PetCare	18 101	3 706	3 494	(212)	(111)	(31)
Unallocated items <sup>(c)</sup>	—	(2 433)	(2 496)	(63)	1	(19)
<b>Total</b>	<b>94 424</b>	<b>16 103</b>	<b>13 195</b>	<b>(2 908)</b>	<b>(403)</b>	<b>(273)</b>

In millions of CHF

				2021 *		
	Sales	Underlying Trading operating profit <sup>(a)</sup>	Trading operating profit	Net other trading income/(expenses) <sup>(b)</sup>	of which impairment of property, plant and equipment	of which restructuring costs
Powdered and Liquid Beverages	23 975	5 631	5 406	(225)	(46)	(60)
Water	4 040	364	257	(107)	(8)	(57)
Milk products and Ice cream	10 700	2 707	2 642	(65)	—	(20)
Nutrition and Health Science	13 157	2 307	243	(2 064)	(134)	(54)
Prepared dishes and cooking aids	12 146	2 040	1 931	(109)	(78)	(43)
Confectionery	7 514	1 205	1 093	(112)	(22)	(45)
PetCare	15 556	3 282	3 241	(41)	(10)	(10)
Unallocated items <sup>(c)</sup>	—	(2 417)	(2 654)	(237)	(46)	(22)
<b>Total</b>	<b>87 088</b>	<b>15 119</b>	<b>12 159</b>	<b>(2 960)</b>	<b>(344)</b>	<b>(311)</b>

\* The new Zones' organization as of January 1, 2022 had no impact on the information by product.

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

(b) Included in Trading operating profit.

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

### 3. Analyses by segment

#### Invested capital and other information

In millions of CHF

		2022		
	Invested capital	Goodwill and intangible assets	Impairment of goodwill and non-commercialized intangible assets (b)	Impairment of intangible assets (c)
Powdered and Liquid Beverages	6 377	7 016	—	(3)
Water	1 455	1 093	—	—
Milk products and Ice cream	2 834	1 050	—	—
Nutrition and Health Science	5 906	26 075	(565)	(1 373)
Prepared dishes and cooking aids	2 943	6 258	(71)	(311)
Confectionery	2 431	757	—	—
PetCare	7 354	9 759	—	—
Unallocated items (a) and intra-group eliminations	1 700	1 836	—	—
<b>Total</b>	<b>31 000</b>	<b>53 844</b>	<b>(636)</b>	<b>(1 687)</b>

In millions of CHF

		2021 *		
	Invested capital	Goodwill and intangible assets	Impairment of goodwill and non-commercialized intangible assets (b)	Impairment of intangible assets (c)
Powdered and Liquid Beverages	5 549	7 174	—	(116)
Water	1 745	1 156	—	—
Milk products and Ice cream	2 526	904	—	(8)
Nutrition and Health Science	5 122	24 035	(521)	(1 616)
Prepared dishes and cooking aids	2 665	6 325	—	(3)
Confectionery	2 540	753	—	(6)
PetCare	5 714	9 690	—	—
Unallocated items (a) and intra-group eliminations	1 623	1 929	—	—
<b>Total</b>	<b>27 484</b>	<b>51 966</b>	<b>(521)</b>	<b>(1 749)</b>

\* The new Zones' organization as of January 1, 2022 had no impact on the information by product.

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

(b) Included in Operating profit.

(c) Included in Trading operating profit.

### 3.3a Reconciliation from Underlying Trading operating profit to Profit before taxes, associates and joint ventures

In millions of CHF		
	2022	2021
<b>Underlying Trading operating profit <sup>(a)</sup> as per Note 3.1</b>	<b>16 103</b>	<b>15 119</b>
Net other trading income/(expenses) as per Note 4.1	(2 908)	(2 960)
<b>Trading operating profit as per Note 3.1</b>	<b>13 195</b>	<b>12 159</b>
Impairment of goodwill and non-commercialized intangible assets	(636)	(521)
Net other operating income/(expenses) excluding impairment of goodwill and non-commercialized intangible assets	(233)	41
<b>Operating profit</b>	<b>12 326</b>	<b>11 679</b>
Net financial income/(expense)	(1 040)	(873)
<b>Profit before taxes, associates and joint ventures</b>	<b>11 286</b>	<b>10 806</b>

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

### 3.3b Reconciliation from invested capital and goodwill and intangible assets to total assets

In millions of CHF		
	2022	2021
Invested capital as per Note 3.1	31 939	27 168
Liabilities included in invested capital	24 977	24 931
<b>Subtotal</b>	<b>56 916</b>	<b>52 099</b>
Intangible assets and goodwill as per Note 3.1	51 499	53 235
Other assets	26 767	33 808
<b>Total assets</b>	<b>135 182</b>	<b>139 142</b>

**3.4 Disaggregation of sales by geographic area (country and type of market)**

The Group disaggregates revenue from the sale of goods by major product group as shown in Note 3.2. Disaggregation of sales by geographic area is based on customer location and is therefore not a view by management responsibility as disclosed by operating segments in Note 3.1.

In millions of CHF

	2022	2021
<b>NA</b>	<b>33 000</b>	<b>28 636</b>
United States	30 314	26 260
Canada	2 686	2 376
<b>EUR</b>	<b>22 291</b>	<b>22 228</b>
France	3 558	3 804
United Kingdom	3 409	3 405
Germany	2 316	2 442
Rest of EUR	13 008	12 577
of which Switzerland	1 109	1 137
<b>AOA</b>	<b>20 967</b>	<b>20 217</b>
Philippines	2 667	2 656
India	1 960	1 737
Australia	1 510	1 484
Rest of AOA	14 830	14 340
<b>LATAM</b>	<b>12 323</b>	<b>10 449</b>
Brazil	3 756	2 925
Mexico	3 457	2 962
Chile	1 302	1 280
Rest of LATAM	3 808	3 282
<b>GC</b>	<b>5 843</b>	<b>5 558</b>
Greater China	5 843	5 558
<b>Total sales</b>	<b>94 424</b>	<b>87 088</b>
of which developed markets	55 112	51 209
of which emerging markets	39 312	35 879

### 3.5 Geography

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

The analysis of sales is stated by customer location.

Non-current assets relate to property, plant and equipment (including right-of-use assets under leases), intangible assets and goodwill. Property, plant and equipment and intangible assets are attributed to the country of their legal owner. Goodwill is attributed to the countries generating the cash flows supporting the goodwill (see Note 9.1.2).

In millions of CHF

	2022		2021	
	Sales	Non-current assets	Sales	Non-current assets
United States	30 314	31 630	26 260	33 287
Switzerland	1 109	18 006	1 137	20 023
Rest of the world	63 001	32 004	59 691	28 270
<b>Total</b>	<b>94 424</b>	<b>81 640</b>	<b>87 088</b>	<b>81 580</b>

### 3.6 Customers

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

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

### Other trading income/(expenses)

These comprise restructuring costs, impairment of property, plant and equipment and intangible assets (other than goodwill and non-commercialized intangible assets), litigations and onerous contracts, results on disposal of property, plant and equipment, and specific other income and expenses that fall within the control of operating segments.

Restructuring costs are restricted to dismissal indemnities and employee benefits paid to terminated employees upon the reorganization of a business or function.

### Other operating income/(expenses)

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

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

##### 4.1 Net other trading income/(expenses)

In millions of CHF

	Notes	2022	2021
<b>Other trading income</b>		<b>107</b>	<b>171</b>
Restructuring costs		(273)	(311)
Impairment of property, plant and equipment <sup>(a)</sup> and intangible assets <sup>(b)/(c)</sup>	8/9	(2 090)	(2 093)
Litigations and onerous contracts <sup>(d)</sup>		(400)	(561)
Miscellaneous trading expenses		(252)	(166)
<b>Other trading expenses <sup>(e)</sup></b>		<b>(3 015)</b>	<b>(3 131)</b>
<b>Total net other trading income/(expenses)</b>		<b>(2 908)</b>	<b>(2 960)</b>

(a) Including impairment and/or reversal of impairment of assets held for sale.

(b) Excluding impairment of non-commercialized intangible assets.

(c) In 2022, including mainly:

i) CHF 1373 million related to Palforzia (see Note 9.1) – Nestlé Health Science operating segment; and

ii) CHF 311 million related to the Freshly's brand before disposal (see Notes 2.1 and 14) – Zone NA operating segment.

(d) In 2021, including contract termination related to the restructuring of the Wyeth business.

(e) In 2022, the outbreak of the war in Ukraine in late February 2022 (see Note 2) impacted Other trading expenses as follows:

i) CHF 106 million impairment of property, plant and equipment (Zone EUR and Nespresso operating segments), mainly related to assets under construction which would not be completed, points of sale which have been closed, and other assets where there were indicators of impairment;

ii) CHF 54 million of various claims and onerous contracts; and

iii) CHF 67 million of miscellaneous trading expenses.

##### 4.2 Net other operating income/(expenses)

In millions of CHF

	Notes	2022	2021
Profit on disposal of businesses	2	20	257
Miscellaneous operating income <sup>(a)</sup>		320	441
<b>Other operating income</b>		<b>340</b>	<b>698</b>
Loss on disposal of businesses	2	(99)	(22)
Impairment of goodwill and non-commercialized intangible assets <sup>(b)</sup>	9	(636)	(521)
Miscellaneous operating expenses <sup>(c)</sup>		(474)	(635)
<b>Other operating expenses</b>		<b>(1 209)</b>	<b>(1 178)</b>
<b>Total net other operating income/(expenses)</b>		<b>(869)</b>	<b>(480)</b>

(a) In 2022, including CHF 136 million of hyperinflation adjustments.

In 2021, including the reassessment of CHF 264 million of a contingent consideration liability related to a business combination.

(b) In 2022, mainly includes CHF 553 million related to Palforzia's non-commercialized intangibles assets (see Note 9.1).

(c) Miscellaneous operating expenses include among other expenses of transitional services provided to disposed businesses and natural disasters, particularly in 2021 with costs related to COVID-19 of around CHF 100 million, primarily safety related costs (gloves, masks, cleaning and sanitizing, screening and vaccines among others). COVID-19 costs are part of the underlying trading profit in 2022.

In 2021, profit on disposal of businesses mainly related to the result of disposal of the Nestlé Waters North America business of CHF 196 million (see Note 2.3).

## 5. Net financial income/(expense)

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

Net financing cost comprises the interest income earned on cash and cash equivalents and short-term investments, as well as the interest expense on financial debt (including leases), collectively termed “net financial debt” (see Note 16.5). These headings also include other income and expense such as exchange differences on net financial debt and results on related foreign currency and interest rate hedging instruments. Certain borrowing costs are capitalized as explained under the section on Property, plant and equipment (see Note 8).

In millions of CHF

	Notes	2022	2021
Interest income		140	42
Interest expense		(1 124)	(815)
<b>Net financing cost of net financial debt</b>		<b>(984)</b>	<b>(773)</b>
Interest income on defined benefit plans		70	38
Interest expense on defined benefit plans		(125)	(136)
<b>Net interest income/(expense) on defined benefit plans</b>	10	<b>(55)</b>	<b>(98)</b>
Other financial income/(expense)		(1)	(2)
<b>Net financial income/(expense)</b>		<b>(1 040)</b>	<b>(873)</b>



## 6. Inventories

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

In millions of CHF

	2022	2021
Raw materials, work in progress and sundry supplies	7 529	5 789
Finished goods	7 818	6 467
Allowance for write-down to net realizable value	(328)	(274)
	<b>15 019</b>	<b>11 982</b>

Inventories amounting to CHF 294 million (2021: CHF 302 million) are pledged as security for financial liabilities.

Inventories amounting to CHF 49 889 million (2021: CHF 43 924 million) were recognized as an expense during the year and included in Cost of goods sold.

## 7. Trade and other receivables/payables

### 7.1 Trade and other receivables

#### Recognition and measurement

Trade and other receivables are recognized initially at their transaction price and subsequently measured at amortized cost less loss allowances. Other receivables are comprised mainly of receivables for indirect taxes.

#### Expected credit losses

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECLs) for trade receivables at an amount equal to lifetime ECLs. The ECLs on trade receivables are calculated based on actual credit loss experience over the preceding three to five years on the total balance of non-credit impaired trade receivables, adjusted considering forward-looking information where relevant (such as a significant deterioration in the economic environment). The Group's credit loss experience has shown that aging of receivable balances is primarily due to negotiations about variable consideration.

The Group considers a trade receivable to be credit impaired when one or more detrimental events have occurred such as:

- significant financial difficulty of the customer; or
- it is becoming probable that the customer will enter bankruptcy or other financial reorganization.

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

## 7. Trade and other receivables/payables

In millions of CHF

	2022			2021		
	Gross carrying amount	Expected credit loss allowance	Total	Gross carrying amount	Expected credit loss allowance	Total
Trade receivables (not credit impaired)	8 884	(89)	8 795	8 639	(75)	8 564
Other receivables (not credit impaired)	2 294	(9)	2 285	2 600	(17)	2 583
Credit impaired trade and other receivables	247	(211)	36	192	(184)	8
<b>Total</b>	<b>11 425</b>	<b>(309)</b>	<b>11 116</b>	<b>11 431</b>	<b>(276)</b>	<b>11 155</b>

The five major customers represent 15% (2021: 13%) of trade and other receivables, none of them individually exceeding 8% (2021: 7%).

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

### 7.2 Trade and other payables by type

#### Recognition and measurement

Trade and other payables are recognized initially at their transaction price and subsequently measured at amortized cost.

#### Supplier finance arrangements

The Group participates in supplier finance arrangements under which suppliers may elect to receive early payment from financial institutions by factoring their receivables from the Group. The arrangements avoid concentration of liquidity risk, since the due dates of the payments by the Group are based on the agreed trade terms with the suppliers, are compliant with the applicable regulations and remain consistent with the normal operating cycle of its business.

The Group continues to present invoices eligible to be settled through these programs as Trade payables considering that the original liability is neither legally released nor substantially modified on entering into such arrangements. Related payments are included within operating cash flows because they remain operational in nature.

In millions of CHF

	2022	2021
<b>Due within one year</b>		
Trade payables	15 798	15 625
Social security and sundry taxes and levies	1 766	1 872
Other payables	2 959	3 410
	<b>20 523</b>	<b>20 907</b>

## 8. Property, plant and equipment

Property, plant and equipment comprise owned and leased assets.

In millions of CHF

	Notes	2022	2021
Property, plant and equipment – owned	8.1	27 540	25 639
Right-of-use assets – leased	8.2b	2 601	2 706
		<b>30 141</b>	<b>28 345</b>

### 8.1 Owned assets

Owned property, plant and equipment are shown on the balance sheet at their historical cost.

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

Buildings	20–40 years
Machinery and equipment	10–25 years
Tools, furniture, information technology and sundry equipment	3–15 years
Vehicles	3–10 years

Land is not depreciated.

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

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

Borrowing costs incurred during the course of construction are capitalized if the assets under construction are significant and if their construction requires a substantial period to complete (typically more than one year). The capitalization rate is determined on the basis of the short-term borrowing rate for the period of construction.

Government grants are recognized as deferred income which is released to the income statement over the useful life of the related assets.

## 8. Property, plant and equipment

In millions of CHF

	Land and buildings	Machinery and equipment	Tools, furniture and other equipment	Vehicles	Assets under construction and advance payments	Total
<b>Net carrying amount</b>						
<b>At January 1, 2022</b>	8 981	10 231	1 631	92	4 704	25 639
Additions <sup>(a)</sup>	293	666	439	15	4 041	5 454
Acquisitions through business combinations	11	27	9	—	4	51
Reclassification from assets under construction	548	1 289	270	3	(2 110)	—
Depreciation	(435)	(1 400)	(593)	(22)	—	(2 450)
Impairments	(97)	(216)	(16)	(1)	—	(330)
Disposals	(29)	(34)	(20)	(1)	(1)	(85)
Classification (to)/from held for sale and disposals of businesses	(106)	(99)	(1)	—	(3)	(209)
Currency retranslations and others	(123)	(295)	(20)	16	(108)	(530)
<b>At December 31, 2022</b>	<b>9 043</b>	<b>10 169</b>	<b>1 699</b>	<b>102</b>	<b>6 527</b>	<b>27 540</b>
Gross value	15 117	27 852	6 750	313	6 527	56 559
Accumulated depreciation and impairments	(6 074)	(17 683)	(5 051)	(211)	—	(29 019)
<b>Net carrying amount</b>						
<b>At January 1, 2021</b>	8 538	9 738	1 583	86	3 285	23 230
Additions <sup>(a)</sup>	394	776	432	15	3 445	5 062
Acquisitions through business combinations	164	73	23	1	41	302
Reclassification from assets under construction	471	1 281	248	14	(2 014)	—
Depreciation	(411)	(1 360)	(597)	(26)	—	(2 394)
Impairments	(117)	(137)	(23)	(3)	—	(280)
Disposals	(23)	(30)	(21)	(1)	(1)	(76)
Classification (to)/from held for sale and disposals of businesses	(35)	(21)	3	3	(1)	(51)
Currency retranslations and others	—	(89)	(17)	3	(51)	(154)
<b>At December 31, 2021</b>	<b>8 981</b>	<b>10 231</b>	<b>1 631</b>	<b>92</b>	<b>4 704</b>	<b>25 639</b>
Gross value	14 954	27 412	6 637	314	4 704	54 021
Accumulated depreciation and impairments	(5 973)	(17 181)	(5 006)	(222)	—	(28 382)

(a) Including borrowing costs.

At December 31, 2022, net property, plant and equipment of CHF 118 million are pledged as security for financial liabilities (2021: CHF 156 million).

At December 31, 2022, the Group was committed to expenditure amounting to CHF 3326 million (2021: CHF 2270 million).

### **Impairment of property, plant and equipment**

Reviews of the carrying amount of the Group's property, plant and equipment are performed when there is an indication of impairment. An indicator could be technological obsolescence, unfavorable development of a business under competitive pressures or severe economic slowdown in a given market as well as reorganization of the operations to leverage their scale. Planned retirement of property, plant and equipment due to a transition to a low carbon economy, Nestlé's commitments regarding recyclable or reusable packaging, reduction of virgin plastic and Nestlé's Net Zero Roadmap on greenhouse gas emissions are also considered as triggers for impairment.

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

Impairment of property, plant and equipment arises mainly from the plans to optimize industrial manufacturing capacities by closing or selling inefficient production facilities, underperforming businesses and related to the war in Ukraine (see Note 2 and Note 4.1). As the majority of Nestlé emissions are classified in Scope 3 (i. e. indirect emissions that occur across the Nestlé's value chain and outside of the Nestlé's direct control), property, plant and equipment are not materially exposed to climate transition risks, and no other significant climate-related triggers for impairment have been identified.

## **8.2 Leases – Group as a lessee**

The Group assesses whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgment 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 recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date, except for short-term leases of 12 months or less which are expensed in the income statement on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses an incremental borrowing rate specific to the country, term and currency of the contract. Lease payments can include fixed payments; variable payments that depend on an index or rate known at the commencement date; and extension option payments or purchase options which the Group is reasonably certain to exercise. The lease liability is subsequently measured at amortized cost using the effective interest rate method and remeasured (with a corresponding adjustment to the related ROU asset) when there is a change in future lease payments in case of renegotiation, changes of an index or rate or in case of reassessment of options.

At inception, the ROU asset comprises the initial lease liability, initial direct costs and the obligations to refurbish the asset, less any incentives granted by the lessors. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator for impairment, as for owned assets.

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.

### 8.2a Description of lease activities

#### Real estate leases

The Group leases land and buildings for its office and warehouse space and retail stores. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are typically made for a fixed period of 5–15 years and may include extension options which provide operational flexibility. If the Group exercised all extension options not currently included in the lease liability, the additional payments would amount to CHF 1.0 billion (undiscounted) at December 31, 2022.

#### Vehicles leases

The Group leases trucks for distribution in specific businesses and cars for management and sales functions. The average contract duration is 6 years for trucks and 3 years for cars.

#### Other leases

The Group also leases Machinery and equipment and Tools, furniture and other equipment that combined are insignificant to the total leased asset portfolio.

### 8.2b Right-of-use assets

In millions of CHF

	Land and buildings	Vehicles	Other	Total
<b>Net carrying amount</b>				
<b>At January 1, 2022</b>	2 307	169	230	<b>2 706</b>
Additions	612	78	92	<b>782</b>
Depreciation	(476)	(86)	(85)	<b>(647)</b>
Impairments	(76)	—	—	<b>(76)</b>
Classification (to)/from held for sale and change of scope of consolidation, net	(3)	—	1	<b>(2)</b>
Currency retranslations and others <sup>(a)</sup>	(161)	(9)	8	<b>(162)</b>
<b>At December 31, 2022</b>	<b>2 203</b>	<b>152</b>	<b>246</b>	<b>2 601</b>
<b>Net carrying amount</b>				
<b>At January 1, 2021</b>	2 264	186	160	<b>2 610</b>
Additions	532	89	149	<b>770</b>
Depreciation	(487)	(95)	(80)	<b>(662)</b>
Impairments	(56)	—	—	<b>(56)</b>
Classification (to)/from held for sale and change of scope of consolidation, net	37	(4)	2	<b>35</b>
Currency retranslations and others	17	(7)	(1)	<b>9</b>
<b>At December 31, 2021</b>	<b>2 307</b>	<b>169</b>	<b>230</b>	<b>2 706</b>

(a) Including CHF 101 million of derecognition of right-of-use assets that are being sub-leased.

### 8.2c Other lease disclosures

A maturity analysis of lease liabilities is shown in Note 12.2b.

The Group incurred interest expense on lease liabilities of CHF 72 million (2021: CHF 66 million). The expense relating to short-term leases and variable lease payments not included in the measurement of lease liabilities is not significant. The total cash outflow for leases amounted to CHF 877 million (2021: CHF 879 million).

There are no significant lease commitments for leases not commenced at year-end.

## 9. Goodwill and intangible assets

### Goodwill

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

### Intangible assets

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

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

Non-commercialized intangible assets are not amortized, but tested for impairment (see Impairment of goodwill and intangible assets below). Any impairment charge is recorded in the consolidated income statement under Other operating expenses. They are reclassified as commercialized intangible assets once development is complete, usually when approval for sales has been granted by the relevant regulatory authority.

Commercialized indefinite life intangible assets mainly comprise certain brands, trademarks, operating rights and intellectual property rights which can be renewed without significant cost and are supported by ongoing marketing activities. They are not amortized but tested for impairment annually or more frequently if an impairment indicator is present. Any impairment charge is recorded in the consolidated income statement under Other trading expenses. The assessment of the classification of intangible assets as indefinite is reviewed annually.

