Nestlé Good food, Good life

Financial Statements 2021

Consolidated Financial Statements of the Nestlé Group 2021

155th Financial Statements of Nestlé S.A.

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Principal exchange rates

CHF per

		2021	2020	2021	2020
		Year ending rates		Weighted average annual rates	
1 US Dollar	USD	0.915	0.881	0.915	0.937
1 Euro	EUR	1.034	1.083	1.081	1.070
100 Chinese Yuan Renminbi	CNY	14.344	13.482	14.179	13.596
1 Pound Sterling	GBP	1.235	1.203	1.257	1.202
100 Mexican Pesos	MXN	4.470	4.430	4.505	4.395
100 Brazilian Reais	BRL	16.389	16.951	16.988	18.175
100 Philippine Pesos	PHP	1.793	1.834	1.855	1.893
1 Canadian Dollar	CAD	0.718	0.691	0.730	0.698
100 Indian Rupee	INR	1.232	1.206	1.236	1.267
100 Russian Rubles	RUB	1.222	1.178	1.243	1.292
100 Japanese Yen	JPY	0.794	0.854	0.831	0.877
1 Australian Dollar	AUD	0.664	0.679	0.686	0.646

Consolidated income statement for the year ended December 31, 2021

In millions of CHF

	Notes	2021	2020
Sales	3	**87 088**	**84 343**
Other revenue		382	338
Cost of goods sold		(45 468)	(42 971)
Distribution expenses		(7 919)	(7 861)
Marketing and administration expenses		(17 294)	(17 370)
Research and development costs		(1 670)	(1 576)
Other trading income	4	171	238
Other trading expenses	4	(3 131)	(908)
Trading operating profit	3	**12 159**	**14 233**
Other operating income	4	698	1 919
Other operating expenses	4	(1 178)	(1 356)
Operating profit		**11 679**	**14 796**
Financial income	5	80	109
Financial expense	5	(953)	(983)
Profit before taxes, associates and joint ventures		**10 806**	**13 922**
Taxes	13	(2 261)	(3 365)
Income from associates and joint ventures	14	8 651	1 815
Profit for the year		**17 196**	**12 372**
of which attributable to non-controlling interests		291	140
of which attributable to shareholders of the parent (Net profit)		16 905	12 232
As percentages of sales			
Trading operating profit		14.0%	16.9%
Profit for the year attributable to shareholders of the parent (Net profit)		19.4%	14.5%
Earnings per share (in CHF)			
Basic earnings per share	15	6.06	4.30
Diluted earnings per share	15	6.06	4.29

Consolidated statement of comprehensive income for the year ended December 31, 2021

In millions of CHF

	Notes	2021	2020
Profit for the year recognized in the income statement		**17 196**	**12 372**
Currency retranslations, net of taxes	17	2 130	(2 931)
Changes in cash flow hedge and cost of hedge reserves, net of taxes		368	(54)
Share of other comprehensive income of associates and joint ventures	14/17	157	(265)
Items that are or may be reclassified subsequently to the income statement		2 655	(3 250)
Remeasurement of defined benefit plans, net of taxes	10/17	2 204	(166)
Fair value changes on equity instruments, net of taxes	17	52	124
Share of other comprehensive income of associates and joint ventures	14/17	455	(340)
Items that will never be reclassified to the income statement		2 711	(382)
Other comprehensive income for the year	17	**5 366**	**(3 632)**
Total comprehensive income for the year		**22 562**	**8 740**
of which attributable to non-controlling interests		285	76
of which attributable to shareholders of the parent		22 277	8 664

Consolidated balance sheet as at December 31, 2021

before appropriations

In millions of CHF

	Notes	2021	2020
Assets			
Current assets			
Cash and cash equivalents	12/16	6 988	5 235
Short-term investments	12	7 007	3 374
Inventories	6	11 982	10 101
Trade and other receivables	7/12	11 155	10 746
Prepayments		575	477
Derivative assets	12	278	310
Current income tax assets		1 204	708
Assets held for sale	2	68	3 117
Total current assets		**39 257**	**34 068**
Non-current assets			
Property, plant and equipment	8	28 345	25 840
Goodwill	9	31 012	27 620
Intangible assets	9	22 223	20 148
Investments in associates and joint ventures	14	11 806	12 005
Financial assets	12	2 824	2 594
Employee benefits assets and reimbursement rights	10	2 417	468
Deferred tax assets	13	1 258	1 285
Total non-current assets		**99 885**	**89 960**
Total assets		**139 142**	**124 028**

In millions of CHF

	Notes	2021	2020
Liabilities and equity			
Current liabilities			
Financial debt	12	10 092	12 019
Trade and other payables	7/12	20 907	18 515
Accruals		5 051	4 917
Provisions	11	532	508
Derivative liabilities	12	464	254
Current income tax liabilities		2 962	2 661
Liabilities directly associated with assets held for sale	2	12	848
Total current liabilities		**40 020**	**39 722**
Non-current liabilities			
Financial debt	12	36 482	27 928
Employee benefits liabilities	10	3 779	5 118
Provisions	11	1 106	1 029
Deferred tax liabilities	13	3 794	2 636
Other payables	12	234	1 081
Total non-current liabilities		**45 395**	**37 792**
Total liabilities		**85 415**	**77 514**
Equity	17		
Share capital		282	288
Treasury shares		(6 194)	(6 643)
Translation reserve		(22 266)	(24 397)
Other reserves		(45)	(365)
Retained earnings		81 363	76 812
Total equity attributable to shareholders of the parent		**53 140**	**45 695**
Non-controlling interests		587	819
Total equity		**53 727**	**46 514**
Total liabilities and equity		**139 142**	**124 028**

Consolidated cash flow statement for the year ended December 31, 2021

In millions of CHF

	Notes	2021	2020
Operating activities			
Operating profit	16	11 679	14 796
Depreciation and amortization	16	3 440	3 465
Impairment	16	2 614	711
Net result on disposal of businesses	4	(235)	(1 678)
Other non-cash items of income and expense	16	(253)	248
Cash flow before changes in operating assets and liabilities		**17 245**	**17 542**
Decrease/(increase) in working capital	16	(173)	314
Variation of other operating assets and liabilities	16	(427)	(699)
Cash generated from operations		**16 645**	**17 157**
Interest paid		(753)	(815)
Interest and dividend received		43	76
Taxes paid		(2 722)	(2 645)
Dividends and interest from associates and joint ventures	14	651	604
Operating cash flow		**13 864**	**14 377**
Investing activities			
Capital expenditure	8	(4 880)	(4 076)
Expenditure on intangible assets	9	(461)	(288)
Acquisition of businesses, net of cash acquired	2	(6 394)	(4 520)
Disposal of businesses, net of cash disposed of	2	3 530	3 916
Investments in associates and joint ventures	14	(715)	(498)
Divestments in associates and joint ventures	14	9 294	316
Inflows/(outflows) from treasury investments		(3 610)	(749)
Other investing activities		192	232
Investing cash flow		**(3 044)**	**(5 667)**
Financing activities			
Dividend paid to shareholders of the parent	17	(7 681)	(7 700)
Dividends paid to non-controlling interests		(302)	(268)
Acquisition (net of disposal) of non-controlling interests		(601)	(1)
Purchase (net of sale) of treasury shares [(a)]		(6 548)	(6 814)
Inflows from bonds and other long term financial debt	12	11 339	10 330
Outflows from bonds, lease liabilities and other long term financial debt	12	(4 474)	(3 182)
Inflows/(outflows) from short term financial debt	12	(885)	(2 747)
Financing cash flow		**(9 152)**	**(10 382)**
Currency retranslations		89	(562)
Increase/(decrease) in cash and cash equivalents		**1 757**	**(2 234)**
Cash and cash equivalents at beginning of year		5 235	7 469
Cash and cash equivalents at end of year		**6 992**	**5 235**
Cash and cash equivalents classified as held for sale		(4)	—
Cash and cash equivalents as per balance sheet	16	**6 988**	**5 235**

(a) Mostly relates to share buyback program launched in 2020.

Consolidated statement of changes in equity for the year ended December 31, 2021

In millions of CHF

	Share capital	Treasury shares	Translation reserve	Other reserves	Retained earnings	**Total equity attributable to shareholders of the parent**	Non-controlling interests	**Total equity**
Equity as at January 1, 2020	298	(9 752)	(21 526)	(45)	83 060	52 035	827	52 862
Profit for the year	—	—	—	—	12 232	**12 232**	140	**12 372**
Other comprehensive income for the year	—	—	(2 871)	(321)	(376)	**(3 568)**	(64)	**(3 632)**
Total comprehensive income for the year	—	—	(2 871)	(321)	11 856	**8 664**	76	**8 740**
Dividends	—	—	—	—	(7 700)	**(7 700)**	(268)	**(7 968)**
Movement of treasury shares	—	(6 911)	—	—	7	**(6 904)**	—	**(6 904)**
Equity compensation plans	—	360	—	—	(227)	**133**	(3)	**130**
Changes in non-controlling interests [(a)]	—	—	—	—	(394)	**(394)**	186	**(208)**
Reduction in share capital [(b)]	(10)	9 660	—	—	(9 650)	**—**	—	**—**
Total transactions with owners	(10)	3 109	—	—	(17 964)	**(14 865)**	(85)	**(14 950)**
Other movements [(c)]	—	—	—	1	(140)	**(139)**	1	**(138)**
Equity as at December 31, 2020	288	(6 643)	(24 397)	(365)	76 812	45 695	819	46 514
Equity as at January 1, 2021	**288**	**(6 643)**	**(24 397)**	**(365)**	**76 812**	**45 695**	**819**	**46 514**
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**
Total comprehensive income for the year	—	—	2 131	523	19 623	**22 277**	285	**22 562**
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 [(a)]	—	—	—	—	(382)	**(382)**	(214)	**(596)**
Reduction in share capital [(b)]	(6)	6 778	—	—	(6 772)	**—**	—	**—**
Total transactions with owners	(6)	449	—	—	(14 843)	**(14 400)**	(517)	**(14 917)**
Other movements [(c)]	—	—	—	(203)	(229)	**(432)**	—	**(432)**
Equity as at December 31, 2021	**282**	**(6 194)**	**(22 266)**	**(45)**	**81 363**	**53 140**	**587**	**53 727**

(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.

Notes

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 2021 were approved for issue by the Board of Directors on February 16, 2022, and are subject to approval by the Annual General Meeting on April 7, 2022.

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

Key accounting judgements, estimates and assumptions
The preparation of the Consolidated Financial Statements requires Group Management to exercise judgement and to make estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities and disclosures. 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. Actual results may differ from these estimates. Information about potential impacts under alternative scenarios (including among others the policies aligned with the Paris ambition) on the medium and long term are discussed in Nestlé's TCFD (Task Force on Climate-related Financial Disclosures) report to be issued on March 8, 2022. Management believes that financial statements as of December 31, 2021, reflect the most reasonable view of the value of the assets and liabilities at this date.

Those areas that involved a higher degree of judgement 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 (see Note 2);
- classification and measurement of assets held for sale (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).

The impacts of COVID-19 on those judgements and uncertainties have been taken into account considering that the long-term economic impacts of COVID-19 remain difficult to predict or quantify due to its pervasive effects.

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

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

A number of standards have been modified on miscellaneous points with effect from January 1, 2021, which have no material impact on the Group's Financial Statements. These include COVID-19-Related Rent Concessions beyond June 30, 2021 (Amendments to IFRS 16), and Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark reform – Phase 2.

Changes in IFRS that may affect the Group after December 31, 2021

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, assets held for sale 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.

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 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, the Group acquired in early March, Essentia Water, a premium functional water brand (Water) and in early July, Nuun, a functional hydration products brand (Nutrition and Health Science).

In 2020, the significant acquisitions were:
– Aimmune, North America – food allergy treatment products (Nutrition and Health Science) – 100%, October.
– Zenpep, North America – nutritional health products (Nutrition and Health Science) – 100%, May.
– Freshly, United States – healthy prepared meals (Prepared dishes and cooking aids) – 92%, end of October.

Among several other non-significant acquisitions, Vital Proteins, an American collagen brand and a lifestyle and wellness platform, has been acquired in 2020.

Disposals

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.

In 2020, there was one significant disposal:

– US Ice Cream business, North America – ice cream (Milk products and Ice cream) – 100%, end of January.

Among several other non-significant disposals, the Herta charcuterie business and the Yinlu business have been disposed of in 2020.

2.2 Acquisitions of businesses

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

In millions of CHF

	2021			2020				
	The Bountiful Company	Other	**Total**	Aimmune	Zenpep	Freshly	Other	**Total**
Inventories	559	15	**574**	248	40	11	68	**367**
Other assets	288	41	**329**	2	—	55	108	**165**
Property, plant and equipment	313	40	**353**	34	—	71	86	**191**
Intangible assets (a)	2 820	486	**3 306**	1 828	1 143	551	668	**4 190**
Financial debt	(33)	(36)	**(69)**	(135)	—	(86)	(109)	**(330)**
Other liabilities	(269)	(34)	**(303)**	(43)	(6)	(47)	(78)	**(174)**
Deferred taxes	(710)	(41)	**(751)**	(187)	—	(109)	(20)	**(316)**
Fair value of identifiable net assets/(liabilities)	**2 968**	**471**	**3 439**	**1 747**	**1 177**	**446**	**723**	**4 093**

(a) Mainly intellectual property rights, customer lists, trademarks and trade names, composed of CHF 581 million (2020: CHF 1631 million) of finite life, CHF nil of non-commercialized intangibles (2020: CHF 642 million) and of CHF 2725 million (2020: CHF 1917 million) of indefinite life intangible assets.

The goodwill arising on acquisitions and the cash outflow are:

In millions of CHF

	2021			2020				
	The Bountiful Company	Other	**Total**	Aimmune	Zenpep	Freshly	Other	**Total**
Fair value of consideration transferred	5 410	1 038	**6 448**	1 869	1 302	947	991	**5 109**
Non-controlling interests	16	—	**16**	—	—	35	146	**181**
Fair value of pre-existing interests [(a)]	—	—	**—**	565	—	201	—	**766**
Subtotal	5 426	1 038	**6 464**	2 434	1 302	1 183	1 137	**6 056**
Fair value of identifiable net (assets)/liabilities	(2 968)	(471)	**(3 439)**	(1 747)	(1 177)	(446)	(723)	**(4 093)**
Goodwill	**2 458**	**567**	**3 025**	**687**	**125**	**737**	**414**	**1 963**

(a) In 2020, includes a revaluation gain of CHF 326 million on the 26% stake already held in Aimmune and a revaluation gain of CHF 183 million on the 16% stake already held in Freshly (see Note 14).

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

In millions of CHF

	2021			2020				
	The Bountiful Company	Other	**Total**	Aimmune	Zenpep	Freshly	Other	**Total**
Fair value of consideration transferred	5 410	1 038	**6 448**	1 869	1 302	947	991	**5 109**
Cash and cash equivalents acquired	(37)	(5)	**(42)**	(227)	—	(48)	(10)	**(285)**
Consideration payable	(48)	(14)	**(62)**	—	—	(287)	(38)	**(325)**
Payment of consideration payable on prior years acquisitions	—	50	**50**	—	—	—	21	**21**
Cash outflow on acquisitions	**5 325**	**1 069**	**6 394**	**1 642**	**1 302**	**612**	**964**	**4 520**

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

With regards to Freshly for the year ended December 31, 2020, the consideration payable included an amount of contingent consideration with an estimated fair value of CHF 287 million at the date of acquisition. The contingent consideration is in the form of an earn-out. Using a valuation methodology consistent with the prior year, updated with revised forecasts, it has been reassessed at end of December 31, 2021, and adjusted downwards by CHF 264 million (reflected in Other operating income and expenses, see Note 4.2).

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.

