EXECUTION VERSION

INFORMATION DOCUMENT

for the registration on a multilateral trading facility of

HUF 115,000,000,000 1.75 per cent. p.a. NESTLÉ 2028 HUF Bonds

by

Nestlé Hungária Korlátolt Felelősségű Társaság

(*incorporated in Hungary*)

irrevocably guaranteed by
Nestlé S.A.

(*incorporated in Switzerland*)

This information document (the **Information Document**) has been prepared pursuant to Act CXX of 2001 on the Capital Markets (the **Capital Markets Act**) and Government Decree 285/2001. (XII. 26.) on bonds (the **Bond Decree**) for the registration on the XBond multilateral trading platform (the **XBond MTF**) operated by the Budapest Stock Exchange (the **BSE**) in accordance with Annex 1 to the BSE's XBond General Terms & Conditions of HUF 115,000,000,000 1.75 per cent. p.a. fixed rate bonds due 2028, entitled "NESTLÉ 2028 HUF Bonds" (ISIN Code: HU0000360458; the **Bonds**) by Nestlé Hungária Korlátolt Felelősségű Társaság (registered seat: 1095 Budapest, Lechner Ödön fasor 7., Hungary; company registration number: 01-09-267926 (the **Issuer** or the **Company**)). The payments of all amounts due in respect of the Bonds are irrevocably guaranteed by Nestlé S.A. (CH-1800 Vevey, Nestlé Avenue 55., Switzerland, company registration number: CHE-105.909.036, Commercial Registry of the Canton of Vaud) (the **Guarantor** or **Nestlé S.A.**) in the form of a Swiss law joint and several suretyship (*cautionnement solidaire*) pursuant to Article 496 of the Swiss Code of Obligations.

This Information Document does not constitute a prospectus prepared for the purposes of and in accordance with section 21(1) of the Capital Markets Act and Article 3(1) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the **Prospectus Regulation**) and Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 (the **Prospectus Delegated Regulation**).

The National Bank of Hungary (the **MNB**) has neither approved nor reviewed the information contained in this Information Document. Following the Hungarian offer to the public (in Hungarian: *nyilvános forgalomba hozatal*; the **Offering**) of the Bonds, application has been made to the BSE with respect to the registration and subsequent trading of the Bonds on the XBond MTF (the **XBond Registration Application**). The Chief Executive Officer of the BSE has approved this Information Document in the resolution dated

05.08. 2021 (72/XBond/2021). In the context of the XBond Registration Application and the approval of the Information Document (i) the BSE has not assessed the soundness, accuracy and completeness of the information contained in this Information Document relating to the Issuer, the Guarantor or their operations; and (ii) the Issuer and the Guarantor shall exclusively be liable for any claim arising as a result of any information set out in this Information Document being untrue, inaccurate or incomplete. Approval by the BSE should not be considered as an endorsement of the Issuer or the Guarantor or the quality of the Bonds. Accordingly, an investment in the Bonds involves a risk that is higher than the risk of an investment in relation to which a prospectus that is approved by the MNB has been prepared. **Given the fact that the Issuer and the Guarantor shall exclusively be liable for this Information Document, the Issuer (and the Guarantor, as the case may be) draws the attention of all investors to the fact that an investment in the Bonds involves an element of enhanced risk (in Hungarian *kiemelten kockázatos*).** A detailed description of the relevant risk factors are set out under the heading "Risk Factors" on page 12 of this Information Document. In addition, further information may be found in the chapters relating to the description of the Issuer's and the Guarantor's business. Investors should make their own assessment as to the suitability of investing in the Bonds. The BSE assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Information Document, the Bonds or the quality or solvency of the Issuer or the Guarantor.

Raiffeisen Bank Zrt. (registered seat: 1133 Budapest, Váci út 116-118. Hungary) acts as Arranger, Distributor, Paying Agent and Market Maker in relation to the Bonds.

The date of this Information Document is 29 July 2021.

IMPORTANT INFORMATION

Capitalised terms which are used but not defined in any particular section of this Information Document will have the meaning attributed to them under the heading "Definitions and Abbreviations" or any other section of this Information Document.

This Information Document has been prepared in relation to the registration of the Bonds on the XBond MTF operated by the BSE.

This Information Document does not constitute a prospectus prepared for the purposes of and in accordance with section 21(1) of the Capital Markets Act and Article 3(1) of the Prospectus Regulation and the Prospectus Delegated Regulation.