Finite life intangible assets are amortized over the shorter of their contractual or useful economic lives. They comprise mainly management information systems, and commercialized patents and rights to carry on an activity (e.g. exclusive rights to sell products or to perform a supply activity). They are amortized assuming a zero residual value on a straight-line basis. Useful lives are as follows: management information systems over 3 to 8 years; other finite intangible assets over shorter of the estimated useful life or the related contractual period, from 5 to 25 years. Useful lives and residual values are reviewed annually. Amortization of finite life intangible assets starts when they are available for use and is allocated to the appropriate headings of expenses by function in the income statement. Any impairment charge is recorded in the consolidated income statement under Other trading expenses.

### **Research and development**

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

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



9. Goodwill and intangible assets

In millions of CHF

	Goodwill	Brands and intellectual property rights	Operating rights and others	Management information systems	Total intangible assets	of which internally generated
<b>Net carrying amount</b>						
At January 1, 2022	31 012	15 199	5 981	1 043	22 223	948
Expenditure	—	30	8	228	266	211
Acquisitions through business combinations	864	731	96	5	832	3
Amortization	—	(47)	(93)	(304)	(444)	(270)
Impairments <sup>(a)</sup>	(71)	(2 238)	(13)	(1)	(2 252)	—
Disposals	—	—	—	—	—	—
Classification (to)/from held for sale and disposals of businesses	(22)	(299)	(6)	(6)	(311)	—
Currency retranslations	(521)	(98)	24	(3)	(77)	(3)
<b>At December 31, 2022</b>	<b>31 262</b>	<b>13 278</b>	<b>5 997</b>	<b>962</b>	<b>20 237</b>	<b>889</b>
of which indefinite useful life <sup>(b)</sup>	—	13 002	4 428	—	17 430	—
of which non-commercialized intangible assets	—	56	198	—	254	—
<b>At December 31, 2022</b>						
Gross value	34 926	17 213	6 654	5 240	29 107	4 869
Accumulated amortization and impairments	(3 664)	(3 935)	(657)	(4 278)	(8 870)	(3 980)
<b>Net carrying amount</b>						
At January 1, 2021	27 620	13 778	5 326	1 044	20 148	949
Expenditure	—	3	206	252	461	232
Acquisitions through business combinations	3 025	2 756	530	20	3 306	—
Amortization	—	(42)	(69)	(273)	(384)	(243)
Impairments <sup>(a)</sup>	(353)	(1 743)	(172)	(2)	(1 917)	(2)
Disposals	—	—	—	(1)	(1)	(1)
Classification (to)/from held for sale and disposals of businesses	(67)	—	(1)	(1)	(2)	—
Currency retranslations	787	447	161	4	612	13
<b>At December 31, 2021</b>	<b>31 012</b>	<b>15 199</b>	<b>5 981</b>	<b>1 043</b>	<b>22 223</b>	<b>948</b>
of which indefinite useful life <sup>(b)</sup>	—	13 589	4 415	—	18 004	—
of which non-commercialized intangible assets	—	566	209	—	775	—
<b>At December 31, 2021</b>						
Gross value	34 830	17 038	6 555	5 089	28 682	4 687
Accumulated amortization and impairments	(3 818)	(1 839)	(574)	(4 046)	(6 459)	(3 739)

(a) In 2022, total impairment of intangible assets of CHF 2252 million includes CHF 1926 million related to *Palforzia's* intangible assets (see Note 9.1.1) including CHF 553 million of non-commercialized intangible assets and CHF 311 million related to Freshly brand before disposal (see Note 2.1).

In 2021, total impairment of goodwill of CHF 353 million relates to the Nutrition CGU in Greater China (see Note 9.1.1) and total impairment of intangible assets of CHF 1917 million includes CHF 1613 million related to the Wyeth brands impairment (see Note 9.1.1) and CHF 168 million of non-commercialized intangible assets.

(b) Of which CHF 4412 million (2021: CHF 4397 million) are perpetual rights to market, sell and distribute certain Starbucks' consumer and food service products globally, classified under the caption Operating rights and others.

In addition to the above, the Group has entered into long-term agreements to in-license or acquire intellectual property or operating rights from third parties or related parties. If agreed objectives or performance targets are achieved, these agreements would require potential milestone payments and other payments by the Group, which may be capitalized as intangible assets (see accounting policy in Note 9 – Intangible assets).

As of December 31, 2022, the Group's committed payments (undiscounted and not risk-adjusted) and their estimated timing are:

In millions of CHF

	2022			2021		
	Unconditional commitments	Potential milestone payments	Total	Unconditional commitments	Potential milestone payments	Total
Within one year	—	168	168	—	102	102
In the second year	—	69	69	—	229	229
In the third and fourth year	—	70	70	—	196	196
Thereafter	—	1 112	1 112	—	816	816
<b>Total</b>	—	<b>1 419</b>	<b>1 419</b>	—	<b>1 343</b>	<b>1 343</b>
of which related parties	—	—	—	—	47	47

#### Impairment of goodwill and intangible assets (including non-commercialized intangible assets)

Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment at least annually and when there is an indication of impairment. Finite life intangible assets are tested when there is an indication of impairment.

The annual impairment tests are performed at the same time each year and at the cash generating unit (CGU) level. The Group defines its groups of CGUs for goodwill impairment testing based on the way that it monitors and derives economic benefits from the acquired goodwill. The CGUs are generally defined at the level of the product category per Zone, or at the level of the GMB if the products are managed on a global basis.

For indefinite life intangible assets, the Group performs the test at the level of the smallest identifiable assets or group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Finally, non-commercialized intangible assets are tested at the level of the intangible asset itself.

The impairment tests are performed by comparing the carrying value of the assets of these CGUs with their recoverable amount, usually based on their fair value less costs of disposal, but occasionally on their value in use.

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

## 9.1 Impairment

### 9.1.1 Impairment charge during the year

The 2022 impairment charge on intangible assets and goodwill mainly relates to the impairment of *Palforzia*'s intangible assets composed of intellectual property rights, trademarks and trade names and non-commercialized intangibles (operating segment Nestlé Health Science) and other various non-significant impairments of intangible assets and goodwill (predominantly in Zone NA operating segment, which relates to Freshly's brand, see Notes 2.1 and 14).

Slower than expected adoption by patients and healthcare professionals has impacted the penetration of the United States market for *Palforzia*, the peanut allergy treatment that was acquired in 2020 under the Aimmune Therapeutics acquisition. Considering this situation, the Group announced in the second half of the year that it had decided to explore strategic options for *Palforzia* and decided to cease investments in further developments of non-commercialized intangibles. As a result, an impairment charge of CHF 1.6 billion was recorded in the second half of the year for Brand and intellectual property rights based on a fair value less costs of disposal valuation. Before this change of strategy, an impairment charge of CHF 0.3 billion had been recognized in the first half of the year under Impairment of intangible assets on the intellectual property rights after revisions to projected cash flows considering the business performance since acquisition. Impairments for *Palforzia* were recognized under the heading Other trading expenses (see Note 4.1) for the patents and brand, and under the heading Other operating expenses (see Note 4.2) for non-commercialized intangible assets (capitalized cost of trials prior to granting of approval by the relevant authorities).

In 2021, the impairment charge on intangible assets and goodwill (see Note 4) mainly related to the Nutrition business in Zone AOA and Zone GC as well as the Wyeth brands, and to other various non-significant impairments of intangible assets (predominantly in Nestlé Health Science and in Other businesses).

Due to the presence of indicators of impairment, impairment tests of the Wyeth brands, the Nutrition CGU in Greater China, and the Nutrition CGU in Zone AOA (excluding Greater China) were concluded during the 2021 year-end closing. Those tests were based on updated financial projections prepared by the Nutrition management during the second half of 2021. Determination of the recoverable amount incorporated certain key assumptions, some of which were subject to considerable uncertainty. These assumptions included, but were not limited to: birth rates in China and the rest of Zone AOA, the regulatory environment for infant nutrition in China, commercial success of new product launches, the duration of the COVID-19 pandemic and related economic and social impacts.

Impairments in 2021 were recognized under the heading Other trading expenses (see Note 4.1) for the Wyeth brands, and under the heading Other operating expenses (see Note 4.2) for the goodwill in the Nutrition Greater China CGU. These were based on a determination of the fair value less costs of disposal (see Note 9.1.2), as follows:

	Wyeth brands	Nutrition Greater China CGU
<b>Key assumptions</b>		
Sales growth	Low single digit	Flat
Margin evolution	Moderate improvement	Moderate improvement
Terminal growth rate	1.3%	0.3%
Discount rate	7.9%	7.3%
<b>Financial impact (in millions of CHF)</b>		
Impairment	1 613	353
Recoverable amount after impairment	2 641	1 548

Except for the impairment of the Wyeth brands, the goodwill in Greater China and an impairment of Property, plant and equipment (refer to Note 4.1), there was no other significant impairment in 2021 of the carrying amounts of other assets related to the Nutrition business. The Goodwill and intangible assets were included in the Zone AOA and Zone GC operating segments.

### 9.1.2 Annual impairment tests

Goodwill impairment reviews have been conducted for more than 30 Cash Generating Units (CGU). Impairment reviews on intangible assets with indefinite useful life ("IAIUL") were performed at the level of the smallest identifiable assets or group of assets. The impairment reviews have been performed considering the impact of sanctions and the company's portfolio adjustment following the outbreak of the war in Ukraine in late February 2022 (see Note 2). The reviews of intangible assets and goodwill CGUs did not result in a need for impairment for CGUs with Russian operations.

The following table sets out the key assumptions for CGUs that have significant Goodwill or IAIUL allocated to them. With the overall increase in risk-free rates in the second half of the year and as the annual impairment tests are usually performed in the first half of the year, the Group assessed whether the resulting increase in discount rates represented an impairment indicator. For the CGUs that were not sensitive to the increase in discount rates, the annual impairment tests were not re-opened in the second half of the year. Only impairment tests of sensitive CGUs or CGUs impacted by significant business acquisition activities were reviewed in the second half of the year based on the increased interest rates. The assumptions presented below are based on the most recent full impairment test performed either in the first or second half of the year.

9. Goodwill and intangible assets

	Goodwill carrying amount (a)	IAIUL carrying amount (a)	Period of cash flow projections	Average annual sales growth	Annual margin evolution	Terminal growth rate	Discount rate
<b>2022 (b)</b>							
<b>CGU</b>							
PetCare Zone NA	7 003	222	5 years	6.3%	Stable	2.0%	5.9%
Nutrition Zone AOA	5 207	1 185	5 years	2.4%	Stable	3.0%	10.9%
Food Zone NA	2 914	1 621	5 years	3.9%	Stable	2.0%	5.9%
Nestlé Health Science	6 427	5 917	5 years	6.6%	Improvement	2.7%	6.9%
Beverages Zone NA	947	4 006	5 years	4.7%	Stable	2.0%	5.9%
<b>Subtotal</b>	<b>22 498</b>	<b>12 951</b>					
Other CGUs	8 764	4 479					
<b>Total</b>	<b>31 262</b>	<b>17 430</b>					
<b>2021</b>							
<b>CGU</b>							
PetCare Zone AMS	7 311	220	5 years	6.3%	Stable	1.6%	5.6%
Nutrition Zone AOA (excluding Greater China)	5 355	1 258	5 years	3.8%	Stable	2.3%	9.3%
Food Zone AMS	3 350	2 189	5 years	7.0%	Stable	1.8%	6.2%
Nestlé Health Science	5 699	5 711	5 years	9.5%	Improvement	2.5%	6.3%
Beverages Zone AMS	1 150	4 071	5 years	3.3%	Stable	1.9%	6.2%
<b>Subtotal</b>	<b>22 865</b>	<b>13 449</b>					
Other CGUs	8 147	4 555					
<b>Total</b>	<b>31 012</b>	<b>18 004</b>					

(a) In millions of CHF

(b) As of January 1, 2022, the Group is organized into five Zones and two significant GMBs (see Note 3). As a result, the Group reviewed the CGUs identified for testing goodwill to re-align them with the new management structure, and the goodwill was re-allocated on a relative fair value basis.

For each significant CGU the recoverable amount is higher than its carrying amount. The recoverable amount has been determined based upon a fair value less costs of disposal calculation. Generally, no directly observable market inputs are available to assess the fair value less costs of disposal. Therefore, the calculation is based on net present value techniques (fair value measurements categorized within Level 3 of the fair value hierarchy). Cash flows have been projected over 5 years. They have been extrapolated using a steady or declining terminal growth rate.

Finally, the following has been taken into account in the impairment tests:

- The cash flows have been discounted at post-tax weighted average rates. The discount rates have been computed based on external sources of information and reflect the time value of money and the risks specific to the CGU (including country risk).
- The cash flows were based upon financial plans approved by Group Management which are consistent with the Group's approved strategy for this period. They are based on past performance and current initiatives. The business risk is included in the determination of the cash flows.

## 9. Goodwill and intangible assets

- Climate change risks, including transition and physical risks, over the medium to longer term have been taken into account in assessing the risks of the cash flows. Impacts on the underlying assumptions on future forecasts of CGUs and their portfolio strategy have been considered. Sales growth, margin evolution and terminal growth have been adjusted if necessary, considering the resilience of the CGUs to climate change risks as well as Nestlé’s commitments to tackle climate change (including the Group’s “Net Zero Roadmap”). In addition, the headroom of the CGUs was compared to information obtained from Nestlé’s climate scenario modeling prepared in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework. The outcomes of the scenarios analyzed (selected high, intermediate and low emissions scenarios) were probability weighted and proportionally allocated and compared to the headroom of each CGU. The process did not lead to any impairment charges.
- The terminal growth rates have been determined to reflect the long-term view of the nominal evolution of the business taking into account the latest outlook for long-term inflation.
- The cash flows, the discount rates and the terminal growth rates include inflation.

The Group assesses the uncertainty of these estimates by performing sensitivity analyses. Management believes that no reasonably possible change in any of the above key assumptions would cause the CGU’s recoverable amount to fall below its carrying value except for the CGU Nutrition Zone AOA, and Nestlé Health Science. For those CGUs, changes in the key assumptions greater than the amounts below (most likely for the discount rate for Nutrition Zone AOA and the discount rate or annual margin evolution for Nestlé Health Science), would lead to the fair value less costs of disposal being less than the carrying amount:

	Nutrition Zone AOA Sensitivity	Nestlé Health Science Sensitivity
Average annual sales growth	Decrease by 290 basis points	Decrease by 700 basis points
Annual margin evolution	Decrease by 290 basis points	Decrease by 240 basis points
Terminal growth rate	Decrease by 130 basis points	Decrease by 150 basis points
Discount rate	Increase by 100 basis points	Increase by 120 basis points

## 10. Employee benefits

### 10.1 Employee remuneration

The Group's salary expenses of CHF 10 756 million (2021: CHF 10 358 million) and welfare expenses of CHF 4117 million (2021: CHF 3973 million) represent a total of CHF 14 873 million (2021: CHF 14 331 million). In addition, certain Group employees are eligible to long-term incentives in the form of equity compensation plans, for which the cost amounts to CHF 181 million (2021: CHF 241 million). Employee remuneration is allocated to the appropriate headings of expenses by function (see Note 1, section Expenses).

### 10.2 Post-employment benefits

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

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

Certain disclosures are presented by geographic area. The five regions disclosed are North America (NA), Europe (EUR), Asia, Oceania and Africa including Middle East (AOA), Latin America (LATAM) and Greater China (GC). Each region includes the corresponding Zones as well as the portion of the GMB activity in that region.

### Pensions and retirement benefits

Apart from legally required social security arrangements, the majority of Group employees are eligible for benefits through pension plans in case of retirement, death in service, disability and in case of resignation. Those plans are either defined contribution plans or defined benefit plans based on pensionable remuneration and length of service.

The Group manages its pension plans by geographic area and the major plans, classified as defined benefit plans under IAS 19, are located in EUR (Switzerland, United Kingdom and Germany) and in NA (USA). In accordance with applicable legal frameworks, these plans have governing bodies which have a fiduciary responsibility to oversee the management of the plans. The Group oversees the pension plans through the Group Corporate Pension Board.

In Switzerland, Nestlé's pension plan is a cash balance plan where contributions are expressed as a percentage of the pensionable salary. The pension plan guarantees the amount accrued on the members' savings accounts, as well as a minimum interest on those savings accounts. At retirement date, the savings accounts are converted into pensions. However, members may opt to receive a part of the pension as a lump sum. Increases of pensions in payment are granted on a discretionary basis by the Board of Trustees, subject to the financial situation of the plan. To be noted that there is also a defined benefit plan that has been closed to new entrants in 2013 and whose members below age 55 as of that date were transferred to the cash balance plan. This heritage plan is a hybrid between a cash balance plan and a plan based on a final pensionable salary. Finally, the Group has committed to make additional contributions in coordination with a decrease in conversion rates applicable since July 1, 2018. CHF 197 million had been contributed as at December 31, 2022, and CHF 116 million is expected to be paid until 2038.

In the United Kingdom, Nestlé's pension plan is a hybrid arrangement combining a defined benefit career average section plus a defined contribution section. The defined benefit section was closed to new entrants during 2016. In the defined benefit section, from August 2017 onwards, members accrue a pension defined on their capped salary each year, plus defined contribution provision above the capped salary. Accrued pensions are automatically revalued according to inflation, subject to caps. Similarly, pensions in payment are increased annually in line with inflation, subject to caps as applicable. At retirement, there is a lump sum option. Finally, the funding of the Nestlé UK Pension Fund is defined on the basis of a triennial independent actuarial valuation in accordance with local regulations. As a result, an amount of CHF 438 million (equivalent GBP 348 million) has been paid by Nestlé UK Ltd in 2021 in accordance with the previous valuation as at December 31, 2018. The last triennial valuation as at December 31, 2021 was completed in 2022 and confirmed that no deficit contributions were required.

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

In the USA, Nestlé's primary pension plan is a pension equity design, under which members earn pension credits each year based on a schedule related to the sum of their age and service with Nestlé. A member's benefit is the sum of the annual pension credits earned multiplied by an average earning payable as a lump sum. However, in lieu of the lump sum, members have the option of converting the benefit to a monthly pension annuity. The plan does not provide for automatic pension increases and members do not contribute to the plan. This plan was closed to new entrants at the end of 2015 and replaced by a defined contribution scheme. The contributions paid to the plan in 2022 amount to CHF 61 million. Finally, in August 2022, a buyout transaction with a third-party insurance company was completed and USD 819 million (equivalent CHF 783 million) of defined benefit obligations were removed from the Group balance sheet. This transaction did not change the pension benefits provided to pensioners.

#### **Post-employment medical benefits and other employee benefits**

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



### **Risks related to defined benefit plans**

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

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

As certain of the Group's pension arrangements permit benefits to be adjusted in the case that downside risks emerge, the Group does not always have full exposure to the risks described above.

### **Plan amendments and restructuring events**

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

During the year, there were plan amendments and restructuring activities (among others risk transfers of pensioners' liabilities and medical cost-sharing) leading to curtailments and settlements, individually not significant, amounting to net related settlement and negative past service costs/(income) of CHF 78 million (2021: CHF 2 million expense).

### **Asset-liability management and funding arrangement**

Governing bodies are responsible for determining the mix of asset classes and target allocations of Nestlé's plans with the support of investment advisors and/or local asset management firms. Periodic reviews of the asset mix are made by external parties to assess the portfolio structure adequacy. Such analyses aim at comparing dynamically the fair value of assets and the liabilities in order to determine the most adequate strategic asset allocation.

The overall investment policy and strategy for the Group's funded defined benefit plans is guided by the objective of achieving an investment return which, together with the contributions paid, is sufficient to maintain reasonable control over the various funding risks of the plans. As those risks evolve with the development of capital markets and asset management activities, the Group addresses the assessment and control process of the major investment pension risks. In order to protect the Group's defined benefit plans funding ratio and to mitigate the financial risks, protective measures on the investment strategies are in force, considering sustainability, social and climate factors. The Group has a policy guiding the pension plan governing bodies to review the impact of climate risk on their investment portfolios and apply TCFD recommendations in case it is required by local pension legislation. To the extent possible, the risks are shared equally amongst the different stakeholders.

**10.2a Reconciliation of assets and liabilities recognized in the balance sheet**

In millions of CHF

	2022			2021		
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
Present value of funded obligations	16 819	64	16 883	24 617	67	24 684
Fair value of plan assets	(18 817)	(38)	(18 855)	(26 220)	(40)	(26 260)
<b>Excess of liabilities/(assets) over funded obligations</b>	<b>(1 998)</b>	<b>26</b>	<b>(1 972)</b>	<b>(1 603)</b>	<b>27</b>	<b>(1 576)</b>
Present value of unfunded obligations	765	1 199	1 964	782	1 506	2 288
Unrecognized assets <sup>(a)</sup>	1 240	3	1 243	27	—	27
<b>Net defined benefit liabilities/(assets)</b>	<b>7</b>	<b>1 228</b>	<b>1 235</b>	<b>(794)</b>	<b>1 533</b>	<b>739</b>
Reimbursement rights			(147)			(168)
Other employee benefit liabilities			635			791
<b>Net liabilities</b>			<b>1 723</b>			<b>1 362</b>
Reflected in the balance sheet as follows:						
Employee benefit assets and reimbursement rights			(1 161)			(2 417)
Employee benefit liabilities			2 884			3 779
<b>Net liabilities</b>			<b>1 723</b>			<b>1 362</b>

(a) Primarily from Swiss and German pension plans for which the net asset was limited to nil as at December 31, 2022. There was no economic benefit allowing an asset to be recognized.

**10.2b Funding situation by geographic area of defined benefit plans <sup>(a)</sup>**

In millions of CHF

	2022						2021 *					
	EUR	NA	AOA	LATAM	GC	Total	EUR	NA	AOA	LATAM	GC	Total
Present value of funded obligations	13 315	2 344	781	408	35	16 883	19 156	4 030	1 034	422	42	24 684
Fair value of plan assets	(15 166)	(2 332)	(883)	(445)	(29)	(18 855)	(20 576)	(4 161)	(1 032)	(454)	(37)	(26 260)
<b>Excess of liabilities/(assets) over funded obligations</b>	<b>(1 851)</b>	<b>12</b>	<b>(102)</b>	<b>(37)</b>	<b>6</b>	<b>(1 972)</b>	<b>(1 420)</b>	<b>(131)</b>	<b>2</b>	<b>(32)</b>	<b>5</b>	<b>(1 576)</b>
Present value of unfunded obligations	171	880	480	433	—	1 964	222	1 101	466	499	—	2 288

\* 2021 figures restated following the creation of Zone North America (NA) and Zone Greater China (GC) as of January 1, 2022. Zone AOA includes Middle East and North Africa (MENA) previously included in Zone EMENA.