Sales and profit for the year of The Bountiful Company business included in the 2021 Consolidated Financial Statements amount respectively to CHF 787 million and CHF 29 million. The Group's total sales and profit for the year would have amounted to CHF 88 126 million and CHF 17 276 million respectively if the acquisition had been effective January 1, 2021.

Aimmune

On October 13, 2020, Nestlé acquired Aimmune, a biopharmaceutical company developing and commercializing treatments for potentially life-threatening food allergies (Aimmune). Aimmune's *Palforzia* is the first FDA-approved treatment to help reduce the frequency and severity of allergic reaction to peanuts, including anaphylaxis, in children aged 4 through 17. The acquisition is an extension of Nestlé Health Science's food allergy portfolio, creating a broader spectrum of solutions for children living with food allergies. The goodwill arising on this acquisition includes elements such as creating a leading position in the area of food allergy prevention treatment and its related growth potential in combination with current Nestlé Health Science Medical Nutrition business as well as synergies with the acquisition of Zenpep done earlier in the year 2020. It is not expected to be deductible for tax purposes.

Zenpep

On May 11, 2020, Nestlé acquired the Zenpep gastrointestinal medication business from Allergan. This expands Nestlé Health Science Medical Nutrition business and complements its portfolio of therapeutic products. *Zenpep*, available in the United States, is a medication for people who cannot digest food properly because their pancreas does not provide enough enzymes to break down fat, protein and carbohydrates. The goodwill arising on this acquisition includes elements such as market share and growth potential in the area of digestive diseases through current Nestlé Health Science Medical Nutrition business. It is expected to be deductible for tax purposes.

Freshly

On October 30, 2020, Nestlé acquired Freshly. Freshly delivers a menu of fresh, prepared meals to customers across United States. This transaction brings together Nestlé's deep understanding of what and how people eat at home with Freshly's highly specialized consumer analytics platform and distribution network to fuel growth opportunities within the Freshly business and across Nestlé's portfolio. The goodwill arising on this acquisition includes elements such as market share and growth potential in direct-to-consumer food in the US as well as leveraging Nestlé expertise and presence in large-scale prepared meal manufacturing and research and development. 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 55 million (2020: CHF 45 million).

Acquisitions planned after December 31, 2021

On February 2, 2022, the Group announced that it had agreed to purchase 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 the option for Nestlé Health Science to fully acquire Orgain in 2024. Orgain was founded in 2009 and has grown to become a leader in plant-based protein powder and organic nutritional protein ready-to-drink shake in the US.

The transaction is subject to customary regulatory approvals and is expected to close in 2022.

2.3 Disposals of businesses

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

In 2020, the gain on disposals of businesses is mainly composed of the gain on disposal of the US Ice Cream business (part of the Zone AMS operating segment) and the gain on disposal of the businesses of Herta charcuterie and Yinlu, included below in Other.

In millions of CHF

			2021			2020
	Nestlé Waters North America	Other	**Total**	US Ice Cream	Other	**Total**
Cash, cash equivalents and short-term investments	57	2	**59**	1	114	**115**
Inventories	135	13	**148**	189	162	**351**
Trade and other receivables, prepayments and other assets	463	9	**472**	37	193	**230**
Property, plant and equipment	1 985	23	**2 008**	453	498	**951**
Goodwill and intangible assets	811	3	**814**	1 673	211	**1 884**
Financial assets	257	—	**257**	—	—	**—**
Financial liabilities	(383)	(4)	**(387)**	(22)	(229)	**(251)**
Trade and other payables, accruals and other liabilities	(706)	(17)	**(723)**	(11)	(557)	**(568)**
Employee benefits and provisions	(242)	(37)	**(279)**	(1)	(100)	**(101)**
Deferred tax liabilities	(103)	—	**(103)**	(85)	(40)	**(125)**
Non-controlling interests	—	(9)	**(9)**	—	—	**—**
Net assets disposed of or impaired after classification as held for sale	**2 274**	**(17)**	**2 257**	**2 234**	**252**	**2 486**
Cumulative other comprehensive income items, net, reclassified to income statement	1 064	—	**1 064**	612	86	**698**
Profit/(loss) on disposals, net of disposal costs and impairments of assets held for sale	196	39	**235**	1 080	598	**1 678**
Total disposal consideration, net of disposal costs	**3 534**	**22**	**3 556**	**3 926**	**936**	**4 862**
Cash and cash equivalents disposed of	(57)	—	**(57)**	(1)	(93)	**(94)**
Disposal costs not yet paid	—	—	**—**	14	57	**71**
Loan granted to Froneri [(a)]	—	—	**—**	(582)	—	**(582)**
Shares in associates [(b)]	—	(15)	**(15)**	—	(273)	**(273)**
Consideration receivable	(15)	—	**(15)**	—	(63)	**(63)**
Receipt of consideration receivable on prior years' disposals	—	61	**61**	—	(5)	**(5)**
Cash inflow on disposals, net of disposal costs	**3 462**	**68**	**3 530**	**3 357**	**559**	**3 916**

(a) See Note 14 Associates and joint ventures.
(b) In 2020 related to Herta.

2.4 Assets held for sale

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

As of December 31, 2021, there are no significant assets held for sale and liabilities directly associated with assets held for sale.

As of December 31, 2020, assets held for sale and liabilities directly associated with assets held for sale are mainly composed of the Nestlé Waters North America business which was disposed of in 2021 (see Note 2.3).

The composition of assets held for sale and liabilities directly associated with assets held for sale at the end of 2021 and of 2020 are the following:

In millions of CHF

	2021			2020
	Total	Nestlé Waters North America	Other	**Total**
Cash, cash equivalents and short-term investments	**4**	—	—	**—**
Inventories	**4**	114	10	**124**
Trade and other receivables, prepayments and other assets	**5**	319	12	**331**
Property, plant and equipment	**55**	1 837	66	**1 903**
Goodwill and intangible assets	**—**	756	3	**759**
Assets held for sale	**68**	**3 026**	**91**	**3 117**
Financial liabilities	**(10)**	(348)	—	**(348)**
Trade and other payables and accruals	**(2)**	(96)	(12)	**(108)**
Other liabilities	**—**	(56)	(11)	**(67)**
Employee benefits and provisions	**—**	(222)	(5)	**(227)**
Deferred taxes	**—**	(98)	—	**(98)**
Liabilities directly associated with assets held for sale	**(12)**	**(820)**	**(28)**	**(848)**
Net assets held for sale	**56**	**2 206**	**63**	**2 269**

2.5 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 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. 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 three 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 79 countries and sales in 186 countries and employs around 276 000 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 three 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. Therefore, the Group's reportable segments are:

- Zone Europe, Middle East and North Africa (EMENA);
- Zone Americas (AMS);
- Zone Asia, Oceania and sub-Saharan Africa (AOA);
- Nespresso, presented separately since 2021; and
- Nestlé Health Science, presented separately since 2021.

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 as well as specific research and development costs 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, 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, an allocation of goodwill and intangible assets by segment and product and the related impairment expenses are provided.

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

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 judgements 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.

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

2021

	Sales (a)	Underlying Trading operating profit (b)	Trading operating profit	Net other trading income/(expenses) (c)	of which impairment of property, plant and equipment	of which restructuring costs	Depreciation and amortization
Zone EMENA	21 128	3 903	3 772	(131)	(33)	(135)	(901)
Zone AMS	33 779	7 012	6 601	(411)	(112)	(69)	(991)
Zone AOA	20 735	4 524	2 477	(2 047)	(138)	(57)	(704)
Nespresso	6 418	1 475	1 456	(19)	1	(12)	(302)
Nestlé Health Science	4 822	654	628	(26)	—	(16)	(241)
Other businesses (d)	206	(32)	(121)	(89)	(16)	—	(36)
Unallocated items (e)	—	(2 417)	(2 654)	(237)	(46)	(22)	(265)
Total	**87 088**	**15 119**	**12 159**	**(2 960)**	**(344)**	**(311)**	**(3 440)**

In millions of CHF

2020 *

	Sales (a)	Underlying Trading operating profit (b)	Trading operating profit	Net other trading income/(expenses) (c)	of which impairment of property, plant and equipment	of which restructuring costs	Depreciation and amortization
Zone EMENA	20 226	3 766	3 575	(191)	(43)	(162)	(852)
Zone AMS	34 010	6 975	6 724	(251)	(126)	—	(1 106)
Zone AOA	20 730	4 599	4 466	(133)	(82)	(53)	(705)
Nespresso	5 885	1 392	1 390	(2)	(3)	1	(324)
Nestlé Health Science	3 326	549	534	(15)	—	(4)	(160)
Other businesses (d)	166	(73)	(101)	(28)	(25)	(1)	(46)
Unallocated items (e)	—	(2 305)	(2 355)	(50)	(23)	(1)	(272)
Total	**84 343**	**14 903**	**14 233**	**(670)**	**(302)**	**(220)**	**(3 465)**

* 2020 figures restated following Nestlé Health Science and Nespresso disclosed as reportable segments from 2021 onwards (previously combined and presented in Other businesses).

(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.

Invested capital and other information

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 EMENA	8 550	5 414	—	(21)	1 537
Zone AMS	11 073	22 278	—	(35)	3 006
Zone AOA	4 132	9 773	(353)	(1 620)	1 065
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
Total	**27 168**	**53 235**	**(521)**	**(1 749)**	**12 977**

In millions of CHF

					2020 *
	Invested capital	Goodwill and intangible assets	Impairment of goodwill and non-commercialized intangible assets (c)	Impairment of intangible assets (d)	Capital additions
Zone EMENA	7 616	5 538	—	—	1 432
Zone AMS	11 175	21 594	(31)	—	3 562
Zone AOA	4 117	11 270	—	—	941
Nespresso	901	598	—	(1)	275
Nestlé Health Science	1 365	8 706	(5)	—	4 833
Other businesses (a)	(576)	172	(372)	—	46
Unallocated items (b) and inter-segment eliminations	1 442	649	—	—	278
Total	**26 040**	**48 527**	**(408)**	**(1)**	**11 367**

* 2020 figures restated following Nestlé Health Science and Nespresso disclosed as reportable segments from 2021 onwards (previously combined and presented in Other businesses).

(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

2021	Sales	Underlying Trading operating profit (a)	Trading operating profit	Net other trading income/(expenses) (b)	of which impairment of property, plant and equipment	of which restructuring costs
Powdered and Liquid Beverages	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 (c)	—	(2 417)	(2 654)	(237)	(46)	(22)
Total	**87 088**	**15 119**	**12 159**	**(2 960)**	**(344)**	**(311)**

In millions of CHF

2020 *	Sales	Underlying Trading operating profit (a)	Trading operating profit	Net other trading income/(expenses) (b)	of which impairment of property, plant and equipment	of which restructuring costs
Powdered and Liquid Beverages	22 256	5 035	4 851	(184)	(93)	(38)
Water	6 421	639	522	(117)	(19)	(77)
Milk products and Ice cream	11 007	2 652	2 615	(37)	(20)	(5)
Nutrition and Health Science	12 160	2 640	2 490	(150)	(55)	(37)
Prepared dishes and cooking aids	11 523	2 171	2 147	(24)	(24)	(40)
Confectionery	6 975	990	874	(116)	(67)	(28)
PetCare	14 001	3 081	3 089	8	(1)	6
Unallocated items (c)	—	(2 305)	(2 355)	(50)	(23)	(1)
Total	**84 343**	**14 903**	**14 233**	**(670)**	**(302)**	**(220)**

* 2020 figures restated following Nestlé Health Science and Nespresso disclosed as reportable segments from 2021 onwards (previously combined and presented in Other businesses).

(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.

Invested capital and other information

In millions of CHF

	Invested capital	Goodwill and intangible assets	Impairment of goodwill and non-commercialized intangible assets (b)	Impairment of intangible assets (c)
				2021
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	—	—
Total	**27 484**	**51 966**	**(521)**	**(1 749)**

In millions of CHF

	Invested capital	Goodwill and intangible assets	Impairment of goodwill and non-commercialized intangible assets (b)	Impairment of intangible assets (c)
				2020 *
Powdered and Liquid Beverages	5 245	7 519	(372)	(1)
Water	3 209	1 313	—	—
Milk products and Ice cream	2 356	1 336	—	—
Nutrition and Health Science	4 712	19 242	(5)	—
Prepared dishes and cooking aids	2 988	5 275	(31)	—
Confectionery	2 596	717	—	—
PetCare	4 698	9 786	—	—
Unallocated items (a) and intra-group eliminations	1 781	1 975	—	—
Total	**27 585**	**47 163**	**(408)**	**(1)**

* 2020 figures restated following Nestlé Health Science and Nespresso disclosed as reportable segments from 2021 onwards (previously combined and presented in Other businesses).

(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

	2021	2020
Underlying Trading operating profit [a] as per Note 3.1	**15 119**	**14 903**
Net other trading income/(expenses) as per Note 4.1	(2 960)	(670)
Trading operating profit as per Note 3.1	**12 159**	**14 233**
Impairment of goodwill and non-commercialized intangible assets	(521)	(408)
Net other operating income/(expenses) excluding impairment of goodwill and non-commercialized intangible assets	41	971
Operating profit	**11 679**	**14 796**
Net financial income/(expense)	(873)	(874)
Profit before taxes, associates and joint ventures	**10 806**	**13 922**

(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

	2021	2020
Invested capital as per Note 3.1	27 168	26 040
Liabilities included in invested capital	24 931	23 123
Subtotal	52 099	49 163
Intangible assets and goodwill as per Note 3.1 [a]	53 235	48 527
Other assets	33 808	26 338
Total assets	**139 142**	**124 028**

(a) In 2021, there is no intangible assets and goodwill classified as assets held for sale (2020: CHF 759 million), see Note 2.4.

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

	2021	2020
EMENA	**25 797**	**24 541**
France	3 804	3 946
United Kingdom	3 405	2 883
Germany	2 442	2 445
Russia	1 719	1 555
Italy	1 625	1 508
Spain	1 492	1 409
Switzerland	1 137	1 134
Rest of EMENA	10 173	9 661
AMS	**39 085**	**37 728**
United States	26 260	26 014
Mexico	2 962	2 564
Brazil	2 925	2 790
Canada	2 376	2 122
Rest of AMS	4 562	4 238
AOA	**22 206**	**22 074**
Greater China Region	5 558	5 986
Philippines	2 656	2 769
India	1 737	1 605
Japan	1 627	1 607
Australia	1 484	1 394
Rest of AOA	9 144	8 713
Total sales	**87 088**	**84 343**
of which developed markets	51 209	49 379
of which emerging markets	35 879	34 964

3.5 Geography

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

The analysis of sales is stated by customer location.

Non-current assets relate to property, plant and equipment (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 of the subsidiaries where the related acquired business is operated.

In millions of CHF

	2021		2020	
	Sales	Non-current assets	Sales	Non-current assets
United States	26 260	33 287	26 014	27 376
Switzerland	1 137	20 023	1 134	18 360
Rest of the world	59 691	28 270	57 195	27 872
Total	**87 088**	**81 580**	**84 343**	**73 608**

3.6 Customers

There is no single customer amounting to 10% or more of 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, result on disposal of property, plant and equipment, and specific other income and expenses that fall within the control of operating segments.

Restructuring costs are restricted to dismissal indemnities and employee benefits paid to terminated employees upon the 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 natural disasters including extreme weather events linked to climate change, as well as expropriation of assets.

4.1 Net other trading income/(expenses)

In millions of CHF

	Notes	2021	2020
Other trading income		**171**	**238**
Restructuring costs		(311)	(220)
Impairment of property, plant and equipment [(a)] and intangible assets [(b)]	8/9	(2 093)	(303)
Litigations and onerous contracts [(c)]		(561)	(239)
Miscellaneous trading expenses		(166)	(146)
Other trading expenses		**(3 131)**	**(908)**
Total net other trading income/(expenses)		**(2 960)**	**(670)**

(a) Including impairment of assets held for sale.
(b) Excluding impairment of non-commercialized intangible assets.
(c) Including contract termination related to the restructuring of the Wyeth business.