The MNB has neither approved nor reviewed the information contained in this Information Document. Following the Offering of the Bonds, application has been made to the BSE with respect to the registration and subsequent trading of the Bonds on the XBond MTF (the XBond Registration Application). The Chief Executive Officer of the BSE has approved this Information Document in the resolution dated 05.08.2021 (_72_/XBond/2021). In the context of the XBond Registration Application and the approval of the Information Document, the BSE has not assessed the soundness, accuracy and completeness of the information contained in this Information Document relating to the Issuer, the Guarantor or their operations.

Only the Issuer and the Guarantor accept responsibility for the authenticity, accuracy and completeness of the information contained in this Information Document and that the information contained in this Information Document is true, not misleading and complies with the applicable laws and other applicable regulations imposed by the relevant authorities.

The Issuer and the Guarantor shall be liable for a period of five years commencing on the date of the Information Document for any loss suffered by any holder of the Bonds as a result of any information contained in this Information Document or any supplement thereof being inaccurate or misleading or that the information contained in this Information Document or any supplement thereof does not omit anything likely to affect the import of such information. In accordance with paragraph (e) of section 15 of Annex 1 of the BSE's XBond General Terms & Conditions, the above liability of the Issuer and the Guarantor shall not validly be excluded or limited and shall extend to any information set out in this Information Document or any supplement thereto or to the omission of any such information. The related responsibility statements of the Issuer and the Guarantor is contained in section IX and XI respectively of this Information Document.

Approval by the BSE should not be considered as an endorsement of the Issuer or the Guarantor or the quality of the Bonds. Accordingly, an investment in the Bonds involves a risk that is higher than the risk of an investment in relation to which a prospectus approved by the MNB has been prepared. Given the fact that the Issuer and the Guarantor shall exclusively be liable for this Information Document, the Issuer (and the Guarantor, as the case may be) draws the attention of all investors to the fact that an investment in the Bonds involves an element of enhanced risk (in Hungarian *kiemelten kockázatos*). A detailed description of the relevant risk factors are set out under the heading "Risk Factors" on page 12 of this Information Document.

Raiffeisen Bank Hungary Zrt., as Arranger, Distributor, Paying Agent and Market Maker has not independently verified the authenticity, accuracy and completeness of the information contained in this Information Document and that the information contained in this Information Document is true, not misleading and complies with the applicable laws and other applicable regulations imposed by the relevant authorities. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Raiffeisen Bank Hungary Zrt., as Arranger, Distributor, Paying Agent and Market Maker as to the accuracy or completeness of the information contained or incorporated in this Information Document and as to whether the information contained

in this Information Document is true, not misleading and complies with the applicable laws and other applicable regulations imposed by the relevant authorities.

No person is or has been authorised by the Issuer or the Guarantor to give any information or to make any representation not contained in or not consistent with this Information Document or any other information supplied in connection with the offering and sale of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuer, the Guarantor or Raiffeisen Bank Hungary Zrt., as Arranger, Distributor, Paying Agent and Market Maker.

Neither the delivery of this Information Document nor the offering or sale of any Bonds shall in any circumstances imply (or be deemed as any representation of the Issuer, the Guarantor or Raiffeisen Bank Hungary Zrt. as Arranger, Distributor, Paying Agent and Market Maker) that (i) the information contained in the Information Document concerning the Issuer and/or the Guarantor is or remains correct at any time subsequent to its date or that any other information supplied in connection with the Bonds is or remains correct as of any time subsequent to the date indicated in the document containing the same; or (ii) no adverse change occurs with respect to the financial condition of the Issuer and/or the Guarantor subsequent to the date of this Information Document. Any facts, figures and opinions set out in this Information Document relate to the respective date expressly specified in connection with such facts, figures and opinions or, in the absence of any such specification, to the condition prevailing on the date of this Information Document. Raiffeisen Bank Hungary Zrt. as Arranger, Distributor, Paying Agent and Market Maker expressly does not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Bonds or to advise any investor in the Bonds of any information coming to its attention or to provide any analysis or evaluation to the actual or potential investors of the Bonds.

Neither this Information Document nor any other information supplied in connection with the offering and sale of the Bonds (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantor or Raiffeisen Bank Hungary Zrt., as Arranger, Distributor, Paying Agent and Market Maker that any recipient of this Information Document or any other information supplied in connection with the offering and sale of the Bonds should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs and its own appraisal of the creditworthiness of the Issuer and/or the Guarantor. This Information Document does not constitute an offer or invitation by or on behalf of the Issuer or the Guarantor or Raiffeisen Bank Hungary Zrt. to any person to purchase any Bonds.