(a) Before asset ceiling.

**10.2c Movement in the present value of defined benefit obligations**

In millions of CHF

	2022			2021		
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
<b>At January 1</b>	<b>25 399</b>	<b>1 573</b>	<b>26 972</b>	26 863	1 796	<b>28 659</b>
of which funded defined benefit plans	24 617	67	<b>24 684</b>	26 018	70	<b>26 088</b>
of which unfunded defined benefit plans	782	1 506	<b>2 288</b>	845	1 726	<b>2 571</b>
Currency retranslations	(673)	35	<b>(638)</b>	142	11	<b>153</b>
Service cost	470	(55)	<b>415</b>	531	37	<b>568</b>
of which current service cost	460	33	<b>493</b>	526	40	<b>566</b>
of which past service cost and (gains)/losses arising from settlements	10	(88)	<b>(78)</b>	5	(3)	<b>2</b>
Interest expense	384	65	<b>449</b>	357	67	<b>424</b>
Actuarial (gains)/losses	(5 949)	(195)	<b>(6 144)</b>	(986)	(213)	<b>(1 199)</b>
Employees contributions	110	—	<b>110</b>	115	—	<b>115</b>
Benefits paid on funded defined benefit plans <sup>(a)</sup>	(2 094)	(7)	<b>(2 101)</b>	(1 258)	(8)	<b>(1 266)</b>
Benefits paid on unfunded defined benefit plans	(71)	(112)	<b>(183)</b>	(140)	(106)	<b>(246)</b>
Classification (to)/from held for sale and change of scope of consolidation, net	(1)	—	<b>(1)</b>	5	(2)	<b>3</b>
Reclass from other benefits to defined benefit retirement plans	41	(41)	<b>—</b>	—	—	<b>—</b>
Transfer from/(to) defined contribution plans	(32)	—	<b>(32)</b>	(230)	(9)	<b>(239)</b>
<b>At December 31</b>	<b>17 584</b>	<b>1 263</b>	<b>18 847</b>	<b>25 399</b>	<b>1 573</b>	<b>26 972</b>
of which funded defined benefit plans	16 819	64	<b>16 883</b>	24 617	67	<b>24 684</b>
of which unfunded defined benefit plans	765	1 199	<b>1 964</b>	782	1 506	<b>2 288</b>

(a) Including the buyout transaction in the USA described in Note 10.2, section Pensions and retirement benefits.

**10.2d Movement in fair value of defined benefit plan assets**

In millions of CHF

	2022			2021		
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
<b>At January 1</b>	(26 220)	(40)	<b>(26 260)</b>	(24 775)	(37)	<b>(24 812)</b>
Currency retranslations	739	3	<b>742</b>	(144)	1	<b>(143)</b>
Interest income	(395)	(1)	<b>(396)</b>	(327)	(1)	<b>(328)</b>
Actual return on plan assets, excluding interest income	5 385	2	<b>5 387</b>	(1 594)	(3)	<b>(1 597)</b>
Employees' contributions	(110)	—	<b>(110)</b>	(115)	—	<b>(115)</b>
Employer contributions	(357)	(9)	<b>(366)</b>	(773)	(8)	<b>(781)</b>
Benefits paid on funded defined benefit plans <sup>(a)</sup>	2 094	7	<b>2 101</b>	1 258	8	<b>1 266</b>
Administration expenses	18	—	<b>18</b>	20	—	<b>20</b>
Transfer (from)/to defined contribution plans	29	—	<b>29</b>	230	—	<b>230</b>
<b>At December 31</b>	<b>(18 817)</b>	<b>(38)</b>	<b>(18 855)</b>	<b>(26 220)</b>	<b>(40)</b>	<b>(26 260)</b>

(a) Including the buyout transaction in the USA described in Note 10.2, section Pensions and retirement benefits.

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

	2022	2021
<b>Equities <sup>(a)</sup></b>	<b>17%</b>	<b>20%</b>
of which US equities	4%	5%
of which European equities	9%	11%
of which other equities	4%	4%
<b>Debts</b>	<b>52%</b>	<b>54%</b>
of which government debts <sup>(a)</sup>	37%	41%
of which corporate debts <sup>(b)</sup>	15%	13%
<b>Real estate <sup>(b)</sup></b>	<b>14%</b>	<b>11%</b>
<b>Alternative investments <sup>(b)</sup></b>	<b>8%</b>	<b>7%</b>
of which hedge funds	2%	3%
of which private equities	6%	4%
<b>Cash/Deposits</b>	<b>9%</b>	<b>8%</b>

(a) Almost all have a quoted market price in an active market.

(b) Almost all are either not quoted or are quoted in a market which is not active.

Equities and government debts represent 54% (2021: 61%) of the plan assets. Almost all of them are quoted in an active market. Corporate debts, real estate, hedge funds and private equities represent 37% (2021: 31%) of the plan assets. Almost all of them are either not quoted or quoted in a market which is not active.

## 10. Employee benefits

The plan assets of funded defined benefit plans include property occupied by subsidiaries with a fair value of CHF 8 million (2021: CHF 6 million). Furthermore, funded defined benefit plans may invest in Nestlé S.A. (or related) shares. There was no direct investment at end of 2022 and 2021. The Group's investment management principles allow such investment only when the position in Nestlé S.A. (or related) shares is passive, i.e. in line with the weighting in the underlying benchmark.

The Group expects to contribute CHF 573 million to its funded defined benefit plans in 2023.

### 10.2e Unrecognized assets

Movements of unrecognized assets and fair value of plan assets including asset ceiling are as follows:

In millions of CHF	2022			2021		
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
At 1 January	27	—	27	18	—	18
Currency retranslations	(9)	—	(9)	(1)	—	(1)
Limitation of interest income	2	—	2	2	—	2
Changes due to asset ceiling	1 220	3	1 223	8	—	8
<b>At 31 December</b>	<b>1 240</b>	<b>3</b>	<b>1 243</b>	<b>27</b>	<b>—</b>	<b>27</b>

In millions of CHF	2022			2021		
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
Fair value of plan assets at 31 December						
Excluding limit on asset recognition	(18 817)	(38)	(18 855)	(26 220)	(40)	(26 260)
Asset ceiling	1 240	3	1 243	27	—	27
<b>Including limit on asset recognition</b>	<b>(17 577)</b>	<b>(35)</b>	<b>(17 612)</b>	<b>(26 193)</b>	<b>(40)</b>	<b>(26 233)</b>

### 10.2f Expenses recognized in the income statement

In millions of CHF

	2022			2021		
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
Service cost	470	(55)	415	531	37	568
Net interest (income)/expense	(9)	64	55	32	66	98
Administration expenses	18	—	18	20	—	20
<b>Defined benefit expenses</b>	<b>479</b>	<b>9</b>	<b>488</b>	<b>583</b>	<b>103</b>	<b>686</b>
<b>Defined contribution expenses</b>			<b>365</b>			<b>347</b>
<b>Total</b>			<b>853</b>			<b>1 033</b>

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

In millions of CHF

	2022			2021		
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total	Defined benefit retirement plans	Post-employment medical benefits and other benefits	Total
Actual return on plan assets, excluding interest income	(5 385)	(2)	(5 387)	1 594	3	1 597
Experience adjustments on plan liabilities	(611)	(51)	(662)	41	27	68
Change in demographic assumptions on plan liabilities	165	15	180	(75)	41	(34)
Change in financial assumptions on plan liabilities	6 395	231	6 626	1 020	145	1 165
Transfer from/(to) unrecognized assets and other	(1 220)	(3)	(1 223)	(8)	—	(8)
<b>Remeasurement of defined benefit plans – actuarial gains/(losses)</b>	<b>(656)</b>	<b>190</b>	<b>(466)</b>	<b>2 572</b>	<b>216</b>	<b>2 788</b>

**10.2h Principal financial actuarial assumptions**

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

	2022						2021 *					
	EUR	NA	AOA	LATAM	GC	Total	EUR	NA	AOA	LATAM	GC	Total
Discount rates	3.3%	5.4%	5.6%	9.3%	3.2%	4.1%	1.1%	2.8%	5.0%	8.0%	1.2%	1.8%
Expected rates of salary increases	2.0%	3.6%	4.7%	3.8%	3.3%	2.7%	2.0%	3.1%	4.3%	3.8%	3.1%	2.5%
Expected rates of pension adjustments	1.2%	0.0%	1.7%	1.7%	0.0%	1.0%	1.3%	0.0%	1.5%	1.7%	1.3%	1.1%
Medical cost trend rates <sup>(a)</sup>		6.4%		6.6%		6.5%		5.9%		6.3%		6.1%

\* 2021 figures restated following the creation of Zone North America (NA) and Zone Greater China (GC) as of January 1, 2022. Zone AOA includes Middle East and North Africa (MENA) previously included in Zone EMENA.

(a) Medical cost trend rates represent the expected medical cost trend rates for next year. For plans in USA and Canada, medical cost trend rate is assumed to decrease to 4.5% by 2031 and respectively 4% by 2040. As for the largest plan in LATAM, the related medical cost trend of 6.6% corresponds to an estimated long-term average increase. Some non-material post-employment medical plans in EUR and AOA have not been considered in the average.

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

Expressed in years		2022		2021	
Country	Mortality table	Life expectancy at age 65 for a male member currently aged 65		Life expectancy at age 65 for a female member currently aged 65	
<b>EUR</b>					
Switzerland	LPP 2020	21.8	21.7	23.5	23.4
United Kingdom	S3NA	21.0	21.2	23.8	23.7
Germany	Heubeck Richttafeln 2018	21.3	21.2	23.7	23.5
<b>NA</b>					
USA	Pri-2012	20.6	20.9	22.6	22.9

Life expectancy is reflected in the defined benefit obligations by using the best estimate of the mortality of plan members. When appropriate, base tables are adjusted to take into consideration expected changes in mortality e.g. allowing for future longevity improvements.

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

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

In millions of CHF		EUR	NA	AOA	LATAM	GC	Total
2022	As reported	13 486	3 224	1 261	841	35	18 847
	<b>Discount rates</b>						
	Increase of 50 basis points	12 708	3 077	1 219	805	34	17 843
	Decrease of 50 basis points	14 345	3 386	1 309	883	36	19 959
	<b>Expected rates of salary increases</b>						
	Increase of 50 basis points	13 541	3 250	1 282	846	36	18 955
	Decrease of 50 basis points	13 429	3 198	1 243	839	34	18 743
	<b>Expected rates of pension adjustments</b>						
	Increase of 50 basis points	14 091	3 288	1 282	850	35	19 546
	Decrease of 50 basis points	13 228	3 223	1 248	836	35	18 570
	<b>Medical cost trend rates</b>						
	Increase of 50 basis points	13 487	3 228	1 263	852	35	18 865
	Decrease of 50 basis points	13 481	3 219	1 261	833	35	18 829
	<b>Mortality assumption</b>						
Setting forward the tables by 1 year	13 048	3 181	1 244	822	35	18 330	
Setting back the tables by 1 year	13 930	3 265	1 279	861	35	19 370	
2021	As reported	19 378	5 131	1 500	921	42	26 972
	<b>Discount rates</b>						
	Increase of 50 basis points	17 957	4 844	1 441	873	41	25 156
	Decrease of 50 basis points	20 978	5 450	1 573	974	44	29 019
	<b>Expected rates of salary increases</b>						
	Increase of 50 basis points	19 478	5 170	1 530	925	44	27 147
	Decrease of 50 basis points	19 278	5 095	1 478	917	41	26 809
	<b>Expected rates of pension adjustments</b>						
	Increase of 50 basis points	20 363	5 131	1 534	930	43	28 001
	Decrease of 50 basis points	18 871	5 131	1 474	914	43	26 433
	<b>Medical cost trend rates</b>						
	Increase of 50 basis points	19 379	5 138	1 501	947	42	27 007
	Decrease of 50 basis points	19 376	5 125	1 499	897	42	26 939
	<b>Mortality assumption</b>						
Setting forward the tables by 1 year	18 596	5 023	1 477	895	42	26 033	
Setting back the tables by 1 year	20 156	5 223	1 528	948	43	27 898	

\* 2021 figures restated following the creation of Zone North America (NA) and Zone Greater China (GC) as of January 1, 2022. Zone AOA includes Middle East and North Africa (MENA) previously included in Zone EMENA.

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



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

Expressed in years

	2022					2021 *						
	EUR	NA	AOA	LATAM	GC	Total	EUR	NA	AOA	LATAM	GC	Total
At December 31	12.5	10.1	10.5	10.2	6.2	11.9	15.7	12.1	11.0	11.8	7.3	14.6

\* 2021 figures restated following the creation of Zone North America (NA) and Zone Greater China (GC) as of January 1, 2022. Zone AOA includes Middle East and North Africa (MENA) previously included in Zone EMENA.

## 11. Provisions and contingencies

### Provisions

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

### Contingent assets and liabilities

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

## 11.1 Provisions

In millions of CHF

	Restructuring	Environmental	Legal and indirect Tax	Other	Total
<b>At January 1, 2022</b>	<b>463</b>	<b>63</b>	<b>758</b>	<b>354</b>	<b>1 638</b>
Currency retranslations	(12)	(3)	(6)	(12)	(33)
Provisions made during the year <sup>(a)</sup>	264	16	298	376	954
Amounts used	(264)	(6)	(96)	(132)	(498)
Reversal of unused amounts	(46)	—	(143)	(127)	(316)
Classification (to)/from held for sale	—	—	—	—	—
Modification of the scope of consolidation	(4)	—	—	(8)	(12)
<b>At December 31, 2022</b>	<b>401</b>	<b>70</b>	<b>811</b>	<b>451</b>	<b>1 733</b>
of which expected to be settled within 12 months					620
<b>At January 1, 2021</b>	<b>553</b>	<b>26</b>	<b>608</b>	<b>350</b>	<b>1 537</b>
Currency retranslations	(6)	(1)	(17)	(1)	(25)
Provisions made during the year <sup>(a)</sup>	321	41	357	173	892
Amounts used	(332)	(2)	(94)	(85)	(513)
Reversal of unused amounts	(72)	(1)	(95)	(53)	(221)
Classification (to)/from held for sale	—	—	—	2	2
Modification of the scope of consolidation	(1)	—	(1)	(32)	(34)
<b>At December 31, 2021</b>	<b>463</b>	<b>63</b>	<b>758</b>	<b>354</b>	<b>1 638</b>
of which expected to be settled within 12 months					532

(a) Including discounting of provisions.

### Restructuring

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

### Legal and indirect tax

Legal provisions have been set up to cover legal and administrative settlements that arise in the ordinary course of the business. Indirect tax provisions include disputes and uncertainties on non-income taxes (mainly VAT and sales taxes). They cover numerous separate cases whose detailed disclosure could be detrimental to the Group interests. The Group does not believe that any of these cases will have a material adverse impact on its financial position. The timing of outflows is uncertain as it depends upon the outcome of the cases. Group Management does not believe it is possible to make assumptions on the evolution of the cases beyond the balance sheet date.

### Other

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

### **11.2 Contingencies**

The Group is exposed to contingent liabilities amounting to a maximum possible payment of CHF 2019 million (2021: CHF 1535 million) representing possible payments for litigations of CHF 2002 million (2021: CHF 1505 million) and payments for other items of CHF 17 million (2021: CHF 30 million). Possible payments for litigations relate mainly to various investigations as well as labor, civil and tax litigations in LATAM.

Related to the French Competition Authority's allegations against certain Nestlé subsidiaries in France (namely allegations of restricted competition relating to, among others, communication on the removal of bisphenol A from metal packaging), a reliable estimate of the potential financial impact is currently not possible.

Contingent assets for litigation claims in favor of the Group amount to a probable recoverable amount of CHF 60 million (2021: CHF 58 million), mainly in LATAM.

## 12. Financial instruments

### 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. The Group classifies financial assets in the following categories:

- measured at amortized cost;
- measured at fair value through the income statement (abbreviated as FVTPL, fair value through profit or loss); and
- measured at fair value through Other comprehensive income (abbreviated as FVOCI).

For an equity investment that is not held for trading, the Group may irrevocably elect to classify it as measured at FVOCI. This election is made at initial recognition on an investment by investment basis.

### Financial assets – Recognition and derecognition

The settlement date is used for initial recognition and 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 are derecognized when substantially all the Group's rights to cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### Financial assets – Measurement

Financial assets are initially recognized at fair value plus directly attributable transaction costs. However when a financial asset measured at FVTPL is recognized, the transaction costs are expensed immediately. Subsequent remeasurement of financial assets is determined by their category, which is revisited at each reporting date.

Commercial paper and time deposits are held by the Group's treasury unit in a separate portfolio in order to mitigate the credit risk exposure of the Group and provide interest income. The Group considers that these investments 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.

Investments in equities, debt funds, equity funds as well as other financial assets not giving rise on specified dates to cash flows that are solely payments of principal and interest are classified at FVTPL. These investments are mainly related to liquidity management and self-insurance activities.

### Financial assets – Impairment

The Group assesses whether its financial assets carried at amortized cost and FVOCI are impaired on the basis of expected credit losses (ECL). This analysis requires the identification of significant increases in the credit risk of the counterparties. Considering that the majority of the Group's financial assets are trade receivables, the analysis also integrates statistical data reflecting the past experience of losses incurred due to default, as well as any relevant forward-looking information. See Note 7.1 for impairments related to trade receivables.

The Group measures loss allowances for investments in debt securities and time deposits that are determined to have low credit risk at the reporting date at an amount equal to 12 months' expected credit losses. The Group considers a debt security to have low credit risk when the credit rating is 'investment grade' according to internationally recognized rating agencies.

To assess whether there is a significant increase in credit risk since initial recognition, the Group considers available reasonable and supportive information such as changes in the credit rating of the counterparty. If there is a significant increase in credit risk the loss allowance is measured at an amount equal to lifetime expected losses.

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 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 on other financial assets related to treasury activities are presented under Financial expense.

The model and some of the assumptions used in calculating these ECLs are key sources of estimation uncertainty.

#### **Financial liabilities at amortized cost**

Financial liabilities are initially recognized at fair value, net of transaction costs incurred.

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; lease liabilities and other financial liabilities.

Financial liabilities at amortized cost are classified as current or non-current depending whether these are 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.

**12.1 Financial assets and liabilities****12.1a By class and by category**

In millions of CHF

	2022				2021			
Classes	At amortized cost <sup>(a)</sup>	At fair value to income statement	At fair value to Other comprehensive income	Total categories	At amortized cost <sup>(a)</sup>	At fair value to income statement	At fair value to Other comprehensive income	Total categories
Cash at bank and in hand	2 466	—	—	2 466	2 685	—	—	2 685
Commercial paper	3 040	—	—	3 040	5 511	—	—	5 511
Time deposits	671	—	—	671	562	—	—	562
Bonds and debt funds	63	709	2	774	88	5 721	2	5 811
Equity and equity funds	—	268	769	1 037	—	354	472	826
Other financial assets	1 271	681	—	1 952	732	692	—	1 424
<b>Liquid assets <sup>(b)</sup> and non-current financial assets</b>	<b>7 511</b>	<b>1 658</b>	<b>771</b>	<b>9 940</b>	<b>9 578</b>	<b>6 767</b>	<b>474</b>	<b>16 819</b>
Trade and other receivables	11 116	—	—	11 116	11 155	—	—	11 155
Derivative assets <sup>(c)</sup>	—	309	—	309	—	278	—	278
<b>Total financial assets</b>	<b>18 627</b>	<b>1 967</b>	<b>771</b>	<b>21 365</b>	<b>20 733</b>	<b>7 045</b>	<b>474</b>	<b>28 252</b>
Trade and other payables	(21 379)	—	—	(21 379)	(21 118)	(23)	—	(21 141)
Financial debt	(54 312)	—	—	(54 312)	(46 574)	—	—	(46 574)
Derivative liabilities <sup>(c)</sup>	—	(822)	—	(822)	—	(464)	—	(464)
<b>Total financial liabilities</b>	<b>(75 691)</b>	<b>(822)</b>	<b>—</b>	<b>(76 513)</b>	<b>(67 692)</b>	<b>(487)</b>	<b>—</b>	<b>(68 179)</b>
<b>Net financial position</b>	<b>(57 064)</b>	<b>1 145</b>	<b>771</b>	<b>(55 148)</b>	<b>(46 959)</b>	<b>6 558</b>	<b>474</b>	<b>(39 927)</b>
of which at fair value	—	1 145	771	1 916	—	6 558	474	7 032

(a) Carrying amount of these instruments is a reasonable approximation of their fair value. For bonds included in financial debt, see Note 12.1d.

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

(c) Include derivatives held in hedge relationships and those that are undesignated (categorized as held-for-trading), see Note 12.2d.

### 12.1b Fair value hierarchy of financial instruments

The Group classifies the fair value of its financial instruments in the following hierarchy, based on the inputs used in their valuation:

- Level 1: the fair value of financial instruments quoted in active markets is based on their quoted closing price at the balance sheet date. Examples include exchange-traded commodity derivatives and financial assets such as investments in equity and debt securities.
- Level 2: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions. For example, the fair value of forward exchange contracts, currency swaps and interest rate swaps is determined by discounting estimated future cash flows.
- Level 3: the fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs). When the fair value of unquoted instruments cannot be measured with sufficient reliability, the Group carries such instruments at cost less impairment, if applicable.

In millions of CHF

	2022	2021
Derivative assets	73	139
Bonds and debt funds	225	5 161
Equity and equity funds	535	332
Other financial assets	58	68
Derivative liabilities	(70)	(11)
<b>Prices quoted in active markets (Level 1)</b>	<b>821</b>	<b>5 689</b>
Derivative assets	222	139
Bonds and debt funds	468	545
Equity and equity funds	405	358
Other financial assets	609	608
Derivative liabilities	(752)	(453)
<b>Valuation techniques based on observable market data (Level 2)</b>	<b>952</b>	<b>1 197</b>
Financial assets	143	169
Financial liabilities <sup>(a)</sup>	—	(23)
<b>Valuation techniques based on unobservable input (Level 3)</b>	<b>143</b>	<b>146</b>
<b>Total financial instruments at fair value</b>	<b>1 916</b>	<b>7 032</b>

(a) Contingent consideration on acquisition.

There have been no significant transfers between the different hierarchy levels in 2022 and in 2021.