4.2 Net other operating income/(expenses)

In millions of CHF

	Notes	2021	2020
Profit on disposal of businesses	2	257	1 804
Miscellaneous operating income [(a)]		441	115
Other operating income		**698**	**1 919**
Loss on disposal of businesses	2	(22)	(126)
Impairment of goodwill and non-commercialized intangible assets	9	(521)	(408)
Miscellaneous operating expenses [(b)]		(635)	(822)
Other operating expenses		**(1 178)**	**(1 356)**
Total net other operating income/(expenses)		**(480)**	**563**

(a) Including the reassessment of a contingent consideration (see Note 2.2).
(b) Miscellaneous operating expenses include mainly expenses of transitional services provided to disposed businesses, natural disasters and costs related to COVID-19. COVID-19 expenses amounted to around CHF 100 million (2020: CHF 160 million) and relate primarily to safety related costs (gloves, masks, cleaning and sanitizing, screening and vaccines among others).

In 2021, profit on disposal of businesses mainly relates to the result of disposal of the Nestlé Waters North America business of CHF 196 million and in 2020 mainly relates to the result of disposal of the US Ice Cream business of CHF 1080 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.

In millions of CHF

	Notes	2021	2020
Interest income		42	77
Interest expense		(815)	(831)
Net financing cost of net financial debt		**(773)**	**(754)**
Interest income on defined benefit plans		38	29
Interest expense on defined benefit plans		(136)	(152)
Net interest income/(expense) on defined benefit plans	10	**(98)**	**(123)**
Other financial income/(expense)		(2)	3
Net financial income/(expense)		**(873)**	**(874)**

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

	2021	2020
Raw materials, work in progress and sundry supplies	5 789	4 521
Finished goods	6 467	5 822
Allowance for write-down to net realizable value	(274)	(242)
	11 982	**10 101**

Inventories amounting to CHF 302 million (2020: CHF 283 million) are pledged as security for financial liabilities.

Inventories amounting to CHF 43 924 million (2020: CHF 41 443 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.

In millions of CHF

	2021			2020		
	Gross carrying amount	Expected credit loss allowance	**Total**	Gross carrying amount	Expected credit loss allowance	**Total**
Trade receivables (not credit impaired)	8 639	(75)	**8 564**	8 146	(59)	**8 087**
Other receivables (not credit impaired)	2 600	(17)	**2 583**	2 682	(34)	**2 648**
Credit impaired trade and other receivables	192	(184)	**8**	224	(213)	**11**
Total	**11 431**	**(276)**	**11 155**	**11 052**	**(306)**	**10 746**

The five major customers represent 13% (2020: 13%) of trade and other receivables, none of them individually exceeding 7% (2020: 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

	2021	2020
Due within one year		
Trade payables	15 625	13 802
Social security and sundry taxes and levies	1 872	1 946
Other payables	3 410	2 767
	20 907	**18 515**

8. Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

In millions of CHF

	Notes	2021	2020
Property, plant and equipment – owned	8.1	25 639	23 230
Right-of-use assets – leased	8.2b	2 706	2 610
		28 345	**25 840**

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.

In millions of CHF

	Land and buildings	Machinery and equipment	Tools, furniture and other equipment	Vehicles	Assets under construction and advance payments	**Total**
Net carrying amount						
At January 1, 2021	8 538	9 738	1 583	86	3 285	**23 230**
Additions (a)	394	776	432	15	3 445	**5 062**
Acquisitions through business combinations	164	73	23	1	41	**302**
Classification 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)**
At December 31, 2021	**8 981**	**10 231**	**1 631**	**92**	**4 704**	**25 639**
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)**
Net carrying amount						
At January 1, 2020	10 467	11 046	1 917	134	1 988	**25 552**
Additions (a)	211	728	455	11	2 663	**4 068**
Acquisitions through business combinations	52	54	10	1	—	**117**
Classification from assets under construction	72	856	168	14	(1 110)	**—**
Depreciation	(420)	(1 366)	(637)	(33)	—	**(2 456)**
Impairments	(87)	(160)	(22)	(11)	—	**(280)**
Disposals	(22)	(38)	(23)	(3)	—	**(86)**
Classification (to)/from held for sale and disposals of businesses	(892)	(737)	(240)	(13)	—	**(1 882)**
Currency retranslations and others	(843)	(645)	(45)	(14)	(256)	**(1 803)**
At December 31, 2020	**8 538**	**9 738**	**1 583**	**86**	**3 285**	**23 230**
Gross value	14 282	25 927	6 379	311	3 285	**50 184**
Accumulated depreciation and impairments	(5 744)	(16 189)	(4 796)	(225)	—	**(26 954)**

(a) Including borrowing costs.

At December 31, 2021, net property, plant and equipment of CHF 156 million are pledged as security for financial liabilities (2020: CHF 150 million).

At December 31, 2021, the Group was committed to expenditure amounting to CHF 2270 million (2020: CHF 2182 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 (including changes due to a transition to a low carbon economy), 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.

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 as well as underperforming businesses.

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 judgement about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset.

The Group 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 0.6 billion (undiscounted) at December 31, 2021.

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**
Net carrying amount				
At January 1, 2021	2 264	186	160	**2 610**
Additions	532	89	149	**770**
Depreciation	(487)	(95)	(80)	**(662)**
Impairments	(56)	—	—	**(56)**
Classification (to)/from held for sale and change of scope of consolidation, net	37	(4)	2	**35**
Currency retranslations and others	17	(7)	(1)	**9**
At December 31, 2021	**2 307**	**169**	**230**	**2 706**
Net carrying amount				
At January 1, 2020	2 727	291	192	**3 210**
Additions	448	150	69	**667**
Depreciation	(481)	(116)	(74)	**(671)**
Impairments	(7)	(15)	—	**(22)**
Classification (to)/from held for sale and change of scope of consolidation, net	(260)	(108)	(16)	**(384)**
Currency retranslations and others	(163)	(16)	(11)	**(190)**
At December 31, 2020	**2 264**	**186**	**160**	**2 610**

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 66 million (2020: CHF 79 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 879 million (2020: CHF 961 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, either on a straight-line basis or in limited cases using an output method if this better reflects the pattern in which the asset's future economic benefits are expected to be consumed. 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.

In millions of CHF

	Goodwill	Brands and intellectual property rights	Operating rights and others	Management information systems	**Total intangible assets**	of which internally generated
Net carrying amount						
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 [(a)/(c)]	**(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
At December 31, 2021	**31 012**	**15 199**	**5 981**	**1 043**	**22 223**	**948**
of which indefinite useful life [(b)]	**—**	13 589	4 415	—	**18 004**	—
of which non-commercialized intangible assets	**—**	566	209	—	**775**	—
At December 31, 2021						
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)
Net carrying amount						
At January 1, 2020	**28 896**	11 306	5 328	1 190	**17 824**	1 080
Expenditure	**—**	5	51	232	**288**	191
Acquisitions through business combinations	**1 963**	3 505	678	7	**4 190**	—
Amortization	**—**	(26)	(59)	(253)	**(338)**	(220)
Impairments [(c)]	**(402)**	—	(6)	(1)	**(7)**	(1)
Disposals	**—**	(7)	(2)	(2)	**(11)**	—
Classification (to)/from held for sale and disposals of businesses	**(706)**	(130)	(152)	(94)	**(376)**	(69)
Currency retranslations	**(2 131)**	(875)	(512)	(35)	**(1 422)**	(32)
At December 31, 2020	**27 620**	**13 778**	**5 326**	**1 044**	**20 148**	**949**
of which indefinite useful life [(b)]	**—**	12 231	4 261	—	**16 492**	—
of which non-commercialized intangible assets	**—**	626	199	—	**825**	—
At December 31, 2020						
Gross value	**31 607**	13 900	5 668	4 957	**24 525**	4 588
Accumulated amortization and impairments	**(3 987)**	(122)	(342)	(3 913)	**(4 377)**	(3 639)

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

(b) Of which CHF 4397 million (2020: CHF 4243 million) are perpetual rights to market, sell and distribute certain Starbucks' consumer and foodservice products globally, classified under the caption Operating rights and others.

(c) Of which CHF 168 million (2020: CHF 6 million) of non-commercialized intangible assets.

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, 2021, the Group's committed payments (undiscounted and not risk-adjusted) and their estimated timing are:

In millions of CHF

			2021			2020
	Unconditional commitments	Potential milestone payments	**Total**	Unconditional commitments	Potential milestone payments	**Total**
Within one year	—	102	**102**	—	80	**80**
In the second year	—	229	**229**	—	85	**85**
In the third and fourth year	—	196	**196**	—	222	**222**
Thereafter	—	816	**816**	—	870	**870**
Total	**—**	**1 343**	**1 343**	**—**	**1 257**	**1 257**
of which related parties	—	47	**47**	—	48	**48**

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 generates 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 2021 impairment charge on intangible assets and goodwill (see Note 4) mainly relates to the Nutrition business in Zone AOA and to other various non-significant impairments of intangible assets (predominantly in Nestlé Health Science and in Other businesses).

In the second half of 2021, due to the worsening performance of the Wyeth brands and Nutrition business in China, the Nutrition business in AOA was reorganized from a Regionally Managed Business to a Locally Managed Business and the Wyeth business was restructured. As a result, the composition of the goodwill cash generating unit (CGU) of the Nutrition business has been redefined resulting in two goodwill CGUs: Greater China Region, and Zone AOA (excluding Greater China Region). As part of this process, goodwill was reallocated to the units affected using a relative value approach based on the discounted cashflows of the underlying businesses. The two separate CGUs were subsequently tested for impairment.

Considering how brand and production assets generate cash inflows and how management monitors the business, the Nestlé Nutrition Worldwide brands, which were managed together and had highly interdependent cash inflows, were tested at Nutrition worldwide level. In the second half of 2021, due to a restructuring of management responsibilities and route-to-market, the Wyeth brands and other Nutrition brands were tested separately.

Due to the presence of indicators of impairment, impairment tests of the Wyeth brands, the Nutrition CGU in Greater China Region, and the Nutrition CGU in Zone AOA (excluding Greater China Region) were concluded during the 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 incorporates certain key assumptions, some of which are subject to considerable uncertainty. These assumptions include, but are 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 products launches, the duration of the COVID-19 pandemic and related economic and social impacts.

Impairments 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 Region 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 Region CGU
Key assumptions		
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%
Financial impact (in millions of CHF)		
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 Region and an impairment of Property, plant and equipment (refer to Note 4.1), there was no other significant impairment of the carrying amounts of other assets related to the Nutrition business. The Goodwill and intangible assets are included in the Zone AOA segment disclosed in Note 3.1.

In 2020, non-significant impairments of goodwill (mainly in Other businesses) have been recognized, primarily as a result of revisions to projected cash flows after taking into consideration the impact of the COVID-19 pandemic.

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 following table sets out the key assumptions for CGUs that have significant Goodwill or IAIUL allocated to them.

		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
2021	**CGU**							
	PetCare Zone AMS	7 311	220	5 years	6.3%	Stable	1.6%	5.6%
	Nutrition Zone AOA (excluding Greater China Region)	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%
	Subtotal	22 865	13 449					
	Other CGUs	8 147	4 555					
	Total	**31 012**	**18 004**					
2020	**CGU**							
	PetCare Zone AMS	7 042	212	5 years	5.1%	Declining	1.5%	6.0%
	Nutrition Zone AOA (including Greater China Region)	5 501	3 918	5 years	0.4%	Stable	2.8%	8.0%
	Food Zone AMS	3 233	2 096	5 years	5.6%	Stable	1.6%	5.7%
	Nestlé Health Science	3 050	3 213	5 years	10.4%	Improvement	2.5%	5.9%
	Beverages Zone AMS	1 110	3 934	5 years	3.6%	Stable	1.7%	6.7%
	Subtotal	19 936	13 373					
	Other CGUs	7 684	3 119					
	Total	**27 620**	**16 492**					

(a) In millions of CHF

For each significant CGU the recoverable amount is higher than its carrying amount. The recoverable amount has usually 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.
- 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 (excluding Greater China Region). For this CGU, changes in the key assumptions greater than the amounts below, most likely for the discount rate, would lead to the fair value less costs of disposal being less than the carrying amount:

	Sensitivity
Average annual sales growth	Decrease by 315 basis points
Annual margin evolution	Decrease by 330 basis points
Terminal growth rate	Decrease by 130 basis points
Discount rate	Increase by 100 basis points

10. Employee benefits

10.1 Employee remuneration

The Group's salaries of CHF 10 358 million (2020: CHF 10 880 million) and welfare expenses of CHF 3973 million (2020: CHF 3618 million) represent a total of CHF 14 331 million (2020: CHF 14 498 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 241 million (2020: CHF 269 million). Employee remuneration is allocated to the appropriate headings of expenses by function.

10.2 Post-employment benefits

The liabilities of the Group arising from defined benefit obligations, and the related current service cost, are determined using the projected unit credit method. Actuarial advice is provided both by external consultants and by actuaries employed by the Group. The actuarial assumptions used to calculate the defined benefit obligations vary according to the economic conditions of the country in which the plan is located. Such plans are either externally funded (in the form of independently administered funds) or unfunded. The deficit or excess of the fair value of plan assets over the present value of the defined benefit obligation is 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 three regions disclosed are Europe, Middle East and North Africa (EMENA), Americas (AMS) and Asia, Oceania and sub-Saharan Africa (AOA). Each region includes the corresponding Zones as well as 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 EMENA (Switzerland, United Kingdom and Germany) and in AMS (USA). In accordance with applicable legal frameworks, these plans have Boards of Trustees or General Assemblies which are generally independent from the Group and are responsible for the management and governance of the plans. 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 179 million had been contributed as at December 31, 2021, and CHF 140 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 shortfall 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 during the year in accordance with the last valuation. No further funding shortfall payments are expected to date. The next triennial valuation is planned as at December 31, 2021, and is due to be completed by the end of March 2023.

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 2020, in order to lower the local pension discount rate, an extraordinary contribution of CHF 312 million (equivalent EUR 289 million) was paid.

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 pension plan is sufficiently funded on a local statutory basis such that no contributions were required in 2021.

Post-employment medical benefits and other employee benefits

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

Risks related to defined benefit plans

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

– 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.
– mortality risk: the assumptions adopted by the Group make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the plans and consequently increases in the plans' liabilities. In order to 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 Board of Trustees or the General Assembly, the regulator and, if applicable, the members, is sought before implementing plan changes.

During the year, there were individually non-significant plan amendments and restructuring activities leading to curtailments and settlements amounting to net related past service costs of CHF 2 million (2020: CHF 8 million income).