**12.1c Changes in liabilities arising from financing activities**

In millions of CHF

	2022	2021
<b>At January 1</b>	<b>(46 907)</b>	<b>(39 942)</b>
Currency retranslations and exchange differences	644	(196)
Changes in fair values	31	50
Changes arising from acquisition and disposal of businesses and classification to/(from) held for sale	(8)	(48)
(Inflows)/outflows on interest derivatives	(20)	(14)
Increase in lease liabilities	(785)	(777)
Inflows from bonds and other long term financial debt	(10 936)	(11 339)
Outflows from bonds, lease liabilities and other long term financial debt	3 283	4 474
(Inflows)/outflows from short term financial debt	(148)	885
<b>At December 31</b>	<b>(54 846)</b>	<b>(46 907)</b>
of which current financial debt	(10 892)	(10 092)
of which non-current financial debt	(43 420)	(36 482)
of which derivatives hedging financial debt	(534)	(333)



## 12.1d Bonds

In millions of CHF

Issuer		Face value in millions	Coupon	Effective interest rate	Year of issue/ maturity	Comments	2022	2021
Nestlé S.A., Switzerland	CHF	900	0.25%	0.26%	2018–2024		900	900
	CHF	600	0.75%	0.69%	2018–2028		602	602
	CHF	675	1.63%	1.65%	2022–2026		674	—
	CHF	475	2.13%	2.15%	2022–2030		474	—
	CHF	350	2.50%	2.46%	2022–2034		351	—
	CHF	360	1.63%	1.67%	2022–2025		360	—
	CHF	260	2.63%	2.57%	2022–2035		262	—
	CHF	310	2.25%	2.18%	2022–2029		311	—
Nestlé Holdings, Inc., USA	USD	800	2.38%	2.55%	2017–2022		—	731
	USD	650	2.38%	2.50%	2017–2022		—	594
	USD	300	2.25%	2.35%	2017–2022		—	274
	EUR	850	0.88%	0.92%	2017–2025	(a)	836	877
	CHF	550	0.25%	0.24%	2017–2027	(a)	550	550
	CHF	150	0.55%	0.54%	2017–2032	(a)	150	150
	USD	600	3.13%	3.28%	2018–2023		555	548
	USD	1 500	3.35%	3.41%	2018–2023	(b)	1 386	1 370
	USD	900	3.50%	3.59%	2018–2025	(b)	830	821
	USD	1 250	3.63%	3.72%	2018–2028	(b)	1 150	1 137
	USD	1 250	3.90%	4.01%	2018–2038	(b)	1 140	1 127
	USD	2 100	4.00%	4.11%	2018–2048	(b)	1 907	1 885
	USD	1 150	0.38%	0.49%	2020–2024	(b)	1 062	1 049
	USD	750	0.63%	0.77%	2020–2026	(b)	690	682
	USD	1 100	1.00%	1.06%	2020–2027	(b)	1 014	1 002
	USD	1 000	1.25%	1.37%	2020–2030	(b)	917	906
	GBP	600	0.63%	0.75%	2021–2025	(a)	668	739
	GBP	400	1.38%	1.46%	2021–2033	(a)	442	489
	USD	300	1.13%	1.19%	2021–2026		277	274
	USD	1 500	0.61%	0.66%	2021–2024	(b)	1 386	1 370
	USD	1 000	1.50%	1.58%	2021–2028	(b)	920	910
	USD	1 000	1.88%	1.91%	2021–2031	(b)	922	912
	USD	500	2.50%	2.55%	2021–2041	(b)	459	454
	USD	500	1.15%	1.22%	2021–2027	(b)	461	456
	USD	500	2.63%	2.69%	2021–2051	(b)	456	451
	CAD	2 000	2.19%	2.23%	2021–2029	(a)	1 365	1 437
GBP	300	2.13%	2.25%	2022–2027	(a)	333	—	
GBP	600	2.50%	2.53%	2022–2032	(a)	668	—	
USD	750	4.00%	4.07%	2022–2025	(b)	692	—	
USD	500	4.13%	4.20%	2022–2027	(b)	461	—	
USD	500	4.25%	4.31%	2022–2029	(b)	461	—	
USD	1 250	4.30%	4.38%	2022–2032	(b)	1 149	—	
USD	1 000	4.70%	4.76%	2022–2053	(b)	915	—	
<b>Subtotal</b>							<b>28 156</b>	<b>22 697</b>

12. Financial instruments

In millions of CHF

Issuer		Face value in millions	Coupon	Effective interest rate	Year of issue/ maturity	Comments	2022	2021
<b>Subtotal from previous page</b>							<b>28 156</b>	22 697
Nestlé Finance International Ltd., Luxembourg	EUR	850	1.75%	1.89%	2012–2022		—	878
	GBP	400	2.25%	2.34%	2012–2023	(c)	437	501
	EUR	500	0.75%	0.92%	2015–2023	(d)	487	519
	EUR	500	0.38%	0.54%	2017–2024		492	515
	EUR	750	1.25%	1.32%	2017–2029		735	772
	EUR	750	1.75%	1.83%	2017–2037		731	767
	EUR	1 000	1.13%	1.27%	2020–2026		980	1 028
	EUR	1 000	1.50%	1.63%	2020–2030		976	1 024
	EUR	850	0.13%	0.25%	2020–2027		832	872
	EUR	650	0.00%	0.05%	2020–2024		640	671
	EUR	1 000	0.38%	0.56%	2020–2032		969	1 015
	EUR	500	0.00%	(0.26%)	2020–2025		496	522
	EUR	500	0.00%	0.16%	2020–2033		485	508
	EUR	500	0.38%	0.40%	2020–2040		491	515
	EUR	1 250	0.00%	0.00%	2021–2026		1 231	1 293
	EUR	750	0.25%	0.32%	2021–2029		736	772
	EUR	500	0.63%	0.69%	2021–2034		489	513
	EUR	650	0.88%	1.01%	2021–2041		626	656
	EUR	600	0.88%	0.95%	2022–2027		589	—
	EUR	600	1.25%	1.33%	2022–2031		587	—
	EUR	800	1.50%	1.63%	2022–2035		777	—
	EUR	500	3.00%	3.13%	2022–2028		489	—
	EUR	500	3.25%	3.38%	2022–2031		488	—
	EUR	500	3.38%	3.49%	2022–2034		487	—
Nestlé Hungária Kft., Hungary	HUF	115 000	1.75%	1.53%	2021–2028		286	327
Other bonds							92	164
<b>Total carrying amount (*)</b>							<b>43 784</b>	<b>36 529</b>
of which due within one year							2 905	2 550
of which due after one year							40 879	33 979
<b>Fair value (*) of bonds, based on prices quoted (Level 2)</b>							<b>39 293</b>	<b>37 651</b>

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

Several bonds are hedged by currency and/or interest derivatives. The fair value of these derivatives is shown under derivative assets for CHF 11 million (2021: CHF 17 million) and under derivative liabilities for CHF 484 million (2021: CHF 114 million).

- (a) Subject to an interest rate and currency swap that creates a liability at fixed rates in the currency of the issuer.
- (b) Sold in the United States only to qualified institutional buyers and outside the United States to non-US persons.
- (c) Subject to an interest rate swap.
- (d) Out of which EUR 375 million is subject to an interest rate swap.

## 12.2 Financial risks

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

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

The Asset and Liability Management Committee (ALMC), chaired by the Chief Financial Officer, is the governing body for the establishment and subsequent execution of the Nestlé Group's Financial Asset and Liability Management Policy. It ensures implementation of strategies and achievement of objectives of the Group's financial asset and liabilities management, which are executed by the Center Treasury, the Regional Treasury Centers and, in specific local circumstances, by the subsidiaries. Approved treasury management guidelines define and classify risks as well as determine, by category of transaction, specific approval, execution and monitoring procedures. The activities of the Centre Treasury and of the Regional Treasury Centers are monitored by an independent Middle Office, which verifies the compliance of the strategies and/or operations with the approved guidelines and decisions taken by the ALMC.

### 12.2a Credit risk

#### Credit risk management

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

The Group aims to minimize the credit risk of liquid assets, non-current financial assets and derivative assets through the application of risk management policies. Credit limits are set based on each counterparty's size and risk of default. The methodology used to set the credit limit considers the counterparty's balance sheet, credit ratings, risk ratios and default probabilities. Counterparties are monitored regularly, taking into consideration the evolution of the above parameters, as well as their share prices and credit default swaps. As a result of this review, changes on credit limits and risk allocation are carried out. The Group avoids the concentration of credit risk on its liquid assets by spreading them over several institutions and sectors.

Trade receivables are subject to credit limits, control and approval procedures in all the subsidiaries. Due to its large geographic base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables (see Note 7.1). Nevertheless, commercial counterparties are constantly monitored following the similar methodology used for financial counterparties.

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

### Credit rating of financial assets

This includes liquid assets, non-current financial assets and derivative assets. The credit risk of the financial assets is assessed based on the risk of the counterparties including the associated country risk. The Group uses an internationally recognized credit scale to present the information. The Group deals mainly with financial institutions located in Switzerland, the European Union and North America.

In millions of CHF

	2022	2021
A– and above	6 432	14 328
BBB+, BBB and BBB–	722	803
BB+ and below	1 455	937
Not rated <sup>(a)</sup>	1 640	1 029
	<b>10 249</b>	<b>17 097</b>

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

### 12.2b Liquidity risk

#### Liquidity risk management

Liquidity risk is the risk that a company may encounter difficulties in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets. Such risk may result from inadequate market depth or disruption or refinancing problems. The Group's objective is to manage this risk by limiting exposures in financial instruments that may be affected by liquidity problems and by maintaining sufficient back-up facilities. The Group does not expect any refinancing issues and in October 2022 successfully extended the tenor of both its revolving credit facilities:

- A USD 3.0 billion and EUR 3.5 billion revolving credit facility with an initial maturity date of October 2023. The Group has the ability to convert the facility into a one year term loan.
- A USD 2.2 billion and EUR 2.3 billion revolving credit facility with a new maturity date of October 2027.

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

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

In millions of CHF

	In the first year	In the second year	In the third to the fifth year	After the fifth year	Contractual amount	Carrying amount
<b>2022</b>						
<b>Trade and other payables</b>	<b>(20 523)</b>	<b>(475)</b>	<b>(418)</b>	<b>(23)</b>	<b>(21 439)</b>	<b>(21 379)</b>
Commercial paper <sup>(a)</sup>	(3 829)	—	—	—	(3 829)	(3 822)
Bonds <sup>(a)</sup>	(3 707)	(5 214)	(14 008)	(29 702)	(52 631)	(43 784)
Lease liabilities	(658)	(546)	(1 119)	(1 016)	(3 339)	(2 992)
Other financial debt	(3 769)	(54)	(72)	(55)	(3 950)	(3 714)
<b>Total financial debt</b>	<b>(11 963)</b>	<b>(5 814)</b>	<b>(15 199)</b>	<b>(30 773)</b>	<b>(63 749)</b>	<b>(54 312)</b>
<b>Financial liabilities (excluding derivatives)</b>	<b>(32 486)</b>	<b>(6 289)</b>	<b>(15 617)</b>	<b>(30 796)</b>	<b>(85 188)</b>	<b>(75 691)</b>
Non-currency derivative assets	71	10	5	1	87	87
Non-currency derivative liabilities	(82)	(1)	—	—	(83)	(83)
Gross amount receivable from currency derivatives	23 126	82	2 590	2 801	28 599	27 460
Gross amount payable from currency derivatives	(23 179)	(137)	(2 882)	(3 118)	(29 316)	(27 977)
<b>Net derivatives</b>	<b>(64)</b>	<b>(46)</b>	<b>(287)</b>	<b>(316)</b>	<b>(713)</b>	<b>(513)</b>
of which derivatives under cash flow hedges <sup>(b)</sup>	8	1	—	—	9	9
<b>2021</b>						
<b>Trade and other payables</b>	<b>(20 912)</b>	<b>(120)</b>	<b>(87)</b>	<b>(24)</b>	<b>(21 143)</b>	<b>(21 141)</b>
Commercial paper <sup>(a)</sup>	(4 311)	—	—	—	(4 311)	(4 303)
Bonds <sup>(a)</sup>	(3 109)	(3 483)	(12 020)	(23 894)	(42 506)	(36 529)
Lease liabilities	(635)	(485)	(966)	(1 089)	(3 175)	(2 930)
Other financial debt	(2 729)	(118)	(43)	(7)	(2 897)	(2 812)
<b>Total financial debt</b>	<b>(10 784)</b>	<b>(4 086)</b>	<b>(13 029)</b>	<b>(24 990)</b>	<b>(52 889)</b>	<b>(46 574)</b>
<b>Financial liabilities (excluding derivatives)</b>	<b>(31 696)</b>	<b>(4 206)</b>	<b>(13 116)</b>	<b>(25 014)</b>	<b>(74 032)</b>	<b>(67 715)</b>
Non-currency derivative assets	151	8	—	—	159	159
Non-currency derivative liabilities	(12)	(1)	—	—	(13)	(13)
Gross amount receivable from currency derivatives	21 011	53	1 771	2 764	25 599	25 309
Gross amount payable from currency derivatives	(21 272)	(92)	(1 907)	(2 831)	(26 102)	(25 641)
<b>Net derivatives</b>	<b>(122)</b>	<b>(32)</b>	<b>(136)</b>	<b>(67)</b>	<b>(357)</b>	<b>(186)</b>
of which derivatives under cash flow hedges <sup>(b)</sup>	151	1	—	—	152	152

(a) Commercial paper of CHF 3829 million (2021: CHF 4240 million) and bonds of CHF 864 million (2021: CHF 874 million) have maturities of less than three months.

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

**12.2c Market risk**

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

### Foreign currency risk

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

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

Exchange differences recorded in the income statement represented a loss of CHF 202 million in 2022 (2021: loss of CHF 58 million). They are allocated to the appropriate headings of expenses by function.

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

Value at Risk (VaR) based on historic data for a 250-day period and a confidence level of 95% results in a potential one-day loss for currency risk of less than CHF 15 million in 2022 (2021: less than CHF 25 million).

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

### Interest rate risk

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

Taking into account the impact of interest derivatives, the proportion of financial debt subject to fixed interest rates for a period longer than one year represents 80% (2021: 76%).

Based on the level of Liquid assets and Debt exposed to floating interest rates at year-end, an increase of interest rates of 100 basis points would cause an increase in Net financing cost of CHF 41 million on an annualized basis (2021: a decrease in Net financing cost of CHF 32 million).

### Price risk

#### Commodity price risk

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

The Group's objective is to minimize the impact of commodity price fluctuations and this exposure is hedged in accordance with the Nestlé Group policy on commodity price risk management. The Global Procurement Organization is responsible for managing commodity price risk based on internal directives and centrally determined limits, generally using exchange-traded commodity derivatives. The commodity price risk exposure of future purchases is managed using a combination of derivatives (mainly futures and options) and executory contracts. This activity is monitored by an independent Middle Office. Given the short product business cycle of the Group, the majority of the anticipated future raw material transactions outstanding at the balance sheet date are expected to occur in the next year.

#### Equity price risk

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

## 12.2d Derivative assets and liabilities and hedge accounting

### Derivative financial instruments

The Group's derivatives mainly consist of currency forwards, options and swaps; commodity futures and options and interest rate swaps. Derivatives are mainly used to manage exposures to foreign exchange, interest rate and commodity price risk as described in section 12.2c Market risk.

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

### 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 to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group excludes from the designation of the hedging relationship the hedging cost element. Subsequently, this cost element impacts the income statement at the same time as the underlying hedged item.

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

### Fair value hedges

The Group uses fair value hedges to mitigate foreign currency and interest rate risks of its recognized assets and liabilities, being mostly financial debt.

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

### Cash flow hedges

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

The effective part of the changes in fair value of hedging instruments is recognized in Other comprehensive income, while any ineffective part is recognized immediately in the income statement. Ineffectiveness for hedges of foreign currency and commodity price risk may result from changes in the timing of the forecast transactions than originally foreseen. When the hedged item results in the recognition of a non-financial asset or liability, including acquired businesses, the gains or losses previously recognized in Other comprehensive income are included in the measurement of the cost of the asset or of the liability. Otherwise the gains or losses previously recognized in Other comprehensive income are recognized in the income statement at the same time as the hedged transaction.

**Undesignated derivatives**

Derivatives which are not designated in a hedging relationship are classified as undesignated derivatives. They are used in the framework of approved risk management policies.

**Derivatives by hedged risks**

In millions of CHF

	2022			2021		
	Contractual or notional amounts	Fair value assets	Fair value liabilities	Contractual or notional amounts	Fair value assets	Fair value liabilities
<b>Fair value hedges <sup>(a)</sup></b>						
Foreign currency and interest rate risk on net financial debt	13 282	57	594	15 797	43	319
<b>Cash flow hedges</b>						
Foreign currency risk on future purchases or sales	9 192	139	133	7 311	83	61
Commodity price risk on future purchases	1 911	73	70	2 548	142	12
<b>Designated in a hedging relationship</b>	<b>24 385</b>	<b>269</b>	<b>797</b>	<b>25 656</b>	<b>268</b>	<b>392</b>
Undesignated derivatives		40	25		10	72
		<b>309</b>	<b>822</b>		<b>278</b>	<b>464</b>
<b>Conditional offsets <sup>(b)</sup></b>						
Derivative assets and liabilities		(135)	(135)		(65)	(65)
Use of cash collateral received or deposited		(28)	(226)		(27)	(39)
<b>Balances after conditional offsets</b>		<b>146</b>	<b>461</b>		<b>186</b>	<b>360</b>

(a) The carrying amount of the hedged item recognized in the statement of financial position is approximately equal to the notional of the hedging instruments.

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

A description of the types of hedging instruments by risk category is included in Note 12.2c Market risk.

The majority of hedge relationships are established to ensure a hedge ratio of 1:1.

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

The majority of fair value hedges are related to financing activities and are included in Net financing cost.

In millions of CHF

	2022	2021
on hedged items	592	292
on hedging instruments	(593)	(290)

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



### 12.2e Capital risk management

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

The Board of Directors seeks to maintain a prudent balance between different components of the Group's capital. The ALMC monitors the capital structure and the net financial debt by currency (see Note 16.5 for the definition of net financial debt).

The operating cash flow-to-net financial debt ratio highlights the ability of a business to repay its debts. As at December 31, 2022, the ratio was 24.7% (2021: 42.1%). The Group's subsidiaries have complied with local statutory capital requirements as appropriate.

## 13. Taxes

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

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

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

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

### 13.1 Components of taxes recognized in the income statement

In millions of CHF

	2022	2021
Current taxes <sup>(a)</sup>	(2 566)	(2 616)
Deferred taxes	(48)	(346)
Taxes reclassified to other comprehensive income	(9)	765
Taxes reclassified to equity	(107)	(64)
<b>Total taxes</b>	<b>(2 730)</b>	<b>(2 261)</b>

(a) Current taxes related to prior years include a tax expense of CHF 30 million (2021: tax income of CHF 551 million).

### 13.2 Reconciliation of taxes recognized in the income statement

In millions of CHF

		2022		2021
<b>Profit before taxes</b>		<b>11 286</b>		<b>10 806</b>
Expected tax expense at weighted average applicable tax rate <sup>(a)</sup>	20.9%	(2 357)	20.0%	(2 157)
Tax effect of permanent differences on disposal of businesses	(1.3%)	151	0.2%	(21)
Tax effect of permanent differences on impairment of goodwill	0.1%	(16)	0.2%	(24)
Tax effect of other permanent differences	(1.0%)	113	(1.6%)	174
Prior years' taxes <sup>(b)</sup>	0.2%	(19)	(3.2%)	343
Transfers to unrecognized deferred tax assets	1.1%	(119)	1.6%	(168)
Transfers from unrecognized deferred tax assets	(0.3%)	33	(0.3%)	31
Changes in tax rate on deferred taxes	0.1%	(12)	0.4%	(48)
Withholding taxes on transfers of income	4.0%	(449)	3.6%	(393)
Other	0.4%	(55)	0.0%	2
<b>Tax expense at effective tax rate</b>	<b>24.2%</b>	<b>(2 730)</b>	<b>20.9%</b>	<b>(2 261)</b>

(a) The weighted average applicable tax rate in 2022 increased compared to 2021 as a result of a change in the geographical mix of profits.

(b) In 2021, the prior years' tax credits resulted from a revision of prior year tax exposure due to progress on resolving audits and agreeing the tax treatment of major intercompany transactions with the tax authorities in certain jurisdictions.

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

### 13.3 Reconciliation of deferred taxes by type of temporary differences recognized on the balance sheet

In millions of CHF

	Property, plant and equipment	Goodwill and intangible assets	Employee benefits	Working capital, provisions and other	Unused tax losses and unused tax credits	Total
At January 1, 2022	(1 317)	(2 419)	359	613	228	(2 536)
Currency retranslations	27	26	17	(53)	(1)	16
(Expense)/income in income statement	(25)	(119)	(83)	8	3	(216)
(Expense)/income in other comprehensive income and equity	—	—	87	81	—	168
Classification (to)/from held for sale	—	—	—	—	—	—
Modification of the scope of consolidation	(4)	(14)	(2)	(41)	1	(60)
<b>At December 31, 2022</b>	<b>(1 319)</b>	<b>(2 526)</b>	<b>378</b>	<b>608</b>	<b>231</b>	<b>(2 628)</b>
At January 1, 2021	(1 206)	(1 997)	913	738	201	(1 351)
Currency retranslations	(10)	(91)	11	—	(1)	(91)
(Expense)/income in income statement	(72)	388	8	(41)	46	329
(Expense)/income in other comprehensive income and equity	—	—	(585)	(90)	—	(675)
Classification (to)/from held for sale	(154)	(32)	70	22	22	(72)
Modification of the scope of consolidation	125	(687)	(58)	(16)	(40)	(676)
<b>At December 31, 2021</b>	<b>(1 317)</b>	<b>(2 419)</b>	<b>359</b>	<b>613</b>	<b>228</b>	<b>(2 536)</b>

In millions of CHF

	2022	2021
Reflected in the balance sheet as follows:		
Deferred tax assets	1 043	1 258
Deferred tax liabilities	(3 671)	(3 794)
<b>Net assets/(liabilities)</b>	<b>(2 628)</b>	<b>(2 536)</b>

### 13.4 Unrecognized deferred taxes

At December 31, 2022, the unrecognized deferred tax assets amount to CHF 1072 million (2021: CHF 994 million).