Asset-liability management and funding arrangement

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

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

	2021			2020		
	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	24 617	67	**24 684**	26 018	70	**26 088**
Fair value of plan assets	(26 220)	(40)	**(26 260)**	(24 775)	(37)	**(24 812)**
Excess of liabilities/(assets) over funded obligations	(1 603)	27	**(1 576)**	1 243	33	**1 276**
Present value of unfunded obligations	782	1 506	**2 288**	845	1 726	**2 571**
Unrecognized assets	27	—	**27**	18	—	**18**
Net defined benefit liabilities/(assets)	**(794)**	**1 533**	**739**	**2 106**	**1 759**	**3 865**
Reimbursement rights			**(168)**			**—**
Other employee benefit liabilities			**791**			**785**
Net liabilities			**1 362**			**4 650**
Reflected in the balance sheet as follows:						
Employee benefit assets and reimbursement rights			**(2 417)**			**(468)**
Employee benefit liabilities			**3 779**			**5 118**
Net liabilities			**1 362**			**4 650**

10.2b Funding situation by geographic area of defined benefit plans

In millions of CHF

	2021				2020			
	EMENA	AMS	AOA	**Total**	EMENA	AMS	AOA	**Total**
Present value of funded obligations	19 156	4 452	1 076	**24 684**	20 264	4 619	1 205	**26 088**
Fair value of plan assets	(20 576)	(4 615)	(1 069)	**(26 260)**	(19 094)	(4 659)	(1 059)	**(24 812)**
Excess of liabilities/(assets) over funded obligations	(1 420)	(163)	7	**(1 576)**	1 170	(40)	146	**1 276**
Present value of unfunded obligations	312	1 600	376	**2 288**	361	1 842	368	**2 571**

10.2c Movement in the present value of defined benefit obligations

In millions of CHF

	2021			2020		
	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 January 1	26 863	1 796	**28 659**	26 948	2 144	**29 092**
of which funded defined benefit plans	26 018	70	**26 088**	26 176	66	**26 242**
of which unfunded defined benefit plans	845	1 726	**2 571**	772	2 078	**2 850**
Currency retranslations	142	11	**153**	(1 116)	(337)	**(1 453)**
Service cost	531	37	**568**	496	36	**532**
of which current service cost	526	40	**566**	499	41	**540**
of which past service cost and (gains)/losses arising from settlements	5	(3)	**2**	(3)	(5)	**(8)**
Interest expense	357	67	**424**	442	78	**520**
Actuarial (gains)/losses	(986)	(213)	**(1 199)**	1 463	94	**1 557**
Employees contributions	115	—	**115**	115	—	**115**
Benefits paid on funded defined benefit plans	(1 258)	(8)	**(1 266)**	(1 527)	(5)	**(1 532)**
Benefits paid on unfunded defined benefit plans	(140)	(106)	**(246)**	(52)	(101)	**(153)**
Classification (to)/from held for sale and change of scope of consolidation, net	5	(2)	**3**	15	(25)	**(10)**
Reclassification from other benefits to defined benefit retirement plans	—	—	**—**	84	(84)	**—**
Transfer from/(to) defined contribution plans	(230)	(9)	**(239)**	(5)	(4)	**(9)**
At December 31	**25 399**	**1 573**	**26 972**	**26 863**	**1 796**	**28 659**
of which funded defined benefit plans	24 617	67	**24 684**	26 018	70	**26 088**
of which unfunded defined benefit plans	782	1 506	**2 288**	845	1 726	**2 571**

10.2d Movement in fair value of defined benefit plan assets

In millions of CHF

	2021			2020		
	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 January 1	(24 775)	(37)	**(24 812)**	(24 498)	(32)	**(24 530)**
Currency retranslations	(144)	1	**(143)**	1 016	—	**1 016**
Interest income	(327)	(1)	**(328)**	(399)	—	**(399)**
Actual return on plan assets, excluding interest income	(1 594)	(3)	**(1 597)**	(1 542)	(3)	**(1 545)**
Employees' contributions	(115)	—	**(115)**	(115)	—	**(115)**
Employer contributions	(773)	(8)	**(781)**	(786)	(7)	**(793)**
Benefits paid on funded defined benefit plans	1 258	8	**1 266**	1 527	5	**1 532**
Administration expenses	20	—	**20**	22	—	**22**
Transfer (from)/to defined contribution plans	230	—	**230**	—	—	**—**
At December 31	**(26 220)**	**(40)**	**(26 260)**	**(24 775)**	**(37)**	**(24 812)**

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

	2021	2020
Equities [(a)]	20%	24%
of which US equities	5%	6%
of which European equities	11%	14%
of which other equities	4%	4%
Debts	54%	50%
of which government debts [(a)]	41%	35%
of which corporate debts [(b)]	13%	15%
Real estate [(b)]	11%	11%
Alternative investments [(b)]	7%	7%
of which hedge funds	3%	4%
of which private equities	4%	3%
Cash/Deposits	8%	8%

(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 61% (2020: 59%) of the plan assets. Almost all of them are quoted in an active market. Corporate debts, real estate, hedge funds and private equities represent 31% (2020: 33%) of the plan assets. Almost all of them are either not quoted or quoted in a market which is not active.

The plan assets of funded defined benefit plans include property occupied by subsidiaries with a fair value of CHF 6 million (2020: CHF 8 million). Furthermore, funded defined benefit plans may invest in Nestlé S.A. (or related) shares. There was no direct investment at end of 2021 and 2020. 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 369 million to its funded defined benefit plans in 2022.

10.2e Expenses recognized in the income statement

In millions of CHF

	2021			2020		
	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	531	37	**568**	496	36	**532**
Net interest (income)/expense	32	66	**98**	45	78	**123**
Administration expenses	20	—	**20**	22	—	**22**
Defined benefit expenses	**583**	**103**	**686**	**563**	**114**	**677**
Defined contribution expenses			**347**			**294**
Total			**1 033**			**971**

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

In millions of CHF

	2021			2020		
	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	1 594	3	**1 597**	1 542	3	**1 545**
Experience adjustments on plan liabilities	41	27	**68**	(101)	(40)	**(141)**
Change in demographic assumptions on plan liabilities	(75)	41	**(34)**	187	(1)	**186**
Change in financial assumptions on plan liabilities	1 020	145	**1 165**	(1 549)	(53)	**(1 602)**
Transfer from/(to) unrecognized assets and other	(8)	—	**(8)**	9	—	**9**
Remeasurement of defined benefit plans – actuarial gains/(losses)	**2 572**	**216**	**2 788**	**88**	**(91)**	**(3)**

10.2g 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.

				2021				2020
	EMENA	AMS	AOA	**Total**	EMENA	AMS	AOA	**Total**
Discount rates	1.1%	3.6%	4.9%	**1.8%**	0.7%	3.2%	4.2%	**1.5%**
Expected rates of salary increases	2.0%	3.2%	4.2%	**2.5%**	2.0%	3.1%	5.2%	**2.5%**
Expected rates of pension adjustments	1.3%	0.3%	1.6%	**1.1%**	1.2%	0.3%	1.6%	**1.0%**
Medical cost trend rates (a)		6.1%		**6.1%**		6.2%		**6.2%**

(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 2028 and respectively 4% by 2040. Some non-material post-employment medical plans in EMENA and AOA have not been considered in the average.

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

Expressed in years

		2021	2020	2021	2020
Country	Mortality table		Life expectancy at age 65 for a male member currently aged 65		Life expectancy at age 65 for a female member currently aged 65
EMENA					
Switzerland	LPP 2020	21.7	21.7	23.4	23.4
United Kingdom	S3NA	21.2	21.2	23.7	23.6
Germany	Heubeck Richttafeln 2018	21.2	21.0	23.5	23.4
AMS					
USA	Pri-2012	20.9	20.8	22.9	22.8

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.

10.2i 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

				2021				2020
	EMENA	AMS	AOA	**Total**	EMENA	AMS	AOA	**Total**
As reported	19 468	6 052	1 452	**26 972**	20 625	6 461	1 573	**28 659**
Discount rates								
Increase of 50 basis points	18 046	5 717	1 393	**25 156**	19 101	6 061	1 490	**26 652**
Decrease of 50 basis points	21 076	6 424	1 519	**29 019**	22 356	6 904	1 666	**30 926**
Expected rates of salary increases								
Increase of 50 basis points	19 576	6 095	1 476	**27 147**	20 765	6 534	1 606	**28 905**
Decrease of 50 basis points	19 367	6 012	1 430	**26 809**	20 492	6 439	1 543	**28 474**
Expected rates of pension adjustments								
Increase of 50 basis points	20 458	6 061	1 482	**28 001**	21 712	6 485	1 623	**29 820**
Decrease of 50 basis points	18 965	6 045	1 423	**26 433**	20 015	6 450	1 549	**28 014**
Medical cost trend rates								
Increase of 50 basis points	19 470	6 085	1 452	**27 007**	20 626	6 514	1 579	**28 719**
Decrease of 50 basis points	19 467	6 022	1 450	**26 939**	20 624	6 412	1 572	**28 608**
Mortality assumption								
Setting forward the tables by 1 year	18 690	5 918	1 425	**26 033**	19 840	6 357	1 542	**27 739**
Setting back the tables by 1 year	20 250	6 171	1 477	**27 898**	21 405	6 638	1 603	**29 646**

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

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

Expressed in years

				2021				2020
	EMENA	AMS	AOA	**Total**	EMENA	AMS	AOA	**Total**
At December 31	15.7	12.1	10.3	**14.6**	16.0	13.4	11.5	**15.2**

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**
At January 1, 2021	553	26	608	350	**1 537**
Currency retranslations	(6)	(1)	(17)	(1)	**(25)**
Provisions made during the year [(a)]	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)**
At December 31, 2021	**463**	**63**	**758**	**354**	**1 638**
of which expected to be settled within 12 months					**532**
At January 1, 2020	816	30	696	422	**1 964**
Currency retranslations	(16)	(2)	(69)	(60)	**(147)**
Provisions made during the year [(a)]	287	2	204	75	**568**
Amounts used	(446)	(3)	(62)	(57)	**(568)**
Reversal of unused amounts	(91)	(1)	(78)	(77)	**(247)**
Classification (to)/from held for sale	15	—	—	(1)	**14**
Modification of the scope of consolidation	(12)	—	(83)	48	**(47)**
At December 31, 2020	**553**	**26**	**608**	**350**	**1 537**
of which expected to be settled within 12 months					**508**

(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 EMENA. 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 1535 million (2020: CHF 1443 million) representing possible payments for litigations of CHF 1505 million (2020: CHF 1373 million) and payments for other items of CHF 30 million (2020: CHF 70 million). Possible payments for litigations relate mainly to labor, civil and tax litigations in Latin America.

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 58 million (2020: CHF 198 million), mainly in Latin America.

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 provide interest income and mitigate the credit risk exposure of the Group. 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 month 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

	2021				2020			
Classes	At amortized cost [(a)]	At fair value to income statement	At fair value to Other comprehensive income	**Total categories**	At amortized cost [(a)]	At fair value to income statement	At fair value to Other comprehensive income	**Total categories**
Cash at bank and in hand	2 685	—	—	**2 685**	2 139	—	—	**2 139**
Commercial paper	5 511	—	—	**5 511**	3 271	—	—	**3 271**
Time deposits	562	—	—	**562**	687	—	—	**687**
Bonds and debt funds	88	5 721	2	**5 811**	87	3 078	2	**3 167**
Equity and equity funds	—	354	472	**826**	—	347	347	**694**
Other financial assets	732	692	—	**1 424**	569	676	—	**1 245**
Liquid assets [(b)] and non-current financial assets	9 578	6 767	474	**16 819**	6 753	4 101	349	**11 203**
Trade and other receivables	11 155	—	—	**11 155**	10 746	—	—	**10 746**
Derivative assets [(c)]	—	278	—	**278**	—	310	—	**310**
Total financial assets	**20 733**	**7 045**	**474**	**28 252**	**17 499**	**4 411**	**349**	**22 259**
Trade and other payables	(21 118)	(23)	—	**(21 141)**	(19 319)	(277)	—	**(19 596)**
Financial debt	(46 574)	—	—	**(46 574)**	(39 947)	—	—	**(39 947)**
Derivative liabilities [(c)]	—	(464)	—	**(464)**	—	(254)	—	**(254)**
Total financial liabilities	**(67 692)**	**(487)**	**—**	**(68 179)**	**(59 266)**	**(531)**	**—**	**(59 797)**
Net financial position	**(46 959)**	**6 558**	**474**	**(39 927)**	**(41 767)**	**3 880**	**349**	**(37 538)**
of which at fair value	—	6 558	474	**7 032**	—	3 880	349	**4 229**

(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	2021	2020
Derivative assets	139	119
Bonds and debt funds	5 161	2 558
Equity and equity funds	332	339
Other financial assets	68	62
Derivative liabilities	(11)	(4)
Prices quoted in active markets (Level 1)	**5 689**	**3 074**
Derivative assets	139	191
Bonds and debt funds	545	509
Equity and equity funds	358	296
Other financial assets	608	597
Derivative liabilities	(453)	(250)
Valuation techniques based on observable market data (Level 2)	**1 197**	**1 343**
Financial assets	169	89
Financial liabilities [a]	(23)	(277)
Valuation techniques based on unobservable input (Level 3)	**146**	**(188)**
Total financial instruments at fair value	**7 032**	**4 229**

(a) Contingent consideration on acquisition (see Note 2.2 Acquisitions of businesses for description).

There have been no significant transfers between the different hierarchy levels in 2021 and in 2020.

12.1c Changes in liabilities arising from financing activities

In millions of CHF

	2021	2020
At January 1	(39 942)	(37 401)
Currency retranslations and exchange differences	(196)	2 351
Changes in fair values	50	(80)
Changes arising from acquisition and disposal of businesses and classification to/(from) held for sale	(48)	257
(Inflows)/outflows on interest derivatives	(14)	(12)
Increase in lease liabilities	(777)	(660)
Inflows from bonds and other long term financial debt	(11 339)	(10 330)
Outflows from bonds, lease liabilities and other long term financial debt	4 474	3 182
(Inflows)/outflows from short term financial debt	885	2 747
Other movements	—	4
At December 31	**(46 907)**	**(39 942)**
of which current financial debt	(10 092)	(12 019)
of which non-current financial debt	(36 482)	(27 928)
of which derivatives hedging financial debt	(333)	5

12.1d Bonds

In millions of CHF

Issuer		Face value in millions	Coupon	Effective interest rate	Year of issue/ maturity	Comments	2021	2020
Nestlé S.A., Switzerland	CHF	600	0.75%	0.69%	2018–2028		602	603
	CHF	900	0.25%	0.26%	2018–2024		900	900
Nestlé Holdings, Inc., USA	USD	550	1.88%	2.03%	2016–2021		—	484
	USD	600	1.38%	1.52%	2016–2021		—	528
	GBP	500	1.00%	1.17%	2017–2021		—	601
	USD	800	2.38%	2.55%	2017–2022		731	702
	USD	650	2.38%	2.50%	2017–2022		594	572
	USD	300	2.25%	2.35%	2017–2022		274	264
	EUR	850	0.88%	0.92%	2017–2025	(a)	877	919
	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		548	527
	USD	1 000	3.10%	3.17%	2018–2021	(b)	—	880
	USD	1 500	3.35%	3.41%	2018–2023	(b)	1 370	1 319
	USD	900	3.50%	3.59%	2018–2025	(b)	821	790
	USD	1 250	3.63%	3.72%	2018–2028	(b)	1 137	1 094
	USD	1 250	3.90%	4.01%	2018–2038	(b)	1 127	1 085
	USD	2 100	4.00%	4.11%	2018–2048	(b)	1 885	1 815
	USD	1 150	0.38%	0.49%	2020–2024	(b)	1 049	1 009
	USD	750	0.63%	0.77%	2020–2026	(b)	682	656
	USD	1 100	1.00%	1.06%	2020–2027	(b)	1 002	965
	USD	1 000	1.25%	1.37%	2020–2030	(b)	906	872
	GBP	600	0.63%	0.75%	2021–2025	(a)	739	—
	GBP	400	1.38%	1.46%	2021–2033	(a)	489	—
	USD	300	1.13%	1.19%	2021–2026		274	—
	USD	1 500	0.61%	0.66%	2021–2024	(b)	1 370	—
	USD	1 000	1.50%	1.58%	2021–2028	(b)	910	—
	USD	1 000	1.88%	1.91%	2021–2031	(b)	912	—
	USD	500	2.50%	2.55%	2021–2041	(b)	454	—
	USD	500	1.15%	1.22%	2021–2027	(b)	456	—
	USD	500	2.63%	2.69%	2021–2051	(b)	451	—
	CAD	2 000	2.19%	2.23%	2021–2029	(a)	1 437	—
Subtotal							22 697	17 285

In millions of CHF

Issuer		Face value in millions	Coupon	Effective interest rate	Year of issue/maturity	Comments	2021	2020
Subtotal from previous page							22 697	17 285
Nestlé Finance International Ltd., Luxembourg	EUR	500	2.13%	2.20%	2013–2021		—	541
	EUR	500	0.75%	0.90%	2014–2021		—	541
	EUR	850	1.75%	1.89%	2012–2022		878	919
	GBP	400	2.25%	2.34%	2012–2023	(c)	501	505
	EUR	500	0.75%	0.92%	2015–2023	(d)	519	549
	EUR	500	0.38%	0.54%	2017–2024		515	539
	EUR	750	1.25%	1.32%	2017–2029		772	808
	EUR	750	1.75%	1.83%	2017–2037		767	804
	EUR	1 000	1.13%	1.27%	2020–2026		1 028	1 075
	EUR	1 000	1.50%	1.63%	2020–2030		1 024	1 071
	EUR	850	0.13%	0.25%	2020–2027		872	913
	EUR	650	0.00%	0.05%	2020–2024		671	703
	EUR	1 000	0.38%	0.56%	2020–2032		1 015	1 062
	EUR	500	0.00%	(0.26%)	2020–2025		522	549
	EUR	500	0.00%	0.16%	2020–2033		508	531
	EUR	500	0.38%	0.40%	2020–2040		515	539
	EUR	1 250	0.00%	0.00%	2021–2026		1 293	—
	EUR	750	0.25%	0.32%	2021–2029		772	—
	EUR	500	0.63%	0.69%	2021–2034		513	—
	EUR	650	0.88%	1.01%	2021–2041		656	—
Nestlé Hungária Kft., Hungary	HUF	115 000	1.75%	1.53%	2021–2028		327	—
Other bonds							164	216
Total carrying amount (*)							**36 529**	**29 150**
of which due within one year							2 550	3 632
of which due after one year							33 979	25 518
Fair value (*) of bonds, based on prices quoted (level 2)							37 651	31 532

(*) 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 17 million (2020: CHF 71 million) and under derivative liabilities for CHF 114 million (2020: CHF 2 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

	2021	2020
Investment grade A– and above	14 328	8 836
Investment grade BBB+, BBB and BBB–	803	986
Non-investment grade (BB+ and below)	937	778
Not rated [(a)]	1 029	913
	17 097	**11 513**

(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 2021 successfully extended the tenor of both its revolving credit facilities by around one year:

- A new USD 3.7 billion and EUR 3.4 billion revolving credit facility with an initial maturity date of October 2022. The Group has the ability to convert the facility into a one year term loan.
- A USD 2.7 billion and EUR 2.0 billion revolving credit facility with a new maturity date of October 2026.

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
2021	**Trade and other payables**	**(20 912)**	**(120)**	**(87)**	**(24)**	**(21 143)**	**(21 141)**
	Commercial paper [(a)]	(4 311)	—	—	—	(4 311)	(4 303)
	Bonds [(a)]	(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)
	Total financial debt	**(10 784)**	**(4 086)**	**(13 029)**	**(24 990)**	**(52 889)**	**(46 574)**
	Financial liabilities (excluding derivatives)	**(31 696)**	**(4 206)**	**(13 116)**	**(25 014)**	**(74 032)**	**(67 715)**
	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)
	Net derivatives	**(122)**	**(32)**	**(136)**	**(67)**	**(357)**	**(186)**
	of which derivatives under cash flow hedges [(b)]	151	1	—	—	152	152
2020	**Trade and other payables**	**(18 518)**	**(611)**	**(437)**	**(30)**	**(19 596)**	**(19 596)**
	Commercial paper [(a)]	(4 995)	—	—	—	(4 995)	(4 992)
	Bonds [(a)]	(4 131)	(2 960)	(9 318)	(17 583)	(33 992)	(29 150)
	Lease liabilities	(615)	(554)	(935)	(1 082)	(3 186)	(2 779)
	Other financial debt	(2 886)	(49)	(157)	(13)	(3 105)	(3 026)
	Total financial debt	**(12 627)**	**(3 563)**	**(10 410)**	**(18 678)**	**(45 278)**	**(39 947)**
	Financial liabilities (excluding derivatives)	**(31 145)**	**(4 174)**	**(10 847)**	**(18 708)**	**(64 874)**	**(59 543)**
	Non-currency derivative assets	138	14	12	—	164	164
	Non-currency derivative liabilities	(12)	—	—	—	(12)	(12)
	Gross amount receivable from currency derivatives	18 565	10	951	709	20 235	20 288
	Gross amount payable from currency derivatives	(18 709)	(44)	(986)	(697)	(20 436)	(20 384)
	Net derivatives	**(18)**	**(20)**	**(23)**	**12**	**(49)**	**56**
	of which derivatives under cash flow hedges [(b)]	29	1	—	—	30	30

(a) Commercial paper of CHF 4240 million (2020: CHF 3639 million) and bonds of CHF 874 million (2020: CHF 671 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 58 million in 2021 (2020: loss of CHF 126 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 25 million in 2021 (2020: less than CHF 15 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 76% (2020: 67%).

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 a decrease in Net financing cost of CHF 32 million on an annualized basis (2020: an increase in Net financing cost of CHF 20 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

	2021			2020		
	Contractual or notional amounts	Fair value assets	Fair value liabilities	Contractual or notional amounts	Fair value assets	Fair value liabilities
Fair value hedges [(a)]						
Foreign currency and interest rate risk on net financial debt	15 797	43	319	9 271	96	83
Cash flow hedges						
Foreign currency risk on future purchases or sales	7 311	83	61	7 052	71	155
Commodity price risk on future purchases	2 548	142	12	917	124	3
Interest rate risk on net financial debt	—	—	—	440	—	7
Designated in a hedging relationship	25 656	268	392	17 680	291	248
Undesignated derivatives		10	72		19	6
		278	**464**		**310**	**254**
Conditional offsets [(b)]						
Derivative assets and liabilities		(65)	(65)		(40)	(40)
Use of cash collateral received or deposited		(27)	(39)		(36)	—
Balances after conditional offsets		186	360		234	214

(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

	2021	2020
on hedged items	292	24
on hedging instruments	(290)	(24)

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, 2021, the ratio was 42.1% (2020: 45.9%). 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

	2021	2020
Current taxes [a]	(2 616)	(2 814)
Deferred taxes	(346)	(661)
Taxes reclassified to other comprehensive income	765	140
Taxes reclassified to equity	(64)	(30)
Total taxes	**(2 261)**	**(3 365)**

(a) Current taxes related to prior years include a tax income of CHF 551 million (2020: tax income of CHF 629 million).

13.2 Reconciliation of taxes recognized in the income statement

In millions of CHF

		2021		2020
Profit before taxes		**10 806**		**13 922**
Expected tax expense at weighted average applicable tax rate [a]	20.0%	(2 157)	19.8%	(2 760)
Tax effect of permanent differences on disposal of businesses	0.2%	(21)	1.3%	(180)
Tax effect of permanent differences on impairment of goodwill	0.2%	(24)	0.7%	(97)
Tax effect of other permanent differences	(1.6%)	174	0.8%	(103)
Prior years' taxes [b]	(3.2%)	343	(4.3%)	592
Transfers to unrecognized deferred tax assets	1.6%	(168)	1.9%	(262)
Transfers from unrecognized deferred tax assets	(0.3%)	31	(0.2%)	22
Changes in tax rate on deferred taxes	0.4%	(48)	0.2%	(23)
Withholding taxes on transfers of income	3.6%	(393)	4.1%	(563)
Other	0.0%	2	(0.1%)	9
Tax expense at effective tax rate	**20.9%**	**(2 261)**	**24.2%**	**(3 365)**

(a) The weighted average applicable tax rate in 2021 increased compared to 2020 as a result of a change in the geographical mix of profits.
(b) The prior years' tax credits result 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, 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)**
At December 31, 2021	**(1 317)**	**(2 419)**	**359**	**613**	**228**	**(2 536)**
At January 1, 2020	(1 400)	(2 074)	1 458	1 219	322	**(475)**
Currency retranslations	104	211	(124)	(159)	(45)	**(13)**
(Expense)/income in income statement	(92)	344	(190)	(289)	(279)	**(506)**
(Expense)/income in other comprehensive income and equity	—	—	(163)	8	—	**(155)**
Classification (to)/from held for sale	167	35	(77)	(112)	(22)	**(9)**
Modification of the scope of consolidation	15	(513)	9	71	225	**(193)**
At December 31, 2020	**(1 206)**	**(1 997)**	**913**	**738**	**201**	**(1 351)**

In millions of CHF

	2021	2020
Reflected in the balance sheet as follows:		
Deferred tax assets	1 258	1 285
Deferred tax liabilities	(3 794)	(2 636)
Net assets/(liabilities)	**(2 536)**	**(1 351)**

13.4 Unrecognized deferred taxes

At December 31, 2021, the unrecognized deferred tax assets amount to CHF 994 million (2020: CHF 1001 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

	2021	2020
Within one year	169	79
Between one and five years	426	376
More than five years	3 003	3 294
	3 598	**3 749**

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.

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 judgement. 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.

In millions of CHF

				2021				2020
	L'Oréal	Other associates	Joint ventures	**Total**	L'Oréal	Other associates	Joint ventures	**Total**
At January 1	8 640	1 757	1 608	**12 005**	8 791	1 584	1 130	**11 505**
Currency retranslations	(413)	(47)	(2)	**(462)**	(25)	(37)	(77)	**(139)**
Investments	—	641	33	**674**	—	520	765	**1 285**
Divestments and reclassifications	(1 587)	(3)	(6)	**(1 596)**	—	(345)	(46)	**(391)**
Share of results	1 156	17	33	**1 206**	886	126	149	**1 161**
Impairment	—	—	3	**3**	—	(4)	(16)	**(20)**
Share of other comprehensive income	552	—	60	**612**	(523)	2	(84)	**(605)**
Dividends and interest received	(571)	(35)	(51)	**(657)**	(534)	(80)	(37)	**(651)**
Other [(a)]	(223)	215	29	**21**	45	(9)	(176)	**(140)**
At December 31	**7 554**	**2 545**	**1 707**	**11 806**	**8 640**	**1 757**	**1 608**	**12 005**

(a) 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 2020, under Joint ventures, mainly the impact of an equity reduction at Froneri following partial buyback and redistribution of management shareholding.

Increase of investments in Other associates in 2021 mainly relates to an increase in stake in IVC Evidensia in May. In 2020, it mainly related to *Herta* charcuterie business of CHF 280 million (of which CHF 273 million as a contribution in kind, see Note 2.3) and Aimmune of CHF 188 million.

In 2020, investments in Joint ventures mainly related to an increase of capital of Froneri (see Note 14.3) of CHF 183 million as well as a loan granted of CHF 582 million to finance the acquisition by Froneri of the US Ice Cream business (see Note 2.2).

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

In 2020, divestments under Other associates mainly related to CHF 257 million with regards to the full acquisitions of Aimmune and Freshly (see Note 2.2), in which the Group held respectively about 26% and 16%.

As part of the carrying amount of the investment, Associates and joint ventures value at December 31, 2021 includes loans granted by the Group to Associates and joint ventures of CHF 1646 million (2020: CHF 1481 million).

Income from associates and joint ventures

In millions of CHF	2021	2020
Share of results	1 206	1 161
Impairment	3	(20)
Profit on partial disposal of L'Oréal shares [(a)]	7 184	—
Profit on disposal of Other associates [(b)]	258	222
Revaluation gain [(c)]	—	452
	8 651	**1 815**

(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) In 2021 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).

(c) In 2020 included a revaluation gain of CHF 509 million on the shareholding already held in Aimmune and Freshly, respectively 26% and 16% (see Note 2.2) as well as a total of CHF 57 million of cumulative currency translation loss reclassified to income statement related to Aimmune and Freshly.

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 (2020: 129 881 021 shares representing a 23.2% 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, 2021, the market value of the shares held amounts to CHF 46.4 billion (2020: CHF 43.7 billion).

Summarized financial information of L'Oréal

In billions of CHF

	2021	2020
Total current assets	12.5	15.8
Total non-current assets	32.0	31.4
Total assets	**44.5**	**47.2**
Total current liabilities	17.2	12.0
Total non-current liabilities	2.9	3.8
Total liabilities	**20.1**	**15.8**
Total equity	**24.4**	**31.4**
Total sales	**34.9**	**30.0**
Profit from continuing operations	5.0	3.8
Other comprehensive income	2.3	(2.3)
Total comprehensive income	**7.3**	**1.5**

Reconciliation of the carrying amount

In billions of CHF

	2021	2020
Share held by the Group in the equity of L'Oréal	4.9	7.3
Goodwill and other adjustments	2.7	1.3
Carrying amount of L'Oréal	**7.6**	**8.6**

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) and Herta (cold cuts and meat-based products).

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 224 million (2020: CHF 225 million) of 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

	2021	2020
Basic earnings per share (in CHF)	6.06	4.30
Net profit (in millions of CHF)	16 905	12 232
Weighted average number of shares outstanding (in millions of units)	2 788	2 845
Diluted earnings per share (in CHF)	6.06	4.29
Net profit, net of effects of dilutive potential ordinary shares (in millions of CHF)	16 905	12 232
Weighted average number of shares outstanding, net of effects of dilutive potential ordinary shares (in millions of units)	2 791	2 849
Reconciliation of weighted average number of shares outstanding (in millions of units)		
Weighted average number of shares outstanding used to calculate basic earnings per share	2 788	2 845
Adjustment for share-based payment schemes, where dilutive	3	4
Weighted average number of shares outstanding used to calculate diluted earnings per share	2 791	2 849

16. Cash flow statement

16.1 Operating profit

In millions of CHF	2021	2020
Profit for the year	17 196	12 372
Income from associates and joint ventures	(8 651)	(1 815)
Taxes	2 261	3 365
Financial income	(80)	(109)
Financial expense	953	983
	11 679	**14 796**

16.2 Non-cash items of income and expense

In millions of CHF	2021	2020
Depreciation of property, plant and equipment	3 056	3 127
Impairment of property, plant and equipment	344	302
Impairment of goodwill	353	402
Amortization of intangible assets	384	338
Impairment of intangible assets	1 917	7
Net result on disposal of businesses	(235)	(1 678)
Net result on disposal of assets	(83)	(85)
Non-cash items in financial assets and liabilities	(293)	202
Equity compensation plans	130	123
Other	(7)	8
	5 566	**2 746**

16.3 Decrease/(increase) in working capital

In millions of CHF	2021	2020
Inventories	(1 414)	(1 740)
Trade and other receivables	(824)	36
Prepayments and accrued income	(94)	(4)
Trade and other payables	2 115	1 193
Accruals	44	829
	(173)	**314**

16.4 Variation of other operating assets and liabilities

In millions of CHF

	2021	2020
Variation of employee benefits assets and liabilities	(609)	(460)
Variation of provisions	148	(248)
Other	34	9
	(427)	**(699)**

16.5 Reconciliation of free cash flow and net financial debt

In millions of CHF

	2021	2020
Operating cash flow	13 864	14 377
Capital expenditure	(4 880)	(4 076)
Expenditure on intangible assets	(461)	(288)
Other investing activities	192	232
Free cash flow	**8 715**	**10 245**
Acquisition of businesses	(6 394)	(4 520)
Financial liabilities and short-term investments acquired in business combinations	(69)	(310)
Disposal of businesses	3 530	3 916
Financial liabilities and short-term investments transferred on disposal of businesses and reclassification to/(from) held for sale	21	567
Acquisition (net of disposal) of non-controlling interests	(601)	(1)
Investments in associates and joint ventures	(715)	(498)
Divestments in associates and joint ventures	9 294	316
Dividend paid to shareholders of the parent	(7 681)	(7 700)
Dividends paid to non-controlling interests	(302)	(268)
Purchase (net of sale) of treasury shares	(6 548)	(6 814)
Increase in lease liabilities	(777)	(660)
Currency retranslations and exchange differences	(82)	1 574
Other movements	11	(28)
(Increase)/decrease of net financial debt	**(1 598)**	**(4 181)**
Net financial debt at beginning of year	(31 319)	(27 138)
Net financial debt at end of year	**(32 917)**	**(31 319)**
of which		
Current financial debt	(10 092)	(12 019)
Non-current financial debt	(36 482)	(27 928)
Cash and cash equivalents	6 988	5 235
Short-term investments	7 007	3 374
Derivatives [(a)]	(338)	19

(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

	2021	2020
Cash at bank and in hand	2 685	2 139
Time deposits	546	676
Commercial paper	3 757	2 420
Cash and cash equivalents as per balance sheet	**6 988**	**5 235**

17. Equity

17.1 Share capital issued

The ordinary share capital of Nestlé S.A. issued and fully paid is composed of 2 815 000 000 registered shares with a nominal value of CHF 0.10 each (2020: 2 881 000 000 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 2021 and 2020 as a consequence of share buyback programs launched in July 2017 and in January 2020. The cancellation of shares was approved at the Annual General Meetings on April 15, 2021 and April 23, 2020. The share capital was reduced by 66 000 000 shares from CHF 288 million to CHF 282 million in 2021 and by 95 000 000 shares from CHF 298 million to CHF 288 million in 2020.