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

In millions of CHF

	2022	2021
Within one year	233	169
Between one and five years	349	426
More than five years	3 300	3 003
	<b>3 882</b>	<b>3 598</b>

In addition, the Group has unremitted earnings that are either considered indefinitely reinvested in foreign subsidiaries or not. For the component of unremitted earnings which are expected to be repatriated in the foreseeable future and which are subject to withholding and other taxes on remittance, a deferred tax liability has been recorded. The unrecognized deferred tax liability on unremitted earnings that are considered indefinitely reinvested is not significant for the Group as the major part of these earnings is not subject to withholding and other taxes on remittance.

### 13.5 Developments in international taxation

The Organisation for Economic Co-operation and Development (OECD) initiative to combat base erosion and profit shifting (BEPS) has led to the development of a number of measures which countries plan to introduce. These include the Pillar Two initiative, focused on the introduction of a minimum corporate tax rate, with the possibility of top-up taxes being introduced in cases where jurisdictions do not comply with the minimum tax rate. The Group is currently assessing the accounting implications and the jurisdictions that could give rise to additional taxation as a result of the implementation of the Pillar 2 Model Rules in national laws, which is not expected to be material for the Group.

## 14. Associates and joint ventures

Associates are companies where the Group has the power to exercise a significant influence but does not exercise control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, and the determination of whether the Group has significant influence requires the exercise of judgment. It may be evidenced when the Group has 20% or more of the voting rights in the investee or has obtained representation on the Board of Directors or otherwise participates in the policy-making process of the investee.

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

Associates and joint ventures are accounted for using the equity method. The interest in the associate or joint venture also includes long-term loans which are in substance extensions of the Group's investment in the associate or joint venture. The net assets and results are adjusted to comply with the Group's accounting policies. The carrying amount of goodwill arising from the acquisition of associates and joint ventures is included in the carrying amount of investments in associates and joint ventures.

## 14. Associates and joint ventures

In millions of CHF

	2022				2021			
	L'Oréal	Other associates	Joint ventures	Total	L'Oréal	Other associates	Joint ventures	Total
<b>At January 1</b>	7 554	2 545	1 707	11 806	8 640	1 757	1 608	12 005
Currency retranslations	(362)	(174)	(46)	(582)	(413)	(47)	(2)	(462)
Investments	—	1 147	22	1 169	—	641	33	674
Divestments and reclassifications	—	(5)	—	(5)	(1 587)	(3)	(6)	(1 596)
Share of results	1 151	(213)	156	1 094	1 156	17	33	1 206
Impairment	—	(106)	(3)	(109)	—	—	3	3
Share of other comprehensive income	173	63	26	262	552	—	60	612
Dividends and interest received	(530)	(33)	(45)	(608)	(571)	(35)	(51)	(657)
Other <sup>(a)</sup>	(77)	70	3	(4)	(223)	215	29	21
<b>At December 31</b>	<b>7 909</b>	<b>3 294</b>	<b>1 820</b>	<b>13 023</b>	<b>7 554</b>	<b>2 545</b>	<b>1 707</b>	<b>11 806</b>

(a) In 2022, additional recognition of an increase of the Group's share of the net assets in IVC Evidensia following the merger with VetStrategy in November 2021.

In 2021, mainly the impact of the share buyback program in L'Oréal. In addition, the Group's stake in IVC Evidensia was diluted following the merger of IVC Evidensia with VetStrategy in November. The increase of the Group's share of the net assets of the combined entity is included under Other associates (CHF 250 million). The corresponding gain on the partial deemed disposal of IVC Evidensia was recognized under the heading Income from associates and joint ventures.

In 2022, increase in investments of Other associates mainly relate to the fair value of a non-controlling equity interest received in Sous Chef TopCo, L.P. in exchange for the contribution, in November, of the Freshly business (see Notes 2.1 and 2.2), and loans granted to the associate at its formation. Freshly has been combined with Kettle Cuisine, a US supplier of prepared food, to form Sous Chef, which is controlled by L Catterton. Sous Chef is involved in offering a wide assortment of fresh food products to customers across geographies and a variety of channels. In 2021, increase of investments in Other associates mainly related to an increase in stake in IVC Evidensia in May.

In 2021, divestments in L'Oréal relate to 22.26 million shares sold to L'Oréal (see Note 14.1).

As part of the carrying amount of the investment, Associates and joint ventures value at December 31, 2022 includes loans granted by the Group to Associates and joint ventures of CHF 2315 million (2021: CHF 1646 million). In addition, as of December 31, 2022 the Group has a potential commitment to acquire another parties' ownership interests in an associate through a put mechanism, which is exercisable in the future dependent on certain performance conditions.

### Income from associates and joint ventures

In millions of CHF

	2022	2021
Share of results	1 094	1 206
Impairment	(109)	3
Profit on partial disposal of L'Oréal shares <sup>(a)</sup>	—	7 184
Profit on disposal of Other associates <sup>(b)</sup>	55	258
	<b>1 040</b>	<b>8 651</b>

(a) Includes a cumulative loss of CHF 13 million recognized by L'Oréal in its accumulated Other comprehensive income reserves and a cumulative loss of CHF 506 million recognized by the Group in its currency translation reserve that has been recycled to the income statement.

(b) Includes a profit on the partial deemed disposal of the Group's stake in IVC Evidensia (see footnote (a) of the previous table of Note 14).

**14.1 Associate – L'Oréal**

The Group holds 107 621 021 shares in L'Oréal (whose ultimate parent company is domiciled in France), the world leader in cosmetics, representing a 20.1% participation in its equity after elimination of its treasury shares (2021: 107 621 021 shares representing a 20.1% participation).

On December 15, 2021, the Group sold 22 260 000 shares to L'Oréal for CHF 9276 million for cancellation. As a result, the participation in its equity after elimination of its treasury shares was reduced from 23.2% to 20.1%.

At December 31, 2022, the market value of the shares held amounts to CHF 35.4 billion (2021: CHF 46.4 billion).

**Summarized financial information of L'Oréal**

In billions of CHF	2022	2021
Total current assets	13.8	12.5
Total non-current assets	32.3	32.0
<b>Total assets</b>	<b>46.1</b>	<b>44.5</b>
Total current liabilities	13.5	17.2
Total non-current liabilities	5.8	2.9
<b>Total liabilities</b>	<b>19.3</b>	<b>20.1</b>
<b>Total equity</b>	<b>26.8</b>	<b>24.4</b>
<b>Total sales</b>	<b>38.4</b>	<b>34.9</b>
Profit from continuing operations	5.7	5.0
Other comprehensive income	0.9	2.3
<b>Total comprehensive income</b>	<b>6.6</b>	<b>7.3</b>

**Reconciliation of the carrying amount**

In billions of CHF	2022	2021
Share held by the Group in the equity of L'Oréal	5.4	4.9
Goodwill and other adjustments	2.5	2.7
<b>Carrying amount of L'Oréal</b>	<b>7.9</b>	<b>7.6</b>

### 14.2 Other associates

The Group holds a number of other associates that are individually not material, the main ones being IVC Evidensia (veterinary services provider in Europe and North America), Lactalis Nestlé Produits Frais (chilled dairy business in Europe), Herta (cold cuts and meat-based products in Europe) and Sous Chef (fresh food products in North America).

### 14.3 Joint ventures

The Group holds a number of joint ventures operating in the food and beverage sectors. These joint ventures are individually not significant to the Group, the main ones being Froneri and Cereal Partners Worldwide from which the Group earned CHF 220 million (2021: CHF 224 million) in royalties (see Note 18.2) for the use of its brands, trademarks and other intellectual property.

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

## 15. Earnings per share

	2022	2021
<b>Basic earnings per share (in CHF)</b>	<b>3.42</b>	6.06
Net profit (in millions of CHF)	9 270	16 905
Weighted average number of shares outstanding (in millions of units)	2 707	2 788
<b>Diluted earnings per share (in CHF)</b>	<b>3.42</b>	6.06
Net profit, net of effects of dilutive potential ordinary shares (in millions of CHF)	9 270	16 905
Weighted average number of shares outstanding, net of effects of dilutive potential ordinary shares (in millions of units)	2 709	2 791
<b>Reconciliation of weighted average number of shares outstanding (in millions of units)</b>		
Weighted average number of shares outstanding used to calculate basic earnings per share	2 707	2 788
Adjustment for share-based payment schemes, where dilutive	2	3
Weighted average number of shares outstanding used to calculate diluted earnings per share	2 709	2 791

## 16. Cash flow statement

### 16.1 Operating profit

In millions of CHF	2022	2021
Profit for the year	9 596	17 196
Income from associates and joint ventures	(1 040)	(8 651)
Taxes	2 730	2 261
Financial income	(210)	(80)
Financial expense	1 250	953
	<b>12 326</b>	<b>11 679</b>

### 16.2 Non-cash items of income and expense

In millions of CHF	2022	2021
Depreciation of property, plant and equipment	3 097	3 056
Impairment of property, plant and equipment	403	344
Impairment of goodwill	71	353
Amortization of intangible assets	444	384
Impairment of intangible assets	2 252	1 917
Net result on disposal of businesses	79	(235)
Net result on disposal of assets	(11)	(83)
Non-cash items in financial assets and liabilities	235	(293)
Equity compensation plans	128	130
Other	(136)	(7)
	<b>6 562</b>	<b>5 566</b>

### 16.3 Decrease/(increase) in working capital

In millions of CHF	2022	2021
Inventories	(3 428)	(1 414)
Trade and other receivables	(321)	(824)
Prepayments and accrued income	9	(94)
Trade and other payables	492	2 115
Accruals	115	44
	<b>(3 133)</b>	<b>(173)</b>



**16.4 Variation of other operating assets and liabilities**

In millions of CHF	2022	2021
Variation of employee benefits assets and liabilities	(296)	(609)
Variation of provisions	143	148
Other	(361)	34
	<b>(514)</b>	<b>(427)</b>

**16.5 Reconciliation of free cash flow and net financial debt**

In millions of CHF	2022	2021
Operating cash flow	11 907	13 864
Capital expenditure	(5 095)	(4 880)
Expenditure on intangible assets	(266)	(461)
Other investing activities	24	192
<b>Free cash flow</b>	<b>6 570</b>	<b>8 715</b>
Acquisition of businesses	(1 710)	(6 394)
Financial liabilities and short-term investments acquired in business combinations	(40)	(69)
Disposal of businesses	160	3 530
Financial liabilities and short-term investments transferred on disposal of businesses and reclassification to/(from) held for sale	37	21
Acquisition (net of disposal) of non-controlling interests	(605)	(601)
Investments in associates and joint ventures	(918)	(715)
Divestments in associates and joint ventures	—	9 294
Dividend paid to shareholders of the parent	(7 618)	(7 681)
Dividends paid to non-controlling interests	(284)	(302)
Purchase (net of sale) of treasury shares	(10 679)	(6 548)
Increase in lease liabilities	(785)	(777)
Currency retranslations and exchange differences	597	(82)
Other movements	33	11
<b>(Increase)/decrease of net financial debt</b>	<b>(15 242)</b>	<b>(1 598)</b>
Net financial debt at beginning of year	(32 917)	(31 319)
<b>Net financial debt at end of year</b>	<b>(48 159)</b>	<b>(32 917)</b>
of which		
Current financial debt	(10 892)	(10 092)
Non-current financial debt	(43 420)	(36 482)
Cash and cash equivalents	5 511	6 988
Short-term investments	1 176	7 007
Derivatives <sup>(a)</sup>	(534)	(338)

(a) Related to Net debt and included in Derivative assets and Derivative liabilities balances of the Consolidated balance sheet.

## 16.6 Cash and cash equivalents at end of year

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

In millions of CHF	2022	2021
Cash at bank and in hand	2 466	2 685
Time deposits	667	546
Commercial paper	2 378	3 757
<b>Cash and cash equivalents as per balance sheet</b>	<b>5 511</b>	<b>6 988</b>

## 17. Equity

### 17.1 Share capital issued

The ordinary share capital of Nestlé S.A. issued and fully paid is composed of 2 750 000 000 registered shares with a nominal value of CHF 0.10 each (2021: 2 815 000 000 registered shares). Each share confers the right to one vote. No shareholder may be registered with the right to vote for shares which it holds, directly or indirectly, in excess of 5% of the share capital. Shareholders have the right to receive dividends.

The share capital changed in 2022 and 2021 as a consequence of share buyback programs launched in January 2020 and in January 2022. The cancellation of shares was approved at the Annual General Meetings on April 7, 2022 and April 15, 2021. The share capital was reduced by 65 000 000 shares from CHF 282 million to CHF 275 million in 2022 and by 66 000 000 shares from CHF 288 million to CHF 282 million in 2021.

Started in January 2020, the share buyback program of up to CHF 20 billion was terminated on December 30, 2021. On January 3, 2022 a new share buyback program of up to CHF 20 billion started and is expected to be completed by the end of December 2024. The volume of monthly share buybacks depends on market conditions. Should any sizeable acquisitions take place during the period of the share buyback, the amount of the share buyback will be reduced accordingly.

### 17.2 Conditional share capital

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

### 17.3 Treasury shares

Number of shares in millions of units

	2022	2021
Purpose of holding		
Share buyback program	77.6	50.9
Long-Term Incentive Plans	4.3	4.5
	<b>81.9</b>	<b>55.4</b>

At December 31, 2022, the treasury shares held by the Group represent 3.0% of the share capital (2021: 2.0%). Their market value amounts to CHF 8770 million (2021: CHF 7061 million).

### 17.4 Number of shares outstanding

Number of shares in millions of units

	Shares issued	Treasury shares	Outstanding shares
At January 1, 2022	2 815.0	(55.4)	2 759.6
Purchase of treasury shares	—	(93.2)	(93.2)
Treasury shares delivered in respect of equity compensation plans	—	1.7	1.7
Treasury shares cancelled	(65.0)	65.0	—
<b>At December 31, 2022</b>	<b>2 750.0</b>	<b>(81.9)</b>	<b>2 668.1</b>
At January 1, 2021	2 881.0	(64.5)	2 816.5
Purchase of treasury shares	—	(59.2)	(59.2)
Treasury shares delivered in respect of equity compensation plans	—	2.3	2.3
Treasury shares cancelled	(66.0)	66.0	—
<b>At December 31, 2021</b>	<b>2 815.0</b>	<b>(55.4)</b>	<b>2 759.6</b>

### 17.5 Translation reserve and other reserves

The translation reserve and the other reserves represent the cumulative amount attributable to shareholders of the parent of items that may be reclassified subsequently to the income statement.

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

The other reserves mainly comprise the Group's share in the items that may be reclassified subsequently to the income statement by the associates and joint ventures (equity reserves accounted for).

The other reserves also comprise the hedging reserve of the subsidiaries. The hedging reserve consists of the effective portion of the gains and losses on hedging instruments related to hedged transactions that have not yet occurred.

### 17.6 Retained earnings

Retained earnings represent the cumulative profits as well as remeasurement of defined benefit plans attributable to shareholders of the parent.

### 17.7 Non-controlling interests

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

### 17.8 Other comprehensive income

In millions of CHF

	Translation reserve	Hedging reserves	Reserves of associates and joint ventures	Retained earnings	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
2022							
Currency retranslations							
– Recognized	(1 476)	1	—	—	(1 475)	8	(1 467)
– Reclassified to income statement	34	—	—	—	34	—	34
– Taxes	34	—	—	—	34	—	34
	(1 408)	1	—	—	(1 407)	8	(1 399)
Fair value changes on equity instruments							
– Recognized	—	—	—	231	231	—	231
– Taxes	—	—	—	(64)	(64)	—	(64)
	—	—	—	167	167	—	167
Changes in cash flow hedge and cost of hedge reserves							
– Recognized	—	290	—	—	290	1	291
– Reclassified to income statement	—	(29)	—	—	(29)	2	(27)
– Taxes	—	(49)	—	—	(49)	(1)	(50)
	—	212	—	—	212	2	214
Remeasurement of defined benefit plans							
– Recognized	—	—	—	(474)	(474)	8	(466)
– Taxes	—	—	—	90	90	(2)	88
	—	—	—	(384)	(384)	6	(378)
Share of other comprehensive income of associates and joint ventures							
– Recognized	—	—	167	95	262	—	262
– Reclassified to income statement	—	—	—	—	—	—	—
	—	—	167	95	262	—	262
<b>Other comprehensive income for the year</b>	<b>(1 408)</b>	<b>213</b>	<b>167</b>	<b>(122)</b>	<b>(1 150)</b>	<b>16</b>	<b>(1 134)</b>

17. Equity

In millions of CHF

	Translation reserve	Hedging reserves	Reserves of associates and joint ventures	Retained earnings	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
2021							
Currency retranslations							
– Recognized	619	(7)	6	—	618	—	618
– Reclassified to income statement	1 570	—	—	—	1 570	—	1 570
– Taxes	(58)	—	—	—	(58)	—	(58)
	2 131	(7)	6	—	2 130	—	2 130
Fair value changes on equity instruments							
– Recognized	—	—	—	59	59	—	59
– Taxes	—	—	—	(7)	(7)	—	(7)
	—	—	—	52	52	—	52
Changes in cash flow hedge and cost of hedge reserves							
– Recognized	—	354	—	—	354	—	354
– Reclassified to income statement	—	131	—	—	131	1	132
– Taxes	—	(118)	—	—	(118)	—	(118)
	—	367	—	—	367	1	368
Remeasurement of defined benefit plans							
– Recognized	—	—	—	2 798	2 798	(10)	2 788
– Taxes	—	—	—	(587)	(587)	3	(584)
	—	—	—	2 211	2 211	(7)	2 204
Share of other comprehensive income of associates and joint ventures							
– Recognized	—	—	144	455	599	—	599
– Reclassified to income statement	—	—	13	—	13	—	13
	—	—	157	455	612	—	612
<b>Other comprehensive income for the year</b>	<b>2 131</b>	<b>360</b>	<b>163</b>	<b>2 718</b>	<b>5 372</b>	<b>(6)</b>	<b>5 366</b>

### 17.9 Reconciliation of the other reserves

In millions of CHF

	Hedging reserves	Reserves of associates and joint ventures	Total
At January 1, 2022	174	(219)	(45)
Other comprehensive income for the year	213	167	380
Other movements	(398)	—	(398)
<b>At December 31, 2022</b>	<b>(11)</b>	<b>(52)</b>	<b>(63)</b>
At January 1, 2021	17	(382)	(365)
Other comprehensive income for the year	360	163	523
Other movements	(203)	—	(203)
<b>At December 31, 2021</b>	<b>174</b>	<b>(219)</b>	<b>(45)</b>

### 17.10 Dividend

In accordance with Swiss law, the dividend is treated as an appropriation of profit in the year in which it is approved at the Annual General Meeting and subsequently paid.

The dividend related to 2021 was paid on April 13, 2022, in accordance with the decision taken at the Annual General Meeting on April 7, 2022. Shareholders approved the proposed dividend of CHF 2.80 per share, resulting in a total dividend of CHF 7618 million.

Dividend payable is not accounted for until it has been ratified at the Annual General Meeting. At the Annual General Meeting on April 20, 2023, a dividend of CHF 2.95 per share will be proposed, resulting in an estimated total dividend of CHF 8113 million. For further details, refer to the Financial Statements of Nestlé S.A.

The Consolidated Financial Statements for the year ended December 31, 2022, do not reflect this proposed distribution, which will be treated as an appropriation of profit in the year ending December 31, 2023.

## 18. Transactions with related parties

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

#### Board of Directors

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

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

The fees for the Chair of the Board and the CEO are included in their total compensation.

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

The full compensation is paid in arrears.

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

The Chair of the Board is entitled to Nestlé S.A. shares which are blocked for three years.

In millions of CHF

	2022	2021
Chair's compensation	3	3
Other Board members		
Remuneration – cash	3	3
Shares	3	3
<b>Total <sup>(a)</sup></b>	<b>9</b>	<b>9</b>

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

### Executive Board

The total annual remuneration of the members of the Executive Board comprises a salary, a bonus (based on the achievement of the Group's objectives, the business and functional objectives as well as the Environmental, Social and Governance (ESG) objectives), equity compensation and other benefits. Members of the Executive Board can choose to receive part or all of their bonus in Nestlé S.A. shares \* at the average closing price of the last ten trading days of January of the year of the payment of the bonus. The CEO has to take a minimum of 50% in shares. These shares are subject to a three-year blocking period.

In millions of CHF

	2022	2021
Remuneration – cash	18	14
Bonus – cash	13	11
Bonus – shares *	4	5
Equity compensation plans <sup>(a)</sup>	17	14
Pension	3	3
<b>Total <sup>(b)</sup></b>	<b>55</b>	<b>47</b>

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

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

\* or American Depositary Receipts.

### 18.2 Transactions with associates and joint ventures

The main transactions with associates and joint ventures are:

- royalties received on brand licensing (see Note 14.3);
- dividends and interest received as well as loans granted (see Note 14);
- purchases and sales of finished and unfinished goods.

### 18.3 Other transactions

- Group's pension plans considered as related parties, refer to Note 10 Employee benefits;
- Directors of the Group: no personal interest in any transaction of significance for the business of the Group.

## 19. Guarantees

At December 31, 2022 and December 31, 2021, the Group has no significant guarantees given to third parties.



## 20. Effects of hyperinflation

The 2022 and 2021 figures include the following countries considered as hyperinflationary economies:

- Argentina;
- Iran;
- Venezuela;
- Zimbabwe;
- Lebanon;
- Syria; and
- Türkiye since 2022.

None of them has a significant impact on the Group accounts.

## 21. Events after the balance sheet date

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

At February 15, 2023, the date of approval for issue of the Consolidated Financial Statements by the Board of Directors, the Group has no subsequent events which either warrant a modification of the value of its assets and liabilities, or any additional disclosures.

# Companies of the Nestlé Group, joint arrangements and associates

In the context of the SIX Swiss Exchange Directive on Information relating to Corporate Governance, the principal affiliated companies are disclosed if they meet at least two of the following three disclosure criteria:

- 1) The amount exceeds **CHF 40 million or equivalent** on:
  - total sales/services for operating companies;
  - financial/property income for sub-holding, financial and property companies;
  - the share held by the Group in their profit for joint ventures and associates; and/or
- 2) The amount exceeds **CHF 20 million or equivalent** on:
  - the total balance sheet for affiliated companies;
  - the Group's investment for joint ventures and associates; and/or
- 3) The average number of employees during the financial year is **equal or greater than 250 FTE.**

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

A main operating entity in a given country that falls below the disclosure criteria is listed with a NiM.

All companies listed below are fully consolidated except for:

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

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

The percentage of capital shareholding corresponds to voting powers unless stated otherwise.