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 extraordinary dividend payments or 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

	2021	2020
Purpose of holding		
Share buyback program	50.9	59.7
Long-Term Incentive Plans	4.5	4.8
	55.4	**64.5**

At December 31, 2021, the treasury shares held by the Group represent 2.0% of the share capital (2020: 2.2%). Their market value amounts to CHF 7061 million (2020: CHF 6729 million).

17.4 Number of shares outstanding

Number of shares in millions of units

	Shares issued	Treasury shares	**Outstanding shares**
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	**—**
At December 31, 2021	**2 815.0**	**(55.4)**	**2 759.6**
At January 1, 2020	2 976.0	(96.0)	**2 880.0**
Purchase of treasury shares	—	(67.1)	**(67.1)**
Treasury shares delivered in respect of equity compensation plans	—	3.6	**3.6**
Treasury shares cancelled	(95.0)	95.0	**—**
At December 31, 2020	**2 881.0**	**(64.5)**	**2 816.5**

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 (reserves equity 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

2021

	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**
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**
Other comprehensive income for the year	**2 131**	**360**	**163**	**2 718**	**5 372**	**(6)**	**5 366**

In millions of CHF

2020

	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**
Currency retranslations							
– Recognized	(3 668)	1	(3)	—	**(3 670)**	(58)	**(3 728)**
– Reclassified to income statement	758	—	—	—	**758**	—	**758**
– Taxes	39	—	—	—	**39**	—	**39**
	(2 871)	1	(3)	—	**(2 873)**	(58)	**(2 931)**
Fair value changes on equity instruments							
– Recognized	—	—	—	163	**163**	—	**163**
– Taxes	—	—	—	(39)	**(39)**	—	**(39)**
	—	—	—	124	**124**	—	**124**
Changes in cash flow hedge and cost of hedge reserves							
– Recognized	—	(101)	—	—	**(101)**	(1)	**(102)**
– Reclassified to income statement	—	25	—	—	**25**	—	**25**
– Taxes	—	22	—	—	**22**	1	**23**
	—	(54)	—	—	**(54)**	—	**(54)**
Remeasurement of defined benefit plans							
– Recognized	—	—	—	5	**5**	(8)	**(3)**
– Taxes	—	—	—	(165)	**(165)**	2	**(163)**
	—	—	—	(160)	**(160)**	(6)	**(166)**
Share of other comprehensive income of associates and joint ventures							
– Recognized	—	—	(265)	(340)	**(605)**	—	**(605)**
	—	—	(265)	(340)	**(605)**	—	**(605)**
Other comprehensive income for the year	**(2 871)**	**(53)**	**(268)**	**(376)**	**(3 568)**	**(64)**	**(3 632)**

17.9 Reconciliation of the other reserves

In millions of CHF

	Hedging reserves	Reserves of associates and joint ventures	**Total**
At January 1, 2021	17	(382)	**(365)**
Other comprehensive income for the year	360	163	**523**
Other movements	(203)	—	**(203)**
At December 31, 2021	**174**	**(219)**	**(45)**
At January 1, 2020	69	(114)	**(45)**
Other comprehensive income for the year	(53)	(268)	**(321)**
Other movements	1	—	**1**
At December 31, 2020	**17**	**(382)**	**(365)**

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 2020 was paid on April 21, 2021, in accordance with the decision taken at the Annual General Meeting on April 15, 2021. Shareholders approved the proposed dividend of CHF 2.75 per share, resulting in a total dividend of CHF 7681 million.

Dividend payable is not accounted for until it has been ratified at the Annual General Meeting. At the Annual General Meeting on April 7, 2022, a dividend of CHF 2.80 per share will be proposed, resulting in an estimated total dividend of CHF 7882 million. For further details, refer to the Financial Statements of Nestlé S.A.

The Consolidated Financial Statements for the year ended December 31, 2021, do not reflect this proposed distribution, which will be treated as an appropriation of profit in the year ending December 31, 2022.

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 cash compensation, as well as Nestlé S.A. shares which are blocked for three years.

In millions of CHF

	2021	2020
Chair's compensation	3	3
Other Board members		
Remuneration – cash	3	3
Shares	3	3
Total (a)	**9**	**9**

(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, functional and business 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

	2021	2020
Remuneration – cash	14	13
Bonus – cash	11	11
Bonus – shares	5	5
Equity compensation plans (a)	14	12
Pension	3	3
Total (b)	**47**	**44**

(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.

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);
- research and development commitments (see Note 9);
- in-licensing and intellectual property purchase (see Note 9);
- purchases and sales of finished and unfinished goods.

These transactions are undertaken on arm's length terms.

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, 2021 and December 31, 2020, the Group has no significant guarantees given to third parties.

20. Effects of hyperinflation

The 2021 and 2020 figures include the following countries considered as hyperinflationary economies:
- Argentina;
- Iran;
- Venezuela;
- Zimbabwe;
- Lebanon; and
- Syria.

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 16, 2022, the date of approval for issue of the Consolidated Financial Statements by the Board of Directors, the Group has no subsequent events which either warrant a modification of the value of its assets and liabilities, or any additional disclosure, except the acquisition of Orgain as described in Note 2.2.

As previously announced, Nestlé implemented new Zone structure as of January 1, 2022. This change in organization will impact the 2022 Financial Statements.

Companies of the Nestlé Group, joint arrangements and associates

In the context of the SIX Swiss Exchange Directive on Information relating to Corporate Governance, the principal affiliated companies are disclosed if they fulfil 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;
   – 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) Average number of employees during the financial year **equal or greater than 250 FTE.**

Entities directly held by Nestlé S.A. that are below the disclosure criteria are listed with a °.
Main operating entity in a given country that is 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.
Percentage of capital shareholding corresponds to voting powers unless stated otherwise.
Δ Companies listed on the stock exchange
◊ Sub-holding, financial and property companies

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Europe						
Austria						
Nespresso Österreich GmbH & Co. OHG		Wien		100%	EUR	35 000
Nestlé Österreich GmbH		Wien		100%	EUR	7 270 000
Azerbaijan						
Nestlé Azerbaijan LLC	°	Baku	<0.1%	100%	USD	200 000
Belarus						
LLC Nestlé Bel	°	Minsk	<0.1%	100%	BYN	410 000
Belgium						
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
Bosnia and Herzegovina						
Nestlé Adriatic BH d.o.o.	°	Sarajevo	9.4%	100%	BAM	21 510
Bulgaria						
Nestlé Bulgaria A.D.		Sofia		100%	BGN	10 234 933
Croatia						
Nestlé Adriatic d.o.o.		Zagreb		100%	HRK	14 685 500

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Czech Republic						
Nestlé Cesko s.r.o.		Praha		100%	CZK	300 000 000
Tivall CZ, s.r.o.		Krupka		100%	CZK	400 000 000
Denmark						
Nestlé Danmark A/S		Copenhagen		100%	DKK	44 000 000
Finland						
Suomen Nestlé Oy		Espoo		100%	EUR	6 000 000
France						
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	739 559 392
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 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 des Produits Alimentaires de Caudry S.A.S.		Issy-les-Moulineaux		100%	EUR	8 670 319
Société Industrielle de Transformation de Produits Agricoles S.A.S.		Issy-les-Moulineaux		100%	EUR	9 718 000
Cereal Partners France SNC	1)	Noisiel		50%	EUR	3 000 000
L'Oréal S.A.	Δ3)	Paris	20.1%	20.1%	EUR	107 621 021
Listed on the Paris stock exchange, market capitalization EUR 232.5 billion, quotation code (ISIN) FR0000120321						
Lactalis Nestlé Produits Frais S.A.S.	3)	Laval		40%	EUR	69 208 832
Georgia						
Nestlé Georgia LLC	NiM	Tbilisi		100%	CHF	700 000
Germany						
Mucos Emulsionsgesellschaft mbH Chemisch-Pharmazeutische Betriebe		Berlin		100%	EUR	102 258
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
Nestlé Unternehmungen Deutschland GmbH	◊	Frankfurt am Main	15%	100%	EUR	60 000 000
Nestlé Wagner GmbH		Saarbrücken		100%	EUR	25 000
Nestlé Waters Deutschland GmbH		Frankfurt am Main		100%	EUR	10 566 000

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Greece						
Nestlé Hellas Single Member SA		Maroussi		100%	EUR	5 269 765
Hungary						
Nestlé Hungária Kft.		Budapest		100%	HUF	6 000 000 000
Ireland (Republic of)						
Nestlé (Ireland) Ltd		Dublin		100%	EUR	1 270
Wyeth Nutritionals Ireland Ltd		Askeaton		100%	EUR	8 741 000
Italy						
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
Kazakhstan						
Nestlé Food Kazakhstan LLP		Almaty	<0.1%	100%	KZT	91 900
Lithuania						
UAB “Nestlé Baltics”		Vilnius		100%	EUR	31 856
Luxembourg						
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 [a]	1)	Luxembourg	47.1%	47.1%	EUR	97 648
Islay New Group Holding S.A. [b]	3)	Luxembourg		19.4%	GBP	103 823 544
Macedonia						
Nestlé Adriatik Makedonija d.o.o.e.l.	NiM	Skopje-Karpos		100%	MKD	31 060 400
Malta						
Nestlé Malta Ltd	NiM	Lija		100%	EUR	116 470
Moldova						
LLC Nestlé	°	Chișinău	100%	100%	MDL	18 615
Montenegro						
Nestle Adriatic Crna Gora d.o.o.	NiM	Podgorica		100%	EUR	5 307

(a) Voting powers amount to 50%
(b) Voting powers amount to 22%

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Netherlands						
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
Tailsco B.V.		Amsterdam		83%	EUR	1
Norway						
AS Nestlé Norge		Bærum		100%	NOK	81 250 000
Poland						
Nestlé Polska S.A.		Warszawa		100%	PLN	42 459 600
Nestlé Purina Manufacturing Operations Poland Sp. Z o.o.		Nowa Wieś Wroclawska		100%	PLN	495 923 700
Cereal Partners Poland Torun-Pacific Sp. Z o.o.	1)	Toruń		50%	PLN	14 572 838
Portugal						
Nestlé Portugal, Unipessoal, Lda.		Oeiras		100%	EUR	30 000 000
Romania						
Nestlé Romania S.R.L.		Bucharest		100%	RON	132 906 800
Russia						
Nestlé Kuban LLC		Timashevsk		100%	RUB	21 041 793
Nestlé Rossiya LLC		Moscow		100%	RUB	880 154 115
Serbia (Republic of)						
Nestlé Adriatic S d.o.o., Beograd-Surcin		Beograd-Surcin		100%	RSD	12 222 327 814
Slovak Republic						
Nestlé Slovensko s.r.o.		Prievidza		100%	EUR	13 277 568
Slovenia						
Nestlé Adriatic Trgovina d.o.o.	NiM	Ljubljana		100%	EUR	8 763
Spain						
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
Suplementos Solgar, S.L.	°	Madrid	40%	100%	EUR	504 000
Herta Foods, S.L.	3)	Gurb		40%	EUR	489 113 988
Sweden						
Nestlé Sverige AB		Helsingborg		100%	SEK	20 000 000

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Switzerland						
Deswico Sàrl	°◊	Vevey	100%	100%	CHF	20 000
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 S.A.		Lausanne		100%	CHF	2 000 000
Nestlé Operational Services Worldwide S.A.		Bussigny-près-Lausanne		100%	CHF	100 000
Nestlé Suisse S.A.		Vevey		100%	CHF	250 000
Nestlé Ventures S.A.	°◊	Vevey	100%	100%	CHF	250 000
Nestlé Waters (Suisse) S.A.		Henniez		100%	CHF	5 000 000
Nestrade S.A.		La Tour-de-Peilz		100%	CHF	6 500 000
Nutrition-Wellness Venture AG	°◊	Vevey	100%	100%	CHF	100 000
Provestor AG	◊	Cham		100%	CHF	2 000 000
Société des Produits Nestlé S.A.		Vevey	100%	100%	CHF	8 900 000
Sofinol S.A.		Manno		100%	CHF	3 000 000
CPW Operations Sàrl	°1)	Prilly	50%	50%	CHF	40 000
Turkey						
Erikli Su ve Mesrubat Sanayi ve Ticaret A.S.		Bursa		100%	TRY	20 700 000
Nestlé Türkiye Gida Sanayi A.S.		Istanbul		99.9%	TRY	35 000 000
Ukraine						
JSC "Lviv Confectionery Factory" "Svitoch"		Lviv		100%	UAH	88 111 060
LLC Nestlé Ukraine		Kyiv		100%	UAH	799 965
LLC Technocom		Kharviv	100%	100%	UAH	119 658 066
PJSC Volynholding		Torchyn		100%	UAH	100 000
United Kingdom						
Lily's Kitchen Ltd		London		100%	GBP	1 164
Mindful Chef Ltd		London		67.3%	GBP	534
Nespresso UK Ltd		Gatwick		100%	GBP	275 000
Nestec York Ltd		Gatwick		100%	GBP	500 000
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%	GBP	17
The Nature's Bounty Co. Ltd		Manchester		99.4%	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
Africa						
Algeria						
Nestlé Algérie SpA	°	Alger	<0.1%	49%	DZD	650 000 000
Nestlé Industrie Algérie SpA	°	Alger	49%	49%	DZD	1 100 000 000
Angola						
Nestlé Angola Lda	NiM	Luanda		100%	AOA	1 791 870 000
Burkina Faso						
Nestlé Burkina Faso S.A.		Ouagadougou		100%	XOF	50 000 000
Cameroon						
Nestlé Cameroun S.A.		Douala		100%	XAF	4 323 960 000
Côte d'Ivoire						
Nestlé Côte d'Ivoire S.A.	Δ	Abidjan		88.1%	XOF	5 517 600 000
Listed on the Abidjan stock exchange, market capitalization XOF 101.6 billion, quotation code (ISIN) CI0009240728						
Egypt						
Nestlé Egypt S.A.E.		Giza	100%	100%	EGP	80 722 000
Nestlé Waters Egypt S.A.E.		Cairo		99.8%	EGP	90 140 000
Gabon						
Nestlé Gabon, S.A.	NiM	Libreville		90%	XAF	344 000 000
Ghana						
Nestlé Central and West Africa Ltd		Accra		100%	GHS	145 746 000
Nestlé Ghana Ltd		Accra		76%	GHS	20 100 000
Kenya						
Nestlé Equatorial African Region Ltd	°	Nairobi	100%	100%	KES	132 000 000
Nestlé Kenya Ltd		Nairobi		100%	KES	226 100 400
Mali						
Nestlé Mali S.A.U.	NiM	Bamako		100%	XOF	10 000 000
Mauritius						
Nestlé's Products (Mauritius) Ltd	NiM	Port Louis		100%	MUR	2 488 071
Morocco						
Nestlé Maroc S.A.		El Jadida		94.6%	MAD	156 933 000
Mozambique						
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
Nigeria						
Nestlé Nigeria Plc	Δ	Ilupeju	3.1%	69.3%	NGN	396 328 126
Listed on the Nigerian Stock Exchange, market capitalization NGN 1233.8 billion, quotation code (ISIN) NGNESTLE0006						
Senegal						
Nestlé Sénégal S.A.		Dakar		100%	XOF	1 620 000 000
South Africa						
Nestlé (South Africa) (Pty) Ltd		Johannesburg		100%	ZAR	759 735 000
Tunisia						
Nestlé Tunisie Distribution S.A.	NiM	Tunis		100%	TND	100 000
Zambia						
Nestlé Zambia Trading Ltd	°	Lusaka	99.8%	100%	ZMW	2 317 500
Zimbabwe						
Nestlé Zimbabwe (Private) Ltd		Harare		100%	ZWL	19 626 000

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Americas						
Argentina						
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	96.3%	100%	ARS	9 660 396 000
Bolivia						
Industrias Alimentícias 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
Brazil						
Chocolates Garoto S.A.		Vila Velha		100%	BRL	264 766 192
Nestlé Brasil Ltda		São Paulo	100%	100%	BRL	2 088 124 538
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
Dairy Partners Americas Brasil Ltda	1)	São Paulo	49%	49%	BRL	300 806 368
Canada						
Atrium Innovations Inc.		Westmount (Québec)		100%	CAD	229 364 710
Bountiful Canada Vitamins ULC		Vancouver (B.C.)		100%	CAD	100
Nestlé Canada Inc.		Toronto (Ontario)		100%	CAD	99 938 540
Cayman Islands						
Hsu Fu Chi International Limited	◊	Grand Cayman		60%	SGD	7 950 000
Chile						
Chocolates del Mundo S.A.		Quilicura		100%	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
Colombia						
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
Costa Rica						
Compañía Nestlé Costa Rica S.A.		Heredia		100%	CRC	18 000 000
Cuba						
Los Portales S.A.		La Habana		50%	USD	24 110 000
Nescor, S.A.	°	Artemisa	50.9%	50.9%	USD	32 200 000

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Dominican Republic						
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
Ecuador						
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
El Salvador						
Nestlé El Salvador, S.A. de C.V.		San Salvador	<0.1%	100%	USD	4 457 200
Guatemala						
Malher, S.A.		Ciudad de Guatemala	<0.1%	100%	GTQ	100 075 000
Nestlé Guatemala S.A.		Ciudad de Guatemala	<0.1%	100%	GTQ	23 460 600
Honduras						
Nestlé Hondureña S.A.		Tegucigalpa		100%	PAB	200 000
Jamaica						
Nestlé Jamaica Ltd		Kingston		100%	JMD	49 200 000
Mexico						
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
Nescalín, S.A. de C.V.	◊	Ciudad de México		100%	MXN	445 876 740
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
Nestlé Servicios Corporativos, S.A. de C.V.		Ciudad de México		100%	MXN	170 200 000
Nestlé Servicios Industriales, S.A. de C.V.		Ciudad de México		100%	MXN	1 050 000
Ralston Purina México, S.A. de C.V.		Ciudad de México		100%	MXN	60 283 210
Nicaragua						
Compañía Centroamericana de Productos Lácteos, S.A.		Managua		92.6%	NIO	10 294 900
Nestlé Nicaragua, S.A.		Managua		100%	USD	150 000
Panama						
Nestlé Centroamerica, S.A.		Ciudad de Panamá		100%	USD	1 000 000
Nestlé Panamá, S.A.		Ciudad de Panamá		100%	PAB	17 500 000
Paraguay						
Nestlé Business Services Latam S.A.		Asunción		100%	PYG	100 000 000
Nestlé Paraguay S.A.	NiM	Asunción		100%	PYG	100 000 000

[c] Voting powers amount to 51%

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Peru						
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
Puerto Rico						
Swirl, Corp.	°	Guaynabo	100%	100%	USD	100
Trinidad and Tobago						
Nestlé Caribbean, Inc.		Valsayn		100%	USD	100 000
Nestlé Trinidad and Tobago Ltd		Valsayn	100%	100%	TTD	35 540 000
United States						
Blue Bottle Coffee, LLC		Wilmington (Delaware)		100%	USD	0
Freshly Inc.		Dover (Delaware)		100%	USD	0
Garden of Life LLC		Wilmington (Delaware)		100%	USD	—
Gerber Products Company		Fremont (Michigan)		100%	USD	1 000
HVL LLC		Wilmington (Delaware)		100%	USD	—
Merrick Pet Care, Inc.		Dallas (Texas)		100%	USD	1 000 000
NDHH, LLC	◊	Wilmington (Delaware)		100%	USD	1
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
Pure Encapsulations, LLC		Wilmington (Delaware)		100%	USD	—
Puritan's Pride, Inc.		New York (New York)		99.4%	USD	0
Red Maple Insurance Company	◊	Williston (Vermont)		100%	USD	1 200 000
Rexall Sundown, Inc.		Plantation (Florida)		99.4%	USD	0
Solgar Holdings, Inc.		Wilmington (Delaware)		99.4%	USD	1 000
The Nature's Bounty Co.		Wilmington (Delaware)		99.4%	USD	10
Vital Proteins LLC	◊	Wilmington (Delaware)		100%	USD	0
Vitality Foodservice, Inc.		Dover (Delaware)		100%	USD	1 240
Vitaminpacks Inc.		Wilmington (Delaware)		98.3%	USD	1 076
Uruguay						
Nestlé del Uruguay S.A.		Montevideo		100%	UYU	375 426 189
Venezuela						
Nestlé Venezuela, S.A.		Caracas	100%	100%	VES	0

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Asia						
Afghanistan						
Nestlé Afghanistan Ltd	°	Kabul	100%	100%	USD	1 000 000
Bahrain						
Nestlé Bahrain Trading WLL	NiM	Manama		49%	BHD	200 000
Bangladesh						
Nestlé Bangladesh Limited		Dhaka	99.4%	100%	BDT	100 000 000
Greater China Region						
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%	100%	CNY	3 252 353 500
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%	USD	2 000 000
Wyeth Nutritional (China) Co., Limited		Suzhou		100%	CNY	900 000 000
India						
Nestlé India Ltd	Δ	New Delhi	34.3%	62.8%	INR	964 157 160
Listed on the Bombay Stock Exchange, market capitalization INR 1899.9 billion, quotation code (ISIN) INE239A01016						
Indonesia						
P.T. Nestlé Indonesia		Jakarta		91.7%	IDR	152 753 440 000
P.T. Wyeth Nutrition Sduaenam		Jakarta		90%	IDR	2 500 000 000
Iran						
Nestlé Iran (Private Joint Stock Company)		Tehrān		95.9%	IRR	358 538 000 000
Nestlé Parsian (Private Joint Stock Company)	°	Tehrān	60%	100%	IRR	1 000 000 000

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Israel						
Materna Industries Limited Partnership		Kibbutz Maabarot		100%	ILS	10 000
Nespresso Israel Ltd		Tel Aviv		100%	ILS	1 000
OSEM Food Industries Ltd		Shoam		100%	ILS	176
OSEM Investments Ltd		Shoam		100%	ILS	110 644 443
Tivall Food Industries Ltd		Kiryat Gat		100%	ILS	41 861 167
Japan						
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
Jordan						
Nestlé Jordan Trading Company Ltd		Amman	50%	87%	JOD	410 000
Korea (Republic of)						
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	1)	Cheongju		50%	KRW	52 783 120 000
Kuwait						
Nestlé Kuwait General Trading Company WLL		Safat	49%	49%	KWD	300 000
Lebanon						
Société pour l'Exportation des Produits Nestlé S.A.		Baabda	100%	100%	CHF	1 750 000
Malaysia						
Nestlé (Malaysia) Bhd.	Δ◊	Petaling Jaya		72.6%	MYR	267 500 000
Listed on the Kuala Lumpur stock exchange, market capitalization MYR 31.5 billion, quotation code (ISIN) MYL4707OO005						
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
Wyeth Nutrition (Malaysia) Sdn. Bhd.		Petaling Jaya		100%	MYR	1 969 505
Myanmar						
Nestlé Myanmar Limited	°	Yangon	95%	95%	USD	9 469 600
Oman						
Nestlé Oman Trading LLC		Muscat		49%	OMR	300 000
Pakistan						
Nestlé Pakistan Ltd	Δ	Lahore		61.6%	PKR	453 495 840
Listed on the Pakistan Stock Exchange, market capitalization PKR 259.6 billion, quotation code (ISIN) PK0025101012						

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Palestinian Territories						
Nestlé Trading Private Limited Company	°	Bethlehem	97.5%	97.5%	JOD	200 000
Philippines						
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
Qatar						
Nestlé Qatar Trading LLC		Doha	49%	49%	QAR	1 680 000
Saudi Arabia						
Al Manhal Water Factory Co. Ltd		Riyadh		90%	SAR	7 000 000
Nestlé Saudi Arabia LLC		Jeddah		75%	SAR	27 000 000
Springs Water Factory Co. Ltd		Dammam		89.8%	SAR	5 000 000
Singapore						
Nestlé Singapore (Pte) Ltd		Singapore		100%	SGD	1 000 000
Nestlé TC Asia Pacific Pte Ltd	°◊	Singapore	100%	100%	JPY	10 000 000 000
					SGD	2
Wyeth Nutritionals (Singapore) Pte Ltd		Singapore		100%	SGD	220 506 420
Sri Lanka						
Nestlé Lanka PLC	Δ	Colombo	91.9%	91.9%	LKR	537 254 630
Listed on the Colombo stock exchange, market capitalization LKR 65.3 billion, quotation code (ISIN) LK0128N00005						
Syria						
Nestlé Syria S.A.		Damascus		100%	SYP	800 000 000
Thailand						
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
United Arab Emirates						
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	22 300 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Uzbekistan					
Nestlé Food MChJ XK	Tashkent	<0.1%	100%	UZS	12 922 977 969
Vietnam					
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
Oceania						
Australia						
Nestlé Australia Ltd		Sydney		100%	AUD	274 000 000
Cereal Partners Australia Pty Ltd	1)	Sydney		50%	AUD	107 800 000
Fiji						
Nestlé (Fiji) Ltd	°	Lami	33%	100%	FJD	3 000 000
French Polynesia						
Nestlé Polynésie S.A.S.	NiM	Papeete		100%	XPF	5 000 000
New Caledonia						
Nestlé Nouvelle-Calédonie S.A.S.	NiM	Nouméa		100%	XPF	64 000 000
New Zealand						
Nestlé New Zealand Limited		Auckland		100%	NZD	300 000
Papua New Guinea						
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				
Switzerland						
Nestlé Research		Ecublens			R	
Nestlé Product Technology Centre Beverage		Orbe			PTC	
Nestlé Product Technology Centre Dairy		Konolfingen			PTC	
Nestlé Product Technology Centre Nestlé 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	
Australia						
CPW R&D Centre	1)	Wahgunyah			R&D	
Chile						
Nestlé Development Centre		Santiago de Chile			D	
Côte d'Ivoire						
Nestlé R&D Centre		Abidjan			R&D	
France						
Nestlé Development Centre Dairy		Lisieux			D	
Nestlé Product Technology Centre Water		Vittel			PTC	
Nestlé R&D Centre		Aubigny			R&D	
Nestlé R&D Centre		Tours			R&D	
Froneri Development Center Glaces S.A.S.	1)	Beauvais			PTC	

		City of operations				
Germany						
Nestlé Product Technology Centre Food		Singen			PTC	
Greater China Region						
Nestlé R&D Centre		Beijing			R&D	
India						
Nestlé Development Centre		Gurgaon			D	
Ireland (Republic of)						
Nestlé Development Centre		Askeaton			D	
Singapore						
Nestlé Development Centre		Singapore			D	
Nestlé Development Unit Ice Cream		Singapore			D	
United Kingdom						
Nestlé Product Technology Centre Confectionery		York			PTC	
CPW R&D Centre	1)	Staverton			R&D	
United States						
Nestlé Development Centre		Fremont (Michigan)			D	
Nestlé Development Centre		Marysville (Ohio)			D	
Nestlé Development Centre		Solon (Ohio)			D	
Nestlé Product Technology Centre Health Science		Bridgewater (New Jersey)			PTC	
Nestlé Product Technology Centre PetCare		St. Louis (Missouri)			PTC	
Nestlé R&D Centre		St. Joseph (Missouri)			R&D	
CPW R&D Centre	1)	Minneapolis (Minnesota)			R&D	

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

Lausanne, 16 February 2022

Statutory auditor's 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 and the notes to the consolidated financial statements, including a summary of significant accounting policies, as at 31 December 2021 and for the year then ended.

In our opinion, the consolidated financial statements (pages 70 to 170) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and 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 (ISAs) and Swiss Auditing Standards. 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 and the requirements of the Swiss audit profession, as well as the *International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (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'). The measurement of revenue, therefore, involves estimates related to various trade spend arrangements with a broad customer base across different countries. Organic growth, which represents sales growth after removing the impact of acquisitions and divestitures and exchange rate movements, is an important component in the determination of measurable financial objectives linked to management incentive schemes. The risk of revenue being misstated, through error, misinterpretation or misapplication of accounting standards and policies or intentional manipulation, may result from the pressure that local management may feel to achieve performance targets. The nature of the misstatements may include bias in estimates, unrecorded accruals, or the misclassification of trade spend in the income statement resulting in a misstatement of sales. 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. Management estimates the level of trade spend using judgments based on historical experience and the specific terms of the agreements with the customers. The estimates require the use of assumptions that are complex, given the diversity of trade spend arrangements and the uncertainty related to future outcomes, including changes in buying patterns resulting from COVID-19.

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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 systems 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 monthly 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 assessed manual journal entries impacting trade spend to identify significant or unusual items and obtained underlying documentation.

We considered 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 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 indefinite life intangibles assets

Risk	As described in Notes 1 and 9 of the consolidated financial statements, the Company has CHF 31.0 billion of goodwill and CHF 18.0 billion of indefinite life intangibles assets, the sum of which represents 35% of total assets and 91% of equity. For all cash generating units (CGUs) with goodwill or indefinite-life intangibles, indicators of impairment are assessed at each reporting date and an impairment test is performed at least annually. In the year ended 31 December 2021, impairment charges of CHF 2.1 billion have been recorded on goodwill and indefinite life intangibles assets, primarily related to the Wyeth brands and goodwill in the Nutrition CGU in Greater China Region. In the second half of 2021, due to the worsening performance of the Wyeth brands and Nutrition in China, management of the Nutrition business in AOA was reorganized from a regionally managed business to a locally managed business and restructuring was undertaken for Wyeth. As a result, the composition of the goodwill CGU of the Nutrition business in AOA has been redefined resulting in two CGUs: Nutrition CGU in Greater China Region and Nutrition CGU in Zone AOA (excluding Greater China Region). Concurrently, the Wyeth brands was tested for impairment separately from other nutrition brands. The assessment of indicators of impairment and impairment testing are subjective in nature. The recoverability of goodwill and indefinite life 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, as well as allocation of assets to CGUs, are subject to management judgment. The key assumptions in the determination of projected cash flows (see note 9.1) reflected the foreseeable impacts of birth rates in China and rest of AOA, regulatory environment for infant nutrition in China, commercial success of new product launches, duration

of the COVID-19 pandemic and related economic impact in those regions. The recoverable amount of the Wyeth brands and the impairment charge taken are therefore subject to a high degree of estimation uncertainty.