△ Companies listed on the stock exchange

◇ Sub-holding, financial and property companies

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
<b>Europe</b>					
<b>Austria</b>					
Nespresso Österreich GmbH & Co. OHG	Wien		100%	EUR	35 000
Nestlé Österreich GmbH	Wien		100%	EUR	7 270 000
<b>Azerbaijan</b>					
Nestlé Azerbaijan LLC	° Baku	<0.1%	100%	USD	200 000
<b>Belarus</b>					
LLC Nestlé Bel	° Minsk	<0.1%	100%	BYN	410 000
<b>Belgium</b>					
Nespresso Belgique S.A.	Bruxelles		100%	EUR	550 000
Nestlé Belgilux S.A.	Bruxelles		100%	EUR	3 818 140
Nestlé Waters Benelux S.A.	Etalle		100%	EUR	5 601 257
<b>Bosnia and Herzegovina</b>					
Nestlé Adriatic BH d.o.o.	° Sarajevo	9.4%	100%	BAM	21 510
<b>Bulgaria</b>					
Nestlé Bulgaria A.D.	Sofia		100%	BGN	10 234 933

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
<b>Croatia</b>					
Nestlé Adriatic d.o.o.	Zagreb		100%	HRK	14 685 500
<b>Czech Republic</b>					
Nestlé Cesko s.r.o.	Praha		100%	CZK	300 000 000
Tivall CZ, s.r.o.	Krupka		100%	CZK	400 000 000
<b>Denmark</b>					
Nestlé Danmark A/S	Copenhagen		100%	DKK	44 000 000
<b>Finland</b>					
Suomen Nestlé Oy	Espoo		100%	EUR	6 000 000
<b>France</b>					
Centres de Recherche et Développement Nestlé S.A.S.	Issy-les-Moulineaux		100%	EUR	3 138 230
Nespresso France S.A.S.	Paris		100%	EUR	1 360 000
Nestlé Excellence Supports France S.A.S.	Issy-les-Moulineaux		100%	EUR	1 356 796
Nestlé France S.A.S.	Issy-les-Moulineaux		100%	EUR	130 925 520
Nestlé Health Science France S.A.S.	Issy-les-Moulineaux		100%	EUR	57 943 072
Nestlé Holding France S.A.S.	◊ Issy-les-Moulineaux		100%	EUR	740 548 192
Nestlé Purina PetCare Commercial Operations France S.A.S.	Issy-les-Moulineaux		100%	EUR	48 666 450
Nestlé Purina PetCare France S.A.S.	Issy-les-Moulineaux		100%	EUR	21 091 872
Nestlé Waters S.A.S.	◊ Issy-les-Moulineaux		100%	EUR	254 825 042
Nestlé Waters EMENA S.A.S.	◊ Issy-les-Moulineaux		100%	EUR	44 856 144
Nestlé Waters Management & Technology S.A.S.	Issy-les-Moulineaux		100%	EUR	10 538 113
Nestlé Waters Marketing & Distribution S.A.S.	Issy-les-Moulineaux		100%	EUR	26 740 940
Nestlé Waters Supply Est S.A.S.	Issy-les-Moulineaux		100%	EUR	17 539 660
Nestlé Waters Supply Sud S.A.S.	Issy-les-Moulineaux		100%	EUR	7 309 106
Société Industrielle de Transformation de Produits Agricoles S.A.S.	Issy-les-Moulineaux		100%	EUR	9 718 000
Cereal Partners France SNC	<sup>1)</sup> Issy-les-Moulineaux		50%	EUR	3 000 000
L'Oréal S.A.	<sup>Δ3)</sup> Paris	20.1%	20.1%	EUR	107 082 474
<i>Listed on the Paris stock exchange, market capitalization EUR 179.1 billion, quotation code (ISIN) FR0000120321</i>					
Lactalis Nestlé Produits Frais S.A.S.	<sup>3)</sup> Laval		40%	EUR	69 208 832
<b>Georgia</b>					
Nestlé Georgia LLC	<sup>NiM</sup> Tbilisi		100%	CHF	700 000
<b>Germany</b>					
Nestlé Deutschland AG	Frankfurt am Main		100%	EUR	214 266 628
Nestlé Product Technology Centre Lebensmittelforschung GmbH	Freiburg i. Br.		100%	EUR	52 000
Nestlé Purina PetCare Deutschland GmbH	Bonn		100%	EUR	30 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
<b>Germany (continued)</b>					
Nestlé Unternehmungen Deutschland GmbH	◊ Frankfurt am Main	15%	100%	EUR	60 000 000
Nestlé Waters Deutschland GmbH	Frankfurt am Main		100%	EUR	10 566 000
Terra Canis GmbH	München		100%	EUR	60 336
<b>Greece</b>					
Nestlé Hellas Single Member SA	Maroussi		100%	EUR	5 269 765
<b>Hungary</b>					
Nestlé Hungária Kft.	Budapest		100%	HUF	6 000 000 000
<b>Ireland (Republic of)</b>					
Nestlé (Ireland) Ltd	Dublin		100%	EUR	1 270
Wyeth Nutritionals Ireland Ltd	Askeaton		100%	EUR	8 741 000
<b>Italy</b>					
Nespresso Italiana S.p.A.	Assago		100%	EUR	250 000
Nestlé Italiana S.p.A.	Assago		100%	EUR	25 582 492
Nestlé Purina Commerciale Srl	Assago		100%	EUR	1 000 000
Sanpellegrino S.p.A.	San Pellegrino Terme		100%	EUR	58 742 145
<b>Kazakhstan</b>					
Nestlé Food Kazakhstan LLP	Almaty	<0.1%	100%	KZT	91 900
<b>Lithuania</b>					
UAB "Nestlé Baltics"	Vilnius		100%	EUR	31 856
<b>Luxembourg</b>					
Compagnie Financière du Haut-Rhin S.A.	◊ Luxembourg		100%	EUR	105 200 000
Nestlé Finance International Ltd	◊ Luxembourg	100%	100%	EUR	440 000
Nestlé Treasury International S.A.	◊ Luxembourg	100%	100%	EUR	1 000 000
NTC-Europe S.A.	◊ Luxembourg	100%	100%	EUR	3 565 000
Froneri Lux Topco Sàrl <sup>(a)</sup>	1) Luxembourg	47.1%	47.1%	EUR	98 800
Islay New Group Holding S.A. <sup>(b)</sup>	3) Luxembourg		18.9%	GBP	106 542 904
<b>Macedonia</b>					
Nestlé Adriatik Makedonija d.o.o.e.l.	NiM Skopje-Karpos		100%	MKD	31 060 400
<b>Malta</b>					
Nestlé Malta Ltd	NiM Lija		100%	EUR	116 470
<b>Moldova</b>					
LLC Nestlé	◊ Chişinău	100%	100%	MDL	18 615

<sup>(a)</sup> Voting powers amount to 50%

<sup>(b)</sup> Voting powers amount to 22%

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
<b>Montenegro</b>					
Nestlé Adriatic Crna Gora d.o.o.	NiM Podgorica		100%	EUR	5 307
<b>Netherlands</b>					
East Springs International N.V.	◇ Amsterdam		100%	EUR	25 370 000
MCO Health B.V.	Almere		100%	EUR	418 000
Nespresso Nederland B.V.	Amsterdam		100%	EUR	680 670
Nestlé Nederland B.V.	Amsterdam		100%	EUR	11 346 000
<b>Norway</b>					
AS Nestlé Norge	Bærum		100%	NOK	10 010 000
<b>Poland</b>					
Nestlé Polska S.A.	Warszawa		100%	PLN	42 459 600
Nestlé Purina Manufacturing Operations Poland Sp. Z o.o.	Nowa Wieś Wroclawska		100%	PLN	895 923 700
Cereal Partners Poland Torun-Pacific Sp. Z o.o.	1) Toruń		50%	PLN	14 572 838
<b>Portugal</b>					
Nestlé Portugal, Unipessoal, Lda.	Oeiras		100%	EUR	30 000 000
<b>Romania</b>					
Nestlé Romania S.R.L.	Bucharest		100%	RON	132 906 800
<b>Russia</b>					
Nestlé Kuban LLC	Timashevsk		100%	RUB	21 041 793
Nestlé Rossiya LLC	Moscow		100%	RUB	880 154 115
<b>Serbia (Republic of)</b>					
Nestlé Adriatic S d.o.o., Beograd-Surcin	Beograd-Surcin		100%	RSD	12 222 327 814
<b>Slovak Republic</b>					
Nestlé Slovensko s.r.o.	Prievidza		100%	EUR	13 277 568
<b>Slovenia</b>					
Nestlé Adriatic Trgovina d.o.o.	NiM Ljubljana		100%	EUR	8 763
<b>Spain</b>					
Nestlé España S.A.	Esplugues de Llobregat		100%	EUR	100 000 000
Nestlé Global Services Spain, S.L.	Esplugues de Llobregat		100%	EUR	3 000
Nestlé Purina PetCare España, S.A.	Castellbisbal		100%	EUR	12 000 000
Herta Foods, S.L.	3) Gurb		40%	EUR	489 113 988
<b>Sweden</b>					
Nestlé Sverige AB	Helsingborg		100%	SEK	20 000 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
<b>Switzerland</b>					
Entreprises Maggi S.A.	◊ Cham	100%	100%	CHF	100 000
Intercona Re AG	◊ Châtel-St-Denis		100%	CHF	35 000 000
Nestlé Enterprises SA	Vevey		100%	CHF	3 514 000
Nestlé Nespresso SA	Vevey		100%	CHF	2 000 000
Nestlé Operational Services Worldwide SA	Vevey		100%	CHF	100 000
Nestlé Orange Holdings GmbH	◊ Cham	100%	100%	CHF	20 000
Nestlé Suisse S.A.	NiM Vevey		100%	CHF	250 000
Nestlé Ventures SA	◊ Vevey	100%	100%	CHF	250 000
Nestlé Waters (Suisse) SA	Henniez		100%	CHF	5 000 000
Nestrad SA	La Tour-de-Peilz		100%	CHF	6 500 000
Nutrition-Wellness Venture SA	◊ Vevey	100%	100%	CHF	100 000
Société des Produits Nestlé S.A.	Vevey	100%	100%	CHF	8 900 000
Sofinol S.A.	Manno		100%	CHF	3 000 000
CPW Operations S.à r.l.	*1) Prilly	50%	50%	CHF	40 000
<b>Türkiye</b>					
Erikli Su ve Mesrubat Sanayi ve Ticaret A.S.	Bursa		100%	TRY	20 700 000
Nestlé Türkiye Gıda Sanayi A.S.	Istanbul		99.9%	TRY	35 000 000
Dikey Vitamin Kozmetik ve Gıda Takviveleri Pazarlama Ticaret A.S.	3) Istanbul		37.5%	TRY	5 694 070
<b>Ukraine</b>					
LLC Lviv Confectionery Factory "Svitoch"	Lviv		100%	UAH	88 111 060
LLC Nestlé Ukraine	Kyiv		100%	UAH	799 965
LLC Technocom	Kharkiv	100%	100%	UAH	119 658 066
PJSC Volynholding	Torchyn		100%	UAH	100 000
<b>United Kingdom</b>					
Lily's Kitchen Ltd	London		100%	GBP	1 164
Mindful Chef Ltd	London		69.6%	GBP	534
Nespresso UK Ltd	Gatwick		100%	GBP	275 000
Nestlé Holdings (UK) PLC	◊ Gatwick		100%	GBP	77 940 001
Nestlé NB Financing (International) Ltd	◊ Gatwick	100%	100%	CHF	2
Nestlé NB Financing (UK) Ltd	◊ Gatwick	100%	100%	CHF	2
Nestlé Purina UK Commercial Operations Ltd	Gatwick		100%	GBP	10 001
Nestlé Purina UK Manufacturing Operations Ltd	Gatwick		100%	GBP	44 000 000
Nestlé UK Ltd	Gatwick		100%	GBP	129 972 342
Nestlé VP LLP	◊ London	<0.1%	100%	GBP	0
Nestlé Waters UK Ltd	Gatwick		100%	GBP	640
Tailsco Ltd	London		83.1%	GBP	17
The Nature's Bounty Co. Ltd	Manchester		99.8%	GBP	1 089
Cereal Partners UK	1) Herts		50%	GBP	—
Phagenesis Ltd	*3) Manchester	29.2%	29.2%	GBP	16 146

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
<b>Africa</b>					
<b>Algeria</b>					
Nestlé Algérie SpA	° Alger	<0.1%	49%	DZD	650 000 000
Nestlé Industrie Algérie SpA	° Alger	49%	49%	DZD	1 100 000 000
<b>Angola</b>					
Nestlé Angola Lda	NiM Luanda		100%	AOA	1 791 870 000
<b>Burkina Faso</b>					
Nestlé Burkina Faso S.A.			100%	XOF	50 000 000
<b>Cameroon</b>					
Nestlé Cameroun S.A.			100%	XAF	4 323 960 000
<b>Côte d'Ivoire</b>					
Nestlé Côte d'Ivoire S.A.	△ Abidjan		88.1%	XOF	5 517 600 000
<i>Listed on the Abidjan stock exchange, market capitalization XOF 182.0 billion, quotation code (ISIN) CI0009240728</i>					
<b>Egypt</b>					
Food and Beverage Trading Egypt LLC			99.9%	EGP	2 000 000
Nestlé Egypt S.A.E.		100%	100%	EGP	80 722 000
Nestlé Waters Egypt S.A.E.			99.8%	EGP	90 140 000
<b>Gabon</b>					
Nestlé Gabon, S.A.	NiM Libreville		90%	XAF	344 000 000
<b>Ghana</b>					
Nestlé Central and West Africa Ltd			100%	GHS	145 746 000
Nestlé Ghana Ltd			76%	GHS	20 100 000
<b>Kenya</b>					
Nestlé Equatorial African Region Ltd	° Nairobi	100%	100%	KES	132 000 000
Nestlé Kenya Ltd			100%	KES	226 100 400
<b>Mauritius</b>					
Nestlé's Products (Mauritius) Ltd	NiM Port Louis		100%	MUR	2 488 071
<b>Morocco</b>					
Nestlé Maroc S.A.			94.7%	MAD	156 933 000
<b>Mozambique</b>					
Nestlé Mocambique Lda	° Maputo	<0.1%	100%	MZN	2 631 711 200

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
<b>Nigeria</b>					
Nestlé Nigeria Plc	△ Ilupeju	4.5%	70.7%	NGN	396 328 126
<i>Listed on the Nigerian Stock Exchange, market capitalization NGN 871.9 billion, quotation code (ISIN) NGNESTLE0006</i>					
<b>Senegal</b>					
Nestlé Sénégal S.A.	Dakar		100%	XOF	1 620 000 000
<b>South Africa</b>					
Nestlé (South Africa) (Pty) Ltd	Johannesburg		100%	ZAR	759 735 000
<b>Zambia</b>					
Nestlé Zambia Trading Ltd	° Lusaka	0.2%	100%	ZMW	2 317 500
<b>Zimbabwe</b>					
Nestlé Zimbabwe (Private) Ltd	Harare		100%	ZWL	19 626 000



Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
<b>Americas</b>					
<b>Argentina</b>					
Eco de Los Andes S.A.	Buenos Aires		50.9%	ARS	92 524 285
Enzimas S.A.	° Buenos Aires	99.9%	100%	ARS	9 000 000
Nestlé Argentina S.A.	Buenos Aires	50.6%	100%	ARS	18 370 089 000
<b>Bolivia</b>					
Industrias Alimenticias Fagal S.R.L.	Santa Cruz	1.5%	100%	BOB	175 556 000
Nestlé Bolivia S.A.	NiM Santa Cruz	<0.1%	100%	BOB	191 900
<b>Brazil</b>					
Chocolates Garoto Ltda	Vila Velha		100%	BRL	575 615 927
Nestlé Brasil Ltda	São Paulo	74%	100%	BRL	2 821 056 388
Nestlé Nordeste Alimentos e Bebidas Ltda	Feira de Santana	15.8%	100%	BRL	1 674 270 610
SOCOPAL – Sociedade Comercial de Corretagem de Seguros e de Participações Ltda	° São Paulo	100%	100%	BRL	2 155 600
Tradal Brazil Comércio, Importações e Exportações Ltda	São Paulo		100%	BRL	15 577 426
Dairy Partners Americas Brasil Ltda	1) São Paulo	49%	49%	BRL	595 806 368
<b>Canada</b>					
Atrium Innovations Inc.	Westmount (Québec)		100%	CAD	229 364 710
Bountiful Canada Vitamins ULC	Vancouver (British Columbia)		99.8%	CAD	200
Nestlé Canada Inc.	Toronto (Ontario)		100%	CAD	99 938 540
<b>Cayman Islands</b>					
Hsu Fu Chi International Limited	◊ Grand Cayman		60%	SGD	7 950 000
<b>Chile</b>					
Chocolates del Mundo S.A.	Quilicura		99.8%	CLP	1 592 620 167
Nestlé Chile S.A.	Santiago de Chile	99.8%	99.8%	CLP	11 832 926 000
Aguas CCU – Nestlé Chile S.A.	3) Santiago de Chile		49.8%	CLP	49 799 375 321
<b>Colombia</b>					
Comestibles La Rosa S.A.	Bogotá	<0.1%	100%	COP	126 397 400
Dairy Partners Americas Manufacturing Colombia Ltda	Bogotá		100%	COP	200 000 000
Nestlé de Colombia S.A.	Bogotá	<0.1%	100%	COP	1 291 305 400
Nestlé Purina PetCare de Colombia S.A.	Bogotá	<0.1%	100%	COP	17 030 000 000
<b>Costa Rica</b>					
Compañía Nestlé Costa Rica S.A.	Heredia		100%	CRC	18 000 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
<b>Cuba</b>					
Nescor, S.A.	° Artemisa	50.9%	50.9%	USD	32 200 000
<b>Dominican Republic</b>					
Nestlé Dominicana S.A.	Santo Domingo	98.5%	99.9%	DOP	1 657 445 000
Silsa Dominicana S.A.	° Santo Domingo	6%	99.9%	USD	50 000
<b>Ecuador</b>					
Ecuajugos S.A.	Quito	<0.1%	100%	USD	521 583
Industrial Surindu S.A.	Quito	<0.1%	100%	USD	3 000 000
Nestlé Ecuador S.A.	Quito	<0.1%	100%	USD	1 776 760
Terrafertil S.A.	Tabacundo		80%	USD	525 800
<b>El Salvador</b>					
Nestlé El Salvador, S.A. de C.V.	San Salvador	<0.1%	100%	USD	4 457 200
<b>Guatemala</b>					
Genoveva, S.A.	° Ciudad de Guatemala	<0.1%	100%	GTQ	5 069 414
Malher Export, S.A.	° Ciudad de Guatemala	<0.1%	100%	GTQ	5 000
Nestlé Guatemala S.A.	Ciudad de Guatemala	<0.1%	100%	GTQ	123 535 600
<b>Honduras</b>					
Malher de Honduras, S.A. de C.V.	° Tegucigalpa	<0.1%	100%	HNL	25 000
Nestlé Hondureña S.A.	Tegucigalpa		100%	PAB	200 000
<b>Jamaica</b>					
Nestlé Jamaica Ltd	Kingston		100%	JMD	49 200 000
<b>Mexico</b>					
Manantiales La Asunción, S.A.P.I. de C.V. (c)	Ciudad de México		40%	MXN	1 035 827 492
Marcas Nestlé, S.A. de C.V.	Ciudad de México		100%	MXN	500 051 000
Nespresso México, S.A. de C.V.	Ciudad de México		100%	MXN	210 050 000
Nestlé México, S.A. de C.V.	Ciudad de México		100%	MXN	4 407 532 730
<b>Nicaragua</b>					
Compañía Centroamericana de Productos Lácteos, S.A.	Managua		92.6%	NIO	10 294 900
Nestlé Nicaragua, S.A.	Managua		100%	USD	150 000
<b>Panama</b>					
Nestlé Centroamerica, S.A.	Ciudad de Panamá		100%	USD	10 588 706
Nestlé Panamá, S.A.	Ciudad de Panamá		100%	PAB	7 911 294

(c) Voting powers amount to 51%

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
<b>Paraguay</b>					
Nestlé Business Services Latam S.A.	Asunción		100%	PYG	100 000 000
Nestlé Paraguay S.A.	NiM Asunción		100%	PYG	100 000 000
<b>Peru</b>					
Nestlé Marcas Perú, S.A.C.	Lima	50%	100%	PEN	5 536 832
Nestlé Perú, S.A.	Lima	99.5%	99.5%	PEN	88 964 263
<b>Puerto Rico</b>					
Swirl, Corp.	° Guaynabo		100%	USD	100
<b>Trinidad and Tobago</b>					
Nestlé Caribbean, Inc.	Valsayn		100%	USD	100 000
Nestlé Trinidad and Tobago Ltd	Valsayn	100%	100%	TTD	35 540 000
<b>United States</b>					
Aimmune Nestlé Health Science US R&D, LLC	Wilmington (Delaware)		100%	USD	—
Blue Bottle Coffee, LLC	Wilmington (Delaware)		100%	USD	0
Essentia Sub, LLC	Wilmington (Delaware)		100%	USD	—
Garden of Life LLC	Wilmington (Delaware)		100%	USD	—
Gerber Products Company	Fremont (Michigan)		100%	USD	1 000
HVL LLC	Wilmington (Delaware)		100%	USD	—
Malher, Inc.	Stafford (Texas)		100%	USD	1 000
Nation Pizza Products, LLC	Wilmington (Delaware)		100%	USD	—
NDHH, LLC	◊ Wilmington (Delaware)		100%	USD	0
Nespresso USA, Inc.	Wilmington (Delaware)		100%	USD	1 000
Nestlé Capital Corporation	◊ Wilmington (Delaware)		100%	USD	1 000 000
Nestlé HealthCare Nutrition, Inc.	Wilmington (Delaware)		100%	USD	50 000
Nestlé Holdings, Inc.	◊ Wilmington (Delaware)		100%	USD	100 000
Nestlé Nutrition R&D Centers, Inc.	Wilmington (Delaware)		100%	USD	10 000
Nestlé Prepared Foods Company	Philadelphia (Pennsylvania)		100%	USD	476 760
Nestlé Purina PetCare Company	St. Louis (Missouri)		100%	USD	1 000
Nestlé Purina PetCare Global Resources, Inc.	Wilmington (Delaware)		100%	USD	0
Nestlé R&D Center, Inc.	Wilmington (Delaware)		100%	USD	10 000
Nestlé Regional GLOBE Office North America, Inc.	Wilmington (Delaware)		100%	USD	1 000
Nestlé USA, Inc.	Wilmington (Delaware)		100%	USD	1 000
Nuun & Company, Inc.	Wilmington (Delaware)		100%	USD	0
Orgain, LLC	Wilmington (Delaware)		51%	USD	—
Pure Encapsulations, LLC	Wilmington (Delaware)		100%	USD	—
Puritan's Pride, Inc.	New York (New York)		99.8%	USD	0
Rexall Sundown, Inc.	Plantation (Florida)		99.8%	USD	0
Solgar Holdings, Inc.	Wilmington (Delaware)		99.8%	USD	1 000
Sweet Earth Inc.	Wilmington (Delaware)		100%	USD	0
Tejas Industries, LLC	Dallas (Texas)		100%	USD	1 000
The Nature's Bounty Co.	Wilmington (Delaware)		99.8%	USD	10