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 to the Wyeth brands and Nutrition CGU in Greater China Region and Nutrition CGU in Zone AOA (excluding Greater China Region). 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, the impact of the ongoing COVID-19 pandemic 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 Nutrition CGU in Greater China Region and the Wyeth brands, we gained an understanding of the outlook on birth rates in China and rest of AOA, the regulatory environment for infant formula and the plan for new product launches. Where possible, we compared management's forecasts to external information, particularly for birth rates. Further, we challenged the Group on its forecasted sales growth and operating margins considering past performance and the current economic environment.

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 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 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 indefinite life intangible assets.

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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.

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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 in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all 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 in the annual report 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 in the annual report 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.

Responsibility of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that 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, ISAs and Swiss Auditing Standards 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 at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

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

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

Ernst & Young Ltd

Jeanne Boillet	André Schaub
Licensed audit expert (Auditor in charge)	Licensed audit expert

Financial information – 5 year review

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

	2021	2020
Results		
Sales	87 088	84 343
Underlying Trading operating profit (a)	15 119	14 903
as % of sales	17.4%	17.7%
Trading operating profit (a)	12 159	14 233
as % of sales	14.0%	16.9%
Taxes	2 261	3 365
Profit for the year attributable to shareholders of the parent (Net profit)	16 905	12 232
as % of sales	19.4%	14.5%
Total amount of dividend	7 882 (c)	7 681
Depreciation of property, plant and equipment (d)	3 056	3 127
Balance sheet and Cash flow statement		
Current assets	39 257	34 068
Non-current assets	99 885	89 960
Total assets	139 142	124 028
Current liabilities	40 020	39 722
Non-current liabilities	45 395	37 792
Total equity	53 727	46 514
Net financial debt (a)	32 917	31 319
Ratio of net financial debt to total equity (gearing)	61.3%	67.3%
Operating cash flow	13 864	14 377
as % of net financial debt	42.1%	45.9%
Free cash flow (a)	8 715	10 245
Capital additions (d)	12 977	11 367
as % of sales	14.9%	13.5%
Data per share		
Weighted average number of shares outstanding (in millions of units)	2 788	2 845
Basic earnings per share	6.06	4.30
Underlying earnings per share (a)	4.42	4.21
Dividend	2.80 (c)	2.75
Pay-out ratio based on basic earnings per share	46.2% (c)	64.0%
Stock prices (high)	128.90	112.62
Stock prices (low)	95.00	83.37
Yield (b)	2.2/2.9 (c)	2.4/3.3
Market capitalization	**351 682**	**293 644**
Number of employees (in thousands)	**276**	**273**

(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.
(d) Including right-of-use assets – leased since 2017.

2019	2018	2017	
			Results
92 568	91 439	89 590	Sales
16 260	15 521	14 771	Underlying Trading operating profit [a]
17.6%	17.0%	16.5%	as % of sales
13 674	13 789	13 277	Trading operating profit [a]
14.8%	15.1%	14.8%	as % of sales
3 159	3 439	2 773	Taxes
12 609	10 135	7 156	Profit for the year attributable to shareholders of the parent (Net profit)
13.6%	11.1%	8.0%	as % of sales
7 700	7 230	7 124	Total amount of dividend
3 488	3 604	3 560	Depreciation of property, plant and equipment [d]
			Balance sheet and Cash flow statement
35 663	41 003	31 884	Current assets
92 277	96 012	101 326	Non-current assets
127 940	137 015	133 210	Total assets
41 615	43 030	38 189	Current liabilities
33 463	35 582	32 792	Non-current liabilities
52 862	58 403	62 229	Total equity
27 138	30 330	21 369	Net financial debt [a]
51.3%	51.9%	34.3%	Ratio of net financial debt to total equity (gearing)
15 850	15 398	14 199	Operating cash flow
58.4%	50.8%	66.4%	as % of net financial debt
11 934	10 765	9 358	Free cash flow [a]
5 482	14 711	6 569	Capital additions [d]
5.9%	16.1%	7.3%	as % of sales
			Data per share
2 929	3 014	3 092	Weighted average number of shares outstanding (in millions of units)
4.30	3.36	2.31	Basic earnings per share
4.41	4.02	3.55	Underlying earnings per share [a]
2.70	2.45	2.35	Dividend
62.8%	72.9%	101.7%	Pay-out ratio based on basic earnings per share
113.20	86.50	86.40	Stock prices (high)
79.86	72.92	71.45	Stock prices (low)
2.4/3.4	2.8/3.4	2.7/3.3	Yield [b]
301 772	**237 363**	**256 223**	**Market capitalization**
291	**308**	**323**	**Number of employees (in thousands)**

155th Financial Statements of Nestlé S.A.

Income statement
for the year ended December 31, 2021

In millions of CHF

	Notes	2021	2020
Income from Group companies	2	11 857	2 096
Profit on disposal and revaluation of assets	3	10 795	3 070
Financial income	4	180	132
Total income		**22 832**	**5 298**
Personnel expenses		(105)	(108)
Other expenses		(29)	(53)
Write-downs and amortization of shareholdings and loans		(538)	(324)
Financial expenses	5	(8)	(241)
Taxes	6	268	(69)
Total expenses		**(412)**	**(795)**
Profit for the year		**22 420**	**4 503**

Balance sheet
as at December 31, 2021

before appropriations

In millions of CHF

	Notes	2021	2020
Assets			
Current assets			
Cash and cash equivalents	7	177	330
Other current receivables	8	11 862	354
Prepayments and accrued income		25	109
Total current assets		**12 064**	**793**
Non-current assets			
Financial assets	9	12 480	14 455
Shareholdings	10	13 266	13 349
Property, plant and equipment		1	1
Total non-current assets		**25 747**	**27 805**
Total assets		**37 811**	**28 598**
Liabilities			
Current liabilities			
Interest-bearing liabilities	11	313	1 149
Other current liabilities	12	5 893	4 089
Accruals and deferred income		284	92
Provisions	13	303	215
Total current liabilities		**6 793**	**5 545**
Non-current liabilities			
Interest-bearing liabilities	11	1 502	1 503
Provisions	13	27	500
Total non-current liabilities		**1 529**	**2 003**
Total liabilities		**8 322**	**7 548**
Equity			
Share capital	14 /15	282	288
Legal retained earnings			
– General legal reserve	15	1 953	1 947
Voluntary retained earnings			
– Special reserve	15	2 859	2 859
– Profit brought forward	15	8 015	17 971
– Profit for the year	15	22 420	4 503
Treasury shares	15/16	(6 040)	(6 518)
Total equity		**29 489**	**21 050**
Total liabilities and equity		**37 811**	**28 598**

Notes to the annual accounts

1. Accounting policies

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

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

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 uses forward foreign exchange contracts, options, financial futures 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 value 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. A general provision is maintained to cover possible foreign tax liabilities.

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 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 (2020: CHF 2616 million) from the sale of participations to Société des Produits Nestlé S.A. are included.

4. Financial income

In millions of CHF

	2021	2020
Income on loans to Group companies	125	21
Other financial income	55	111
	180	**132**

5. Financial expenses

In millions of CHF

	2021	2020
Expenses related to loans from Group companies	—	(1)
Other financial expenses	(8)	(240)
	(8)	**(241)**

6. Taxes

In millions of CHF

	2021	2020
Direct taxes	(154)	(47)
Prior years adjustments	480	61
Withholding taxes on income from foreign sources	(58)	(83)
	268	**(69)**

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

	2021	2020
Amounts owed by Group companies (current accounts)	11 798	211
Other receivables	64	143
	11 862	**354**

9. Financial assets

In millions of CHF

	2021	2020
Loans to Group companies	12 403	14 427
Other investments	77	28
	12 480	**14 455**

10. Shareholdings

In millions of CHF

	2021	2020
At January 1	13 349	20 775
Net increase/(decrease)	(1 047)	(7 317)
Revaluation/(write-down)	964	(109)
At December 31	**13 266**	**13 349**

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 2021, Nestlé S.A. has sold or contributed shareholdings with a net book value of CHF 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 two bonds issued by Nestlé S.A. in 2018.

In millions of CHF

Issuer		Face value in millions	Coupon	Effective interest rate	Year of issue/ maturity	2021	2020
Nestlé S.A., Switzerland	CHF	600	0.75%	0.69%	2018–2028	602	603
	CHF	900	0.25%	0.26%	2018–2024	900	900
Total carrying amount						**1 502**	**1 503**

12. Other current liabilities

In millions of CHF

	2021	2020
Amounts owed to Group companies	5 677	3 798
Other liabilities	216	291
	5 893	**4 089**

13. Provisions

In millions of CHF

	2021				2020
	Uninsured risks	Swiss and foreign taxes	Other	**Total**	**Total**
At January 1	475	112	128	**715**	**932**
Provisions made in the period	—	157	3	**160**	**69**
Amounts used	—	(33)	(16)	**(49)**	**(252)**
Unused amounts reversed	(475)	(8)	(13)	**(496)**	**(34)**
At December 31	**—**	**228**	**102**	**330**	**715**
of which expected to be settled within 12 months				**303**	**215**

14. Share capital

	2021	2020
Number of registered shares of nominal value CHF 0.10 each	2 815 000 000	2 881 000 000
In millions of CHF	282	288

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. 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**
At January 1, 2021	288	1 947	2 859	22 474	(6 518)	**21 050**
Cancellation of 66 000 000 shares (share buyback program)	(6)	6	—	(6 779)	6 779	**—**
Profit for the year	—	—	—	22 420	—	**22 420**
Dividend for 2020	—	—	—	(7 681)	—	**(7 681)**
Movement of treasury shares	—	—	—	—	(6 301)	**(6 301)**
At December 31, 2021	**282**	**1 953**	**2 859**	**30 435**	**(6 040)**	**29 489**

16. Treasury shares

In millions of CHF

	2021		2020	
	Number	Amount	Number	Amount
Share buyback programs	50 936 859	5 624	59 694 659	6 137
Long-term incentive plans	4 470 842	416	4 849 627	381
	55 407 701	**6 040**	**64 544 286**	**6 518**

The share capital has been reduced by 66 000 000 shares from CHF 288 million to CHF 282 million through the cancellation of shares purchased as part of the share buyback program. The purchase value of those cancelled shares amounts to CHF 6779 million.

During the year, 57 242 200 shares were purchased as part of the share buyback program for CHF 6266 million.

The Company held 4 470 842 shares to cover long-term incentive plans. During the year, 2 282 785 shares were delivered as part of the Nestlé Group remuneration plans for a total value of CHF 180 million. All treasury shares are valued at acquisition cost.

The total of own shares of 55 407 701 held by Nestlé S.A. at December 31, 2021, represents 2.0% of the Nestlé S.A. share capital (64 544 286 own shares held at December 31, 2020, by Nestlé S.A. representing 2.2% of the Nestlé S.A. share capital).

17. Contingencies

At December 31, 2021, the total of the guarantees mainly for credit facilities granted to Group companies and commercial paper programs, together with the buyback agreements relating to notes issued, amounted to a maximum of CHF 92 702 million (2020: CHF 83 768 million).

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

In millions of CHF

	2021		2020	
	Number	Amount	Number	Amount
Performance Share Units, Restricted Stock Units and Phantom Shares granted to Nestlé S.A. employees [(a)]	187 570	18	168 378	18
Share plan for short-term bonus Executive Board [(b)]	51 516	5	66 911	7
Share plan for Board members [(c)]	—	6	—	5
	239 086	**29**	**235 289**	**30**

(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 97.20 (grant in March) and CHF 113.27 (grant in October). Includes 146 608 Performance Share Units granted to Executive Board (2020: 127 583). The Phantom Shares are valued at CHF 159.82 per Unit in 2021.

(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 2021 and 75% in April 2022). The Nestlé S.A. shares equivalent to 50% of the annual remuneration will be delivered at the end of the Board year in April 2022. They will be valued at the closing price of the share on the SIX Swiss Exchange on the ex-dividend date 2022. The actual number of shares delivered will be published in the Nestlé S.A. 2022 Financial Statements. In 2021, 51 331 shares have been 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

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

	2021	2020
	Number of shares held (a)	Number of shares held (a)
Paul Bulcke, Chairman	1 449 177	1 421 941
Henri de Castries, Vice Chairman, Lead Independent Director	31 126	27 698
Renato Fassbind	33 439	30 480
Ann M. Veneman	22 804	21 160
Eva Cheng	7 513	5 399
Patrick Aebischer	14 108	8 814
Kasper B. Rorsted	4 675	3 360
Pablo Isla	6 690	3 731
Kimberly A. Ross	6 344	4 559
Dick Boer	4 628	2 984
Dinesh Paliwal	12 280	1 484
Hanne Jimenez de Mora	3 835	2 520
Lindiwe M. Sibanda	—	—
Members who retired from the Board during the year	—	6 214
Total as at December 31	**1 596 619**	**1 540 344**

(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.

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

	2021	2020
	Number of shares held (a)	Number of shares held (a)
Ulf Mark Schneider, CEO	465 313	404 616
Laurent Freixe	58 925	73 438
Chris Johnson	164 322	136 798
Marco Settembri	127 258	94 750
François-Xavier Roger	90 000	72 138
Magdi Batato	51 949	41 508
Stefan Palzer	22 061	9 883
Béatrice Guillaume-Grabisch	37 519	23 211
Leanne Geale	4 015	—
Bernard Meunier	7 785	—
Grégory Behar	30 852	21 247
Sanjay Bahadur	65 491	51 846
David Rennie	5 401	—
Members who retired from the Executive Board during the year	—	253 428
Total as at December 31	**1 130 891**	**1 182 863**

(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	2021	2020
Retained earnings		
Profit brought forward	14 552 006 210	17 875 863 039
Dividends on own shares not distributed [(a)]	241 804 173	95 416 026
Cancellation of 66 000 000 shares (share buyback program)	(6 778 698 422)	—
Profit for the year	22 419 903 013	4 503 477 145
	30 435 014 974	**22 474 756 210**
We propose the following appropriation:		
Dividend for 2021, CHF 2.80 per share on 2 815 000 000 shares [(b)] (2020: CHF 2.75 on 2 881 000 000 shares)	7 882 000 000	7 922 750 000
	7 882 000 000	**7 922 750 000**
Profit to be carried forward	**22 553 014 974**	**14 552 006 210**

(a) The amount of CHF 7 922 750 000 proposed to be distributed as dividend for 2020 was reduced by CHF 241 804 173 due to 87 928 790 own 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 8, 2022). No dividend is paid on own 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 2.80 per share, representing a net amount of CHF 1.82 per share after payment of the Swiss withholding tax of 35%. The last trading day with entitlement to receive the dividend is April 8, 2022. The shares will be traded ex-dividend as of April 11, 2022. The net dividend will be payable as from April 13, 2022.

The Board of Directors

Cham and Vevey, February 16, 2022

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

Lausanne, 16 February 2022

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Nestlé S.A., which comprise the income statement, balance sheet and notes (pages 185 to 195), as at 31 December 2021 and for the year then ended.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion
In our opinion, the financial statements for the year ended 31 December 2021 comply with Swiss law and the Company's Articles of Association.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

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

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

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

Ernst & Young Ltd

Jeanne Boillet	André Schaub
Licensed audit expert (Auditor in charge)	Licensed audit expert

Notes

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