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
<b>United States (continued)</b>					
Vital Proteins LLC	<sup>o</sup> Wilmington (Delaware)		100%	USD	100 000 000
Vitality Foodservice, Inc.	Dover (Delaware)		100%	USD	1 240
Vitaminpacks Inc.	Wilmington (Delaware)		98.3%	USD	1 076
JustForFoodDogs, Inc.	<sup>3)</sup> Irvine (California)		29%	USD	1 000
Sous Chef TopCo, L.P.	<sup>3)</sup> Greenwich (Connecticut)		45.5%	USD	1 100 000
<b>Uruguay</b>					
Nestlé del Uruguay S.A.	Montevideo		100%	UYU	375 426 189
<b>Venezuela</b>					
Nestlé Venezuela, S.A.	Caracas	100%	100%	VES	0

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
<b>Asia</b>					
<b>Afghanistan</b>					
Nestlé Afghanistan Ltd	° Kabul	100%	100%	USD	1 000 000
<b>Bahrain</b>					
Nestlé Bahrain Trading WLL	NiM Manama		49%	BHD	200 000
<b>Bangladesh</b>					
Nestlé Bangladesh Limited	Dhaka	99.4%	100%	BDT	100 000 000
<b>Greater China Region</b>					
Dongguan Hsu Chi Food Co., Limited	Dongguan		60%	HKD	700 000 000
Guangzhou Refrigerated Foods Limited	Guangzhou		95.5%	CNY	390 000 000
Nestlé (China) Limited	◇ Beijing		100%	CNY	3 525 353 500
Nestlé Dongguan Limited	Dongguan		100%	CNY	536 000 000
Nestlé Health Science (China) Limited	Taizhou City		100%	USD	32 640 000
Nestlé Hong Kong Limited	Hong Kong		100%	HKD	250 000 000
Nestlé Nespresso Beijing Limited	Beijing		100%	CNY	7 000 000
Nestlé Purina PetCare Tianjin Limited	Tianjin		100%	CNY	240 000 000
Nestlé Qingdao Limited	Laixi		100%	CNY	930 000 000
Nestlé Shanghai Limited	Shanghai		95%	CNY	200 000 000
Nestlé Shuangcheng Limited	Shuangcheng		97%	CNY	435 000 000
Nestlé Taiwan Limited	Taipei		100%	TWD	100 000 000
Nestlé Tianjin Limited	Tianjin		100%	CNY	785 000 000
Shanghai Nestlé Product Services Limited	Shanghai		100%	CNY	83 000 000
Shanghai Totole First Food Limited	Shanghai		100%	CNY	72 000 000
Shanghai Totole Food Limited	Shanghai		100%	USD	7 800 000
Sichuan Haoji Food Co., Limited	Puge		80%	CNY	80 000 000
Suzhou Hexing Food Co., Limited	Suzhou		100%	CNY	40 000 000
Wyeth (Hong Kong) Holding Co., Limited	◇ Hong Kong		100%	HKD	1 354 107 000
Wyeth (Shanghai) Trading Co., Limited	Shanghai		100%	CNY	15 316 450
Wyeth Nutritional (China) Co., Limited	Suzhou		100%	CNY	900 000 000
<b>India</b>					
Nestlé India Ltd	△ New Delhi	34.3%	62.8%	INR	964 157 160
<i>Listed on the Bombay Stock Exchange, market capitalization INR 1890.3 billion, quotation code (ISIN) INE239A01016</i>					
<b>Indonesia</b>					
P.T. Nestlé Indonesia	Jakarta		91.7%	IDR	152 753 440 000
P.T. Wyeth Nutrition Sduaenam	Jakarta		99.2%	IDR	2 500 000 000
<b>Iran</b>					
Nestlé Iran (Private Joint Stock Company)	Tehrān		95.9%	IRR	358 538 000 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
<b>Israel</b>					
Materna Industries Limited Partnership	Kibbutz Maabarot		100%	ILS	10 000
Nespresso Israel Ltd	Tel Aviv		100%	ILS	1 000
OSEM Food Industries Ltd	Shoham		100%	ILS	176
OSEM Investments Ltd	Shoham		100%	ILS	110 644 443
Tivall Food Industries Ltd	Kiryat Gat		100%	ILS	41 861 167
<b>Japan</b>					
Blue Bottle Coffee Japan, G.K.	Tokyo	25%	100%	JPY	10 000 000
Nestlé Japan Ltd	Kōbe		100%	JPY	4 000 000 000
Nestlé Nespresso K.K.	Kōbe		100%	JPY	10 000 000
<b>Jordan</b>					
Ghadeer Mineral Water Co. WLL	Amman		100%	JOD	1 785 000
Nestlé Jordan Trading Company Ltd	Amman		87%	JOD	410 000
<b>Korea (Republic of)</b>					
Blue Bottle Coffee Korea Ltd	Seoul	25%	100%	KRW	1 785 540 000
Nestlé Korea Yuhan Chaegim Hoesa	Seoul		100%	KRW	15 594 500 000
LOTTE-Nestlé (Korea) Co., Ltd	<sup>1)</sup> Cheongju		50%	KRW	52 783 120 000
<b>Kuwait</b>					
Nestlé Kuwait General Trading Company WLL	Safat	49%	49%	KWD	300 000
<b>Lebanon</b>					
Société pour l'Exportation des Produits Nestlé S.A.	Baabda	100%	100%	CHF	1 750 000
<b>Malaysia</b>					
Nestlé (Malaysia) Bhd.	<sup>Δ</sup> Petaling Jaya		72.6%	MYR	267 500 000
<i>Listed on the Kuala Lumpur stock exchange, market capitalization MYR 32.8 billion, quotation code (ISIN) MYL470700005</i>					
Nestlé Asean (Malaysia) Sdn. Bhd.	Petaling Jaya		72.6%	MYR	42 000 000
Nestlé Manufacturing (Malaysia) Sdn. Bhd.	Petaling Jaya		72.6%	MYR	132 500 000
Nestlé Products Sdn. Bhd.	Petaling Jaya		72.6%	MYR	28 500 000
<b>Myanmar</b>					
Nestlé Myanmar Limited	<sup>NiM</sup> Yangon		95%	USD	9 469 600
<b>Oman</b>					
Nestlé Oman Trading LLC	Muscat		49%	OMR	300 000
<b>Pakistan</b>					
Nestlé Pakistan Ltd	<sup>Δ</sup> Lahore		61.6%	PKR	453 495 840
<i>Listed on the Pakistan Stock Exchange, market capitalization PKR 266.2 billion, quotation code (ISIN) PK0025101012</i>					

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
<b>Palestinian Territories</b>					
Nestlé Trading Private Limited Company	° Bethlehem	97.5%	97.5%	JOD	200 000
<b>Philippines</b>					
Nestlé Business Services AOA, Inc.	° Bulacan	100%	100%	PHP	70 000 000
Nestlé Philippines, Inc.	Cabuyao	100%	100%	PHP	2 300 927 400
Wyeth Philippines, Inc.	Makati City	100%	100%	PHP	743 134 900
CPW Philippines, Inc.	*1) Makati City	50%	50%	PHP	7 500 000
<b>Qatar</b>					
Nestlé Qatar Trading LLC	Doha	49%	49%	QAR	1 680 000
<b>Saudi Arabia</b>					
Al Manhal Water Factory Co. Ltd	Riyadh		90%	SAR	7 000 000
Nestlé Saudi Arabia LLC	Jeddah		75%	SAR	27 000 000
Pure Water Factory Co. Ltd	Madinah		90%	SAR	5 000 000
Springs Water Factory Co. Ltd	Dammam		89.8%	SAR	5 000 000
<b>Singapore</b>					
Nestlé Singapore (Pte) Ltd	Singapore		100%	SGD	1 000 000
Nestlé TC Asia Pacific Pte Ltd	*0) Singapore	100%	100%	JPY	10 000 000 000
				SGD	2
Wyeth Nutritionals (Singapore) Pte Ltd	Singapore		100%	SGD	220 506 420
<b>Sri Lanka</b>					
Nestlé Lanka PLC	Δ Colombo	91.9%	91.9%	LKR	537 254 630
<i>Listed on the Colombo stock exchange, market capitalization LKR 48.6 billion, quotation code (ISIN) LK0128N00005</i>					
<b>Syria</b>					
Nestlé Syria S.A.	NiM Damascus		100%	SYP	800 000 000
<b>Thailand</b>					
Nestlé (Thai) Ltd	Bangkok		100%	THB	880 000 000
Nestlé Roh (Thailand) Ltd	° Bangkok	<0.1%	100%	THB	250 000 000
Perrier Vittel (Thailand) Ltd	Bangkok		100%	THB	235 000 000
Quality Coffee Products Ltd	Bangkok	30%	50%	THB	500 000 000
<b>United Arab Emirates</b>					
Nestlé Dubai Manufacturing LLC	Dubai		49%	AED	300 000
Nestlé Middle East FZE	Dubai		100%	AED	3 000 000
Nestlé Middle East Manufacturing LLC	Dubai		49%	AED	300 000
Nestlé Treasury Centre-Middle East & Africa Ltd	◊ Dubai		100%	USD	2 997 343 684
Nestlé UAE LLC	Dubai		49%	AED	2 000 000
Nestlé Waters Factory H&O LLC	Dubai		51%	AED	71 886 000

Companies of the Nestlé Group, joint arrangements and associates

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
<b>Uzbekistan</b>					
Nestlé Food MChJ XK	Tashkent	<0.1%	100%	UZS	12 922 977 969
<b>Vietnam</b>					
La Vie Limited Liability Company	Long An		65%	USD	2 663 400
Nestlé Vietnam Ltd	Bien Hoa	100%	100%	KVND	1 261 151 498



Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
<b>Oceania</b>						
<b>Australia</b>						
Nestlé Australia Ltd		Sydney		100%	AUD	274 000 000
Cereal Partners Australia Pty Ltd	1)	Sydney		50%	AUD	107 800 000
<b>Fiji</b>						
Nestlé (Fiji) Pte Ltd	NiM	Lami		100%	FJD	3 000 000
<b>French Polynesia</b>						
Nestlé Polynésie S.A.S.	NiM	Papeete		100%	XPF	5 000 000
<b>New Caledonia</b>						
Nestlé Nouvelle-Calédonie S.A.S.	NiM	Nouméa		100%	XPF	64 000 000
<b>New Zealand</b>						
Nestlé New Zealand Limited		Auckland		100%	NZD	300 000
New Zealand Health Manufacturing Limited		Auckland		100%	NZD	0
<b>Papua New Guinea</b>						
Nestlé (PNG) Ltd		Lae		100%	PGK	11 850 000

## Technical assistance, research and development units

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

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

The Technical Assistance centre is Société des Produits Nestlé S.A. (SPN), a technical, scientific, commercial and business assistance company. The units of SPN, specialized in all areas of the business, supply permanent know-how and assistance to operating companies in the Group within the framework of licence and equivalent contracts. SPN is also responsible for all scientific research and technological development, which it undertakes itself or through affiliated companies.

The centres involved are listed below:

	City of operations		
<b>Switzerland</b>			
Nestlé Research	Ecublens		R
Nestlé Product Technology Centre Coffee	Orbe		PTC
Nestlé Product Technology Centre Dairy	Konolfingen		PTC
Nestlé Product Technology Centre Nutrition	Konolfingen		PTC
Nestlé Product Technology Centre Nestlé Professional	Orbe		PTC
Nestlé Research	Lausanne		R
Nestlé System Technology Centre	Orbe		R and PTC
Société des Produits Nestlé S.A.	Vevey		TA
<b>Chile</b>			
Nestlé Development Centre	Santiago de Chile		D
<b>Côte d'Ivoire</b>			
Nestlé R&D Centre	Abidjan		R&D
<b>France</b>			
Nestlé Development Centre	Lisieux		D
Nestlé Product Technology Centre Waters	Vittel		PTC
Nestlé R&D Centre	Aubigny		R&D
Nestlé Research	Tours		R
<b>Germany</b>			
Nestlé Product Technology Centre Food	Singen		PTC
<b>Greater China Region</b>			
Nestlé R&D Centre	Beijing		R&D

	City of operations			
<b>India</b>				
Nestlé Development Centre	Gurgaon			D
<b>Ireland (Republic of)</b>				
Nestlé Development Centre	Askeaton			D
<b>Singapore</b>				
Nestlé R&D Centre	Singapore			R&D
<b>United Kingdom</b>				
Nestlé Product Technology Centre Confectionery	York			PTC
<b>United States</b>				
Nestlé Development Centre	Fremont (Michigan)			D
Nestlé Development Centre	Marysville (Ohio)			D
Nestlé Development Centre	Solon (Ohio)			D
Nestlé Product Technology Centre				
Nestlé Health Science	Bridgewater (New Jersey)			PTC
Nestlé Product Technology Centre PetCare	St. Louis (Missouri)			PTC
Nestlé R&D Centre	St. Joseph (Missouri)			R&D

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

Lausanne, 15 February 2023

## Report of the statutory auditor

### Report on the audit of the consolidated financial statements



#### Opinion

We have audited the consolidated financial statements of Nestlé S.A. and its subsidiaries (the Group), which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity, as at 31 December 2022 and for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 72 to 173) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



#### Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards (IESBA Code))*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

### **Measurement of revenue as it relates to trade spend**

---

#### **Risk**

As described in Notes 1 and 3 of the consolidated financial statements, revenue from the sale of goods is recognized when control of the goods has transferred to the customer and is measured net of discounts, allowances and promotional rebates (collectively ‘trade spend’). For certain trade spend arrangements settled retrospectively, management estimates the level of trade spend using judgments based on historical experience and the specific terms of the agreements with the customers. The measurement of revenue, therefore, involves estimates related to various arrangements with a broad customer base across different countries.

Organic growth, which represents sales growth after removing, among other things, the impact of acquisitions, divestitures and exchange rate movements, is an important component in the determination of measurable financial objectives linked to management incentive schemes. There is a risk of revenue being misstated, through error, misinterpretation or misapplication of accounting standards and policies or intentional manipulation, as a result of the pressure that local management may feel to achieve growth targets. The nature of the misstatements may include bias in estimates, unrecorded accruals, or the misclassification of trade spend in the income statement.

We deemed the measurement of trade spend to be a key audit matter due to the materiality and complexity in estimating the amount of trade spend that is ultimately claimed by customers. The estimates require the use of assumptions that are complex, given the high volume and diversity of trade spend arrangements as well as the uncertainty related to future outcomes, including changes in buying patterns resulting from the current economic environment.

---

**Our audit response** Our audit procedures included the following:

**Accounting policies:** We assessed the Group's revenue recognition accounting policies, including the recognition and classification criteria for trade spend.

**Processes and controls:** We gained an understanding of the types of arrangements, processes, systems and internal controls related to trade spend.

- We tested the integrity of the general IT control environment relating to the most significant IT system relevant to revenue recognition and tested selected IT application controls.
- We tested selected internal controls in some markets related to measuring and accounting for trade spend.

**Data analytics:** We evaluated quarterly trends of sales and trade spend. We performed relationship analysis focused on the change in trade spend as a percentage of sales to assess the level of trade spend by category, and by customer, in the context of the local markets. For a sample of trade spend, we considered if those items were classified according to the Group's accounting policies.

**Test of details:** For a sample of trade spend arrangements, we reconciled key inputs and assumptions used in the estimates with internal and external sources of information, such as the contracts with the relevant customers or other third-party support. We recalculated the accrual and income statement amounts to test mathematical accuracy.

We reviewed manual journal entries impacting trade spend to identify significant or unusual items and obtained underlying documentation.

We assessed the ageing of trade spend accruals. We tested transactions with customers recorded after the reporting date to assess the completeness of accruals and assessed whether recorded in the correct period.

**Assessing disclosure:** We assessed the disclosure provided in Note 1 and Note 3 of the consolidated financial statements in relation to the relevant accounting standards.

**Our results:** Our audit procedures did not lead to any reservations concerning the trade spend accrual and related net revenue recognized.

### Carrying value of goodwill and intangibles assets

---

#### Risk

As described in Notes 1 and 9 of the consolidated financial statements, the Company has CHF 31.3 billion of goodwill and CHF 20.2 billion of intangibles assets, the sum of which represents 38% of total assets and 120% of equity. For all cash generating units (CGUs) with goodwill, indefinite-life intangibles, or non-commercialized intangibles, indicators of impairment are assessed at each reporting date and an impairment test is performed at least annually. Finite life intangible assets are assessed for indicators of impairment at each reporting date and an impairment test is only performed when indicators are present.

During 2022, management re-assessed the CGUs due to a change in the reportable segments (see Note 9). As such, management reallocated the goodwill and intangible assets to the new CGUs on a relative fair value basis.

In the second half of 2022, management announced a strategic review of Palforzia due to continued underperformance of the peanut allergy treatment since acquisition in 2020. As a result, all Palforzia assets were tested for impairment, resulting in impairment charges of CHF 1.9 billion, which constitutes the majority of the total impairment of CHF 2.3 billion recorded this year in the consolidated financial statements as described in Note 9.

The assessment of indicators of impairment and impairment testing are subjective in nature. The recoverability of goodwill and intangible assets is assessed using forecasted financial information within a discounted cash flow model. The recoverable amount is sensitive to changes in key assumptions, including sales growth, operating margins, discount and terminal growth rates. The inputs, including the impacts that climate risks and environmental commitments may have on future cashflows, as well as allocation of assets to CGUs, are subject to management judgment.

---

**Our audit response** Our audit procedures included the following:

**Determination of cash generating units (CGUs):** We gained an understanding of management's judgements with respect to the determination of CGUs, including the changes to the CGUs in the current year. We gained an understanding of the judgements and inputs applied in the allocation of assets to CGUs and recalculated key inputs. We assessed the determination of CGUs and the allocation of assets to those CGUs.

**Process and controls:** We gained an understanding of the impairment process and confirmed the existence of key controls.

**Historical comparisons and current context:** We obtained an understanding of the current macro-economic context on forecasted financial information and the outlook for each CGU through both external research and discussions with selected stakeholders within the Group. We compared the forecasted financial information (sales growth and operating margins) with historical data. Where the forecasted financial information differed from our expectations given the current context and historical data, we obtained supporting explanations.

Specifically, for the Palforzia assets, we gained an understanding of the progress of the strategic review of the business including the scenarios analysed to calculate the impairment charges recorded. We challenged management on the consistency of information used across its impairment tests for the various assets.

We obtained an understanding of how management considered climate change risks, including transition and physical risks, in the future cashflows of its CGUs. With assistance from our sustainability specialists, we challenged management's assessment and the consistency of potential climate risks across the various zones and product categories as it related to sales growth and operating margin evolution. We evaluated any adjustments made to sales growth, annual operating margin evolution, and terminal growth rates in the impairment models and performed additional sensitivities over these assumptions where needed. Additionally, we gained an understanding of how management used information prepared in accordance with the Taskforce on Climate-related Financial Disclosure (TCFD) framework (as described in Note 9). We assessed the consistency of information used, including the



scenario's analyzed and the probability weighting used and recalculated the allocation of the potential climate transition risk.

**Personnel interviews:** Forecasted financial information (sales growth and operating margin) is forecasted bottom-up and reviewed centrally. We compared judgments made and information obtained both at the local level and at Group level for consistency. We assessed and challenged assumptions with reference to information from market research and perspectives from product category leadership and zone leadership.

**Assessment of methodology:** With the assistance of our valuation specialists, we replicated management's impairment models and tested the mathematical accuracy. Further, we assessed the appropriateness of the methodology used and the consistent application thereof to the CGUs tested.

**Evaluation of technical parameters:** We independently derived a range of weighted average cost of capital (WACC) and terminal growth rates, with the assistance of our valuation specialists, compared these to those calculated by the Group and identified differences in assumptions between the two calculations. We challenged the Group on such differences and assessed the discount rates in relation to other key inputs, including whether the uncertainty with respect to future cashflows is adequately considered in the WACC.

**Sensitivity analysis:** Using data analytics, we performed sensitivity analysis around the key assumptions such as sales growth rate, operating margin, terminal growth rate, and WACC. We focused on those assumptions and CGUs that were most sensitive and judgmental.

**Assessing indicators of impairment:** We obtained management's assessment regarding indicators of impairment and challenged selected indicators based on our knowledge of internal and external factors.

**Assessing disclosure:** We assessed the adequacy of the disclosure provided in Note 1 and Note 9 of the consolidated financial statements in relation to the relevant accounting standards.

**Our results:** Our audit procedures did not lead to any reservations concerning the valuation, presentation and disclosure of goodwill or intangible assets.

### Completeness and valuation of uncertain tax positions

---

#### Risk

Nestlé's global footprint results in significant complexity as its worldwide operations are subject to a diversity of international tax regulations. The cross-border activity and scrutiny of the transfer pricing applied to intercompany transactions vary by tax jurisdiction. In addition to the complexity of its tax environment, there is a level of unpredictability of tax authority's assessment of Nestlé's tax filings, which inherently results in the application of management judgment in ascertaining reasonable estimates, which may lead to liabilities for uncertain tax positions being understated or overstated.

The identification and valuation of uncertain tax positions is a key audit matter because of the significant level of judgment and expertise required to interpret local country tax legislation and corresponding risks. Nestlé's policy on uncertain tax position can be found in Notes 1 and 13 of the consolidated financial statements.

---

**Our audit response** Our audit procedures included the following:

**Processes and controls:** We gained an understanding of the processes for identifying, measuring, and recognizing uncertain tax positions both centrally and locally, and confirmed the existence of controls in the process.

**Historical comparisons and current context:** We obtained an understanding of the current macro-economic context that may affect uncertain tax positions which are recognized or unrecognized. We validated our understanding of the current environment in relation to other key areas of the audit. Furthermore, our tax specialists, including transfer pricing specialists, considered impacts of changes in tax legislation or business operations in the identification, measurement and recognition of uncertain tax positions. We reviewed available information related to significant on-going tax audits. We reviewed the recognized and unrecognized positions in comparison to tax audits' outcomes, when available, and gained an understanding if there were any deviations in the outcome compared to amounts recognized.

**Personnel interviews:** Through interviews in the local markets and at Group level, we compared judgments made and information obtained for consistency.

**Methodology implementation:** We assessed the application of the relevant standards, including but not limited to IFRIC 23, Uncertainty over Income Tax Treatments, in the identification, measurement and recognition of uncertain tax positions. With the assistance of our tax specialists, including transfer pricing specialists, we assessed the intercompany transfer pricing models for compliance with applicable laws, regulations and transfer pricing guidelines and evaluated management's judgment regarding tax risks. We reperformed management's calculations of uncertain tax positions.

**Key assumptions:** In reviewing the calculations, we identified the key assumptions of identified risk provisions, whether recognized or unrecognized, and tested the validity of these assumptions with our tax specialists. The key assumptions include, but are not limited to, number of years for which the risk occurs; use of generally accepted benchmarks; business models within the Group and availability of mutual agreement procedures in the case of disputes related to profit allocation across the Group to reduce double taxation. We focused our attention on those assumptions and inputs that were most sensitive and judgmental.

**Our results:** Our audit procedures did not lead to any reservations concerning the completeness and valuation of uncertain tax positions.



### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the Compensation Report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### **Board of Directors' responsibilities for the consolidated financial statements**

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTSuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

## Report on other legal and regulatory requirements



In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

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

Ernst & Young Ltd

Jeanne Boillet  
Licensed audit expert  
(Auditor in charge)

André Schaub  
Licensed audit expert

# Financial information – 5-year review

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

	2022	2021
<b>Results</b>		
Sales	94 424	87 088
Underlying Trading operating profit <sup>(a)</sup>	16 103	15 119
as % of sales	17.1%	17.4%
Trading operating profit <sup>(a)</sup>	13 195	12 159
as % of sales	14.0%	14.0%
Taxes	2 730	2 261
Profit for the year attributable to shareholders of the parent (Net profit)	9 270	16 905
as % of sales	9.8%	19.4%
Total amount of dividend	8 113 <sup>(c)</sup>	7 618
Depreciation of property, plant and equipment	3 097	3 056
<b>Balance sheet and Cash flow statement</b>		
Current assets	35 062	39 257
Non-current assets	100 120	99 885
Total assets	135 182	139 142
Current liabilities	39 976	40 020
Non-current liabilities	52 414	45 395
Total equity	42 792	53 727
Net financial debt <sup>(a)</sup>	48 159	32 917
Ratio of net financial debt to total equity (gearing)	112.5%	61.3%
Operating cash flow	11 907	13 864
as % of net financial debt	24.7%	42.1%
Free cash flow <sup>(a)</sup>	6 570	8 715
Capital additions	8 264	12 977
as % of sales	8.8%	14.9%
<b>Data per share</b>		
Weighted average number of shares outstanding (in millions of units)	2 707	2 788
Basic earnings per share	3.42	6.06
Underlying earnings per share <sup>(a)</sup>	4.80	4.42
Dividend	2.95 <sup>(c)</sup>	2.80
Pay-out ratio based on basic earnings per share	86.3% <sup>(c)</sup>	46.2%
Stock prices (high)	129.50	128.90
Stock prices (low)	104.98	95.00
Yield <sup>(b)</sup>	2.3/2.8 <sup>(c)</sup>	2.2/2.9
<b>Market capitalization</b>	<b>285 865</b>	<b>351 682</b>
<b>Number of employees (in thousands)</b>	<b>275</b>	<b>276</b>

(a) Certain financial performance measures, that are not defined by IFRS, are used by management to assess the financial and operational performance of the Group. The "Alternative Performance Measures" document published under <https://www.nestle.com/investors/publications> provides the definition of these non-IFRS financial performance measures.

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

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

2020	2019	2018	
			<b>Results</b>
84 343	92 568	91 439	Sales
14 903	16 260	15 521	Underlying Trading operating profit <sup>(a)</sup>
17.7%	17.6%	17.0%	as % of sales
14 233	13 674	13 789	Trading operating profit <sup>(a)</sup>
16.9%	14.8%	15.1%	as % of sales
3 365	3 159	3 439	Taxes
12 232	12 609	10 135	Profit for the year attributable to shareholders of the parent (Net profit)
14.5%	13.6%	11.1%	as % of sales
7 681	7 700	7 230	Total amount of dividend
3 127	3 488	3 604	Depreciation of property, plant and equipment
			<b>Balance sheet and Cash flow statement</b>
34 068	35 663	41 003	Current assets
89 960	92 277	96 012	Non-current assets
124 028	127 940	137 015	Total assets
39 722	41 615	43 030	Current liabilities
37 792	33 463	35 582	Non-current liabilities
46 514	52 862	58 403	Total equity
31 319	27 138	30 330	Net financial debt <sup>(a)</sup>
67.3%	51.3%	51.9%	Ratio of net financial debt to total equity (gearing)
14 377	15 850	15 398	Operating cash flow
45.9%	58.4%	50.8%	as % of net financial debt
10 245	11 934	10 765	Free cash flow <sup>(a)</sup>
11 367	5 482	14 711	Capital additions
13.5%	5.9%	16.1%	as % of sales
			<b>Data per share</b>
2 845	2 929	3 014	Weighted average number of shares outstanding (in millions of units)
4.30	4.30	3.36	Basic earnings per share
4.21	4.41	4.02	Underlying earnings per share <sup>(a)</sup>
2.75	2.70	2.45	Dividend
64.0%	62.8%	72.9%	Pay-out ratio based on basic earnings per share
112.62	113.20	86.50	Stock prices (high)
83.37	79.86	72.92	Stock prices (low)
2.4/3.3	2.4/3.4	2.8/3.4	Yield <sup>(b)</sup>
<b>293 644</b>	<b>301 772</b>	<b>237 363</b>	<b>Market capitalization</b>
<b>273</b>	<b>291</b>	<b>308</b>	<b>Number of employees (in thousands)</b>





# 156th Financial Statements of Nestlé S.A.

---

**189**    **Income statement for the year ended  
December 31, 2022**

**190**    **Balance sheet as at December 31, 2022**

**191**    **Notes to the annual accounts**

- 191    1. Accounting policies
- 192    2. Income from Group companies
- 3. Profit on disposal and revaluation  
      of assets
- 4. Financial income
- 5. Financial expenses
- 6. Taxes
- 193    7. Cash and cash equivalents
- 8. Other current receivables
- 9. Financial assets
- 10. Shareholdings
- 194    11. Interest-bearing liabilities
- 12. Other current liabilities
- 13. Provisions
- 195    14. Share capital
- 15. Changes in equity
- 196    16. Treasury shares
- 17. Contingencies
- 197    18. Performance Share Units, Restricted  
      Stock Units, Phantom Shares and  
      Shares granted
- 19. Full-time equivalents
- 198    20. Shares
- 199    21. Events after the balance sheet date

**200**    **Proposed appropriation of profit**

**202**    **Report of the statutory auditor**

# Income statement for the year ended December 31, 2022

In millions of CHF

	Notes	2022	2021
Income from Group companies	2	8 989	11 857
Profit on disposal and revaluation of assets	3	12	10 795
Other income		14	—
Financial income	4	190	180
<b>Total income</b>		<b>9 205</b>	<b>22 832</b>
Personnel expenses		(107)	(105)
Other expenses		(63)	(29)
Write-downs and amortization of shareholdings and loans		(98)	(538)
Financial expenses	5	(27)	(8)
Taxes	6	(75)	268
<b>Total expenses</b>		<b>(370)</b>	<b>(412)</b>
<b>Profit for the year</b>		<b>8 835</b>	<b>22 420</b>

# Balance sheet as at December 31, 2022

before appropriations

In millions of CHF	Notes	2022	2021
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	155	177
Other current receivables	8	443	11 862
Prepayments and accrued income		53	25
<b>Total current assets</b>		<b>651</b>	<b>12 064</b>
<b>Non-current assets</b>			
Financial assets	9	17 672	12 480
Shareholdings	10	13 881	13 266
Property, plant and equipment		1	1
<b>Total non-current assets</b>		<b>31 554</b>	<b>25 747</b>
<b>Total assets</b>		<b>32 205</b>	<b>37 811</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Interest-bearing liabilities	11	7 076	313
Other current liabilities	12	623	5 893
Accruals and deferred income		92	284
Provisions	13	232	303
<b>Total current liabilities</b>		<b>8 023</b>	<b>6 793</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	11	4 058	1 502
Provisions	13	16	27
<b>Total non-current liabilities</b>		<b>4 074</b>	<b>1 529</b>
<b>Total liabilities</b>		<b>12 097</b>	<b>8 322</b>
<b>Equity</b>			
Share capital	14 /15	275	282
Legal retained earnings			
– General legal reserve	15	1 960	1 953
Voluntary retained earnings			
– Special reserve	15	2 859	2 859
– Profit brought forward	15	15 482	8 015
– Profit for the year	15	8 835	22 420
Treasury shares	15/16	(9 303)	(6 040)
<b>Total equity</b>		<b>20 108</b>	<b>29 489</b>
<b>Total liabilities and equity</b>		<b>32 205</b>	<b>37 811</b>

# Notes to the annual accounts

## 1. Accounting policies

### General

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

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

### Foreign currency translation

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

### Hedging

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

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

The positive fair values of forward exchange contracts and interest rate swaps are included in prepayments and accrued income. The negative fair values of forward exchange contracts and interest rate swaps are included in accruals and deferred income.

### Income statement

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

### Taxes

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

### Financial assets and shareholdings

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

Financial assets and shareholdings are written down on a conservative basis, taking into account the profitability of the company concerned.

### Property, plant and equipment

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

### Provisions

Provisions include present obligations as well as contingencies. Provisions for Swiss taxes are made on the basis of the Company's taxable capital, reserves and profit for the year.

## 2. Income from Group companies

This represents dividends and other income from Group companies. In 2021, a royalties true-up for prior years for an amount of CHF 565 million is included.

## 3. Profit on disposal and revaluation of assets

In 2022, a net gain of CHF 10 million from the sale of participations to Société des Produits Nestlé S.A. is included. In 2021, a net gain of CHF 9201 million from the sale of L'Oréal shares, CHF 1051 million from the revaluation of participations and CHF 519 million from the sale of participations to Société des Produits Nestlé S.A. are included.

## 4. Financial income

In millions of CHF

	2022	2021
Income on loans to Group companies	135	125
Other financial income	55	55
	<b>190</b>	<b>180</b>

## 5. Financial expenses

In millions of CHF

	2022	2021
Expenses related to loans from Group companies	(3)	—
Other financial expenses	(24)	(8)
	<b>(27)</b>	<b>(8)</b>

## 6. Taxes

In millions of CHF

	2022	2021
Direct taxes	(57)	(154)
Prior-year adjustments	21	480
Withholding taxes on income from foreign sources	(39)	(58)
	<b>(75)</b>	<b>268</b>

## 7. Cash and cash equivalents

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

## 8. Other current receivables

In millions of CHF

	2022	2021
Amounts owed by Group companies (current accounts)	386	11 798
Other receivables	57	64
	<b>443</b>	<b>11 862</b>

## 9. Financial assets

In millions of CHF

	2022	2021
Loans to Group companies	17 636	12 403
Other investments	36	77
	<b>17 672</b>	<b>12 480</b>

## 10. Shareholdings

In millions of CHF

	2022	2021
As at January 1	13 266	13 349
Net increase/(decrease)	609	(1 047)
Revaluation/(write-down)	6	964
<b>As at December 31</b>	<b>13 881</b>	<b>13 266</b>

A list of direct and significant indirect Group companies held by Nestlé S.A. with the percentage of the capital controlled is included in the Consolidated Financial Statements of the Nestlé Group. In 2022, Nestlé S.A. has sold or contributed shareholdings with a net carrying amount of CHF 536 million (2021: 1864 million) to its subsidiary Société des Produits Nestlé S.A. (also see Note 3).

## 11. Interest-bearing liabilities

Current interest-bearing liabilities are amounts owed to Group companies.  
Non-current interest-bearing liabilities concern one amount owed to a Group company (CHF 124 million) and eight bonds issued by Nestlé S.A.

In millions of CHF

Issuer		Face value in millions	Coupon	Effective interest rate	Year of issue/ maturity	2022	2021
Nestlé S.A., Switzerland	CHF	600	0.75%	0.69%	2018–2028	602	602
	CHF	900	0.25%	0.26%	2018–2024	900	900
	CHF	260	2.63%	2.57%	2022–2035	262	—
	CHF	350	2.50%	2.46%	2022–2034	351	—
	CHF	475	2.13%	2.15%	2022–2030	474	—
	CHF	310	2.25%	2.18%	2022–2029	311	—
	CHF	675	1.63%	1.65%	2022–2026	674	—
	CHF	360	1.63%	1.67%	2022–2025	360	—
<b>Total carrying amount</b>						<b>3 934</b>	<b>1 502</b>

## 12. Other current liabilities

In millions of CHF

	2022	2021
Amounts owed to Group companies	330	5 677
Other liabilities	293	216
	<b>623</b>	<b>5 893</b>

## 13. Provisions

In millions of CHF

	2022		2021	
	Swiss and foreign taxes	Other	Total	Total
As at January 1	228	102	330	715
Provisions made in the period	56	13	69	160
Amounts used	(72)	(4)	(76)	(49)
Unused amounts reversed	(21)	(54)	(75)	(496)
<b>As at December 31</b>	<b>191</b>	<b>57</b>	<b>248</b>	<b>330</b>
of which expected to be settled within 12 months			<b>232</b>	<b>303</b>



## 14. Share capital

	2022	2021
Number of registered shares with nominal value CHF 0.10 each	2 750 000 000	2 815 000 000
In millions of CHF	275	282

According to article 5 of the Company's Articles of Association, no person or entity shall be registered with voting rights for more than 5% of the share capital as recorded in the commercial register. This limitation on registration also applies to persons who hold some or all of their shares through nominees pursuant to this article. In addition, article 11 provides that no person may exercise, directly or indirectly, voting rights, with respect to own shares or shares represented by proxy, in excess of 5% of the share capital as recorded in the commercial register. Apart from BlackRock, Inc., which disclosed holding 5.04% on January 3, 2022, the Company was not aware of any shareholder holding, directly or indirectly, 5% or more of the share capital.

## 15. Changes in equity

In millions of CHF

	Share capital	General legal reserve	Special reserve	Retained earnings	Treasury shares	Total
As at January 1, 2022	282	1 953	2 859	30 435	(6 040)	29 489
Cancellation of 65 000 000 shares (share buyback program)	(7)	7	—	(7 335)	7 335	—
Profit for the year	—	—	—	8 835	—	8 835
Dividend for 2021	—	—	—	(7 618)	—	(7 618)
Movement of treasury shares	—	—	—	—	(10 598)	(10 598)
<b>As at December 31, 2022</b>	<b>275</b>	<b>1 960</b>	<b>2 859</b>	<b>24 317</b>	<b>(9 303)</b>	<b>20 108</b>

## 16. Treasury shares

In millions of CHF

	2022		2021	
	Number	Amount	Number	Amount
Share buyback programs	77 534 276	8 863	50 936 859	5 624
Long-term incentive plans	4 324 340	440	4 470 842	416
	<b>81 858 616</b>	<b>9 303</b>	<b>55 407 701</b>	<b>6 040</b>

The share capital has been reduced by 65 000 000 shares from CHF 282 million to CHF 275 million through the cancellation of shares purchased as part of the share buyback program. The purchase value of those cancelled shares amounts to CHF 7335 million.

During the year, 91 597 417 shares were purchased as part of the share buyback program for CHF 10 575 million.

The Company held 4 324 340 shares to cover long-term incentive plans. During the year, 1 746 163 shares were delivered as part of the Nestlé Group remuneration plans for a total value of CHF 162 million. All treasury shares are valued at acquisition cost.

The total of own shares of 81 858 616 held by Nestlé S.A. as at December 31, 2022 represents 3.0% of the Nestlé S.A. share capital (55 407 701 own shares held as at December 31, 2021 by Nestlé S.A. representing 2.0% of the Nestlé S.A. share capital).

## 17. Contingencies

As at December 31, 2022, the total of the guarantees mainly for credit facilities granted to Group companies, bonds and commercial paper programs, together with the buyback agreements relating to notes issued, amounted to a maximum of CHF 93 562 million (2021: CHF 92 702 million).

## 18. Performance Share Units, Restricted Stock Units, Phantom Shares and Shares granted

In millions of CHF

	2022		2021	
	Number	Amount	Number	Amount
<b>Performance Share Units, Restricted Stock Units and Phantom</b>				
Shares granted to Nestlé S.A. employees <sup>(a)</sup>	159 822	19	187 570	18
Share plan for short-term bonus Executive Board <sup>(b)</sup>	39 400	5	51 516	5
Share plan for Board members <sup>(c)</sup>	—	6	—	6
	<b>199 222</b>	<b>30</b>	<b>239 086</b>	<b>29</b>

(a) The Performance Shares and Restricted Stock Units are valued at the average closing price of the first ten trading days, after the publication of the annual results (for the Grant in March) and of the last ten trading days of September (for the Grant in October), corresponding to CHF 118.59 (grant in March) and CHF 106.72 (grant in October). Includes 130 162 Performance Share Units granted to Executive Board by Nestlé S.A. (2021: 146 608). The Phantom Shares are valued at CHF 165.91 per Unit in 2022.

(b) Nestlé S.A. shares received as part of the short-term bonus are valued at the average closing price of the last ten trading days of January.

(c) The Board is paid in arrears (25% in October 2022 and 75% in April 2023). The Nestlé S.A. shares equivalent to 50% of the annual remuneration will be delivered at the end of the Board year in April 2023. They will be valued at the closing price of the share on the SIX Swiss Exchange on the ex-dividend date 2023. The actual number of shares delivered will be published in the Nestlé S.A. 2023 Financial Statements. In 2022, 50 861 shares were delivered to the Board.

## 19. Full-time equivalents

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

## 20. Shares

### Share ownership of the non-executive members of the Board of Directors and closely related parties

	2022	2021
	Number of shares held <sup>(a)</sup>	Number of shares held <sup>(a)</sup>
Paul Bulcke, Chairman	1 477 385	1 449 177
Henri de Castries, Vice Chairman, Lead Independent Director	34 068	31 126
Renato Fassbind	35 978	33 439
Eva Cheng	9 327	7 513
Patrick Aebischer	15 519	14 108
Pablo Isla	9 229	6 690
Kimberly A. Ross	7 876	6 344
Dick Boer	6 321	4 628
Dinesh Paliwal	13 691	12 280
Hanne Jimenez de Mora	5 246	3 835
Lindiwe M. Sibanda	1 411	—
Chris Leong	—	—
Luca Maestri	—	—
Members who retired from the Board during the year	—	27 479
<b>Total as at December 31</b>	<b>1 616 051</b>	<b>1 596 619</b>

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

There are no stock options held by any non-executive member of the Board of Directors and closely related parties.

### Share ownership of the members of the Executive Board and closely related parties

	2022	2021
	Number of shares held <sup>(a)</sup>	Number of shares held <sup>(a)</sup>
Ulf Mark Schneider, CEO	490 142	465 313
Laurent Freixe	48 087	58 925
Marco Settembri	148 230	127 258
François-Xavier Roger	103 267	90 000
Magdi Batato	52 137	51 949
Stefan Palzer	27 738	22 061
Béatrice Guillaume-Grabisch	53 957	37 519
Leanne Geale	19 519	4 015
Bernard Meunier	11 779	7 785
Steve Presley	—	—
Rémy Ejel	8 520	—
David Zhang	4 036	—
Grégory Behar	33 885	30 852
Sanjay Bahadur	74 816	65 491
David Rennie	14 161	5 401
Members who retired from the Executive Board during the year	—	164 322
<b>Total as at December 31</b>	<b>1 090 274</b>	<b>1 130 891</b>

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

There are no stock options held by any member of the Executive Board and closely related parties.

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

### 21. Events after the balance sheet date

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

# Proposed appropriation of profit

In CHF	2022	2021
<b>Retained earnings</b>		
Profit brought forward	22 553 014 974	14 552 006 210
Dividends on own shares not distributed <sup>(a)</sup>	263 816 717	241 804 173
Cancellation of 65 000 000 shares (share buyback program) (2021: cancellation of 66 000 000 shares)	(7 335 027 036)	(6 778 698 422)
Profit for the year	8 835 205 673	22 419 903 013
	<b>24 317 010 328</b>	<b>30 435 014 974</b>
<b>We propose the following appropriation:</b>		
Dividend for 2022, CHF 2.95 per share on 2 750 000 000 shares <sup>(b)</sup> (2021: CHF 2.80 on 2 815 000 000 shares)	8 112 500 000	7 882 000 000
	<b>8 112 500 000</b>	<b>7 882 000 000</b>
<b>Profit to be carried forward</b>	<b>16 204 510 328</b>	<b>22 553 014 974</b>

(a) The amount of CHF 7 882 000 000 proposed to be distributed as dividend for 2021 was reduced by CHF 263 816 717 due to 94 220 256 treasury shares held by the Nestlé Group at the dividend payment date.

(b) Depending on the number of shares issued as of the last trading day with entitlement to receive the dividend (April 21, 2023). No dividend is paid on treasury shares held by the Nestlé Group.

Provided that the proposal of the Board of Directors is approved by the Annual General Meeting, the gross dividend will amount to CHF 2.95 per share, representing a net amount of CHF 1.9175 per share after payment of the Swiss withholding tax of 35%. The last trading day with entitlement to receive the dividend is April 21, 2023. The shares will be traded ex-dividend as of April 24, 2023. The net dividend will be payable as from April 26, 2023.

The Board of Directors

Cham and Vevey, February 15, 2023



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

Lausanne, 15 February 2023

## Report of the statutory auditor

### Report on the audit of the financial statements



#### Opinion

We have audited the financial statements of Nestlé S.A. (the Company), which comprise the income statement, balance sheet and notes (pages 189 to 199) as at 31 December 2022 for the year then ended.

In our opinion, the financial statements comply with Swiss law and the Company's articles of incorporation.



#### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



#### Key audit matters

We have determined that there are no key audit matters to be communicated in our report.



#### Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the tables marked "audited" in the Compensation Report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



#### **Board of Directors' responsibilities for the financial statements**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

## Report on other legal and regulatory requirements



In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Jeanne Boillet  
Licensed audit expert  
(Auditor in charge)

André Schaub  
Licensed audit expert

# Notes

# Notes