None of Raiffeisen Bank Hungary Zrt. as Arranger, Distributor, Paying Agent and Market Maker, the Issuer or the Guarantor makes any representation to any investor in the Bonds regarding the legality of its investment under any applicable laws. Any investor in the Bonds should be able to bear the economic risk of an investment in the Bonds for an indefinite period of time. No investment advice is provided by Raiffeisen Bank Hungary Zrt. as Arranger, Distributor, Paying Agent and Market Maker with respect to the offering or sale of the Bonds.

Tax legislation, including in the country where the investor is domiciled or tax resident and in Hungary (as the Issuer's country of incorporation), may have an impact on the income that an investor receives from the Bonds. Therefore, potential investors of the Bonds are recommended to consult their legal, tax and financial advisors prior to investing in, holding or transferring the Bonds.

In accordance with section 8(1)(b) of Government Decree 285/2001 (XII.26.) on Bonds, the description of the assets that will generate the financial resources for the performance of the obligations under the Bonds can be found under the following headings of this Information Document: *VI. Description of the Issuer* and *VII. Description of the Guarantor*, with particular regards to the respective cash flow statements of the Issuer and the Guarantor, as set out in:

(i) the Issuer's 2020 Annual Report under Annex 3 of this Information Document; and

(ii) the Guarantor's 2020 Consolidated Financial Statements under Annex 4 of this Information Document.

SELLING RESTRICTIONS

This Information Document does not constitute an offer to sell or the solicitation of an offer to buy any Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Information Document and the offer or sale of Bonds may be restricted by law in certain jurisdictions. Neither the Issuer, the Guarantor nor Raiffeisen Bank Hungary Zrt. as Arranger, Distributor, Paying Agent and Market Maker represents that this Information Document may be lawfully distributed, or that any Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor or Raiffeisen Bank Hungary Zrt. as Arranger, Distributor, Paying Agent and Market Maker which is intended to permit an offering of any Bonds or distribution of this Information Document in any jurisdiction (other than in Hungary) where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Information Document nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Information Document or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Information Document and the offering and sale of Bonds. In particular, there are restrictions on the distribution of this Information Document and the offer or sale of Bonds in the United States, the European Economic Area (including Hungary).

The Bonds may not be a suitable investment for all investors. Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Information Document or any applicable supplement;

(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including Bonds where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Bonds and is familiar with the behaviour of financial markets; and

(v) is able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes,

a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. For the avoidance of doubt, the selling restrictions set out in this paragraph do not prejudice in any manner the transferability of the Bonds as described under Condition 4.2.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or any U.S. State securities laws and may not be offered, sold, transferred or delivered in the United States or to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

CREDIT RATING RELATED INFORMATION

The Bonds of the Issuer has been rated Aa3 by Moody's Italia S.r.l. (**Moody's**) and the rating was published on the website of Moody's (www.moodys.com) and the Issuer (https://www.nestle.hu). The Issuer has undertaken to ensure that (i) the above credit rating of the Bonds will be annually reviewed by at least one credit rating agency; (ii) the Bonds will continue to be rated by at least one credit rating agency during the entire term of the Bonds; and (iii) the proceeds of the issue of the Bonds will be used in accordance with the respective documents provided by the Issuer to Moody's.

The Guarantor' senior long term debt obligations have been rated:

i. Aa3 by Moody's, and

ii. AA- by S&P Global Ratings Europe Limited (**Standard & Poor's**).

For the purposes of **Moody's** ratings, an **Aa3** rating means that an obligor has a strong ability to repay long-term debt obligations. An **Aa** rating means that an obligation is judged of high quality and are subject to very low credit risk. Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 3 indicates a ranking in the lower end of that generic rating category. A Moody's rating outlook is an opinion regarding the likely direction of an issuer's rating over the medium term. Where assigned, rating outlooks fall into the following four categories: Positive, Negative, Stable, and Developing. Moody's uses the watchlist to indicate that a rating is under review for possible change in the short-term. A rating can be placed on review for possible upgrade, on review for possible downgrade, or more rarely with direction uncertain. A credit is removed from the watchlist when the rating is upgraded, downgraded or confirmed.

For the purposes of **Standard & Poor's** ratings, an **AA-** rating means that an obligor has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree. The ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. A Standard & Poor's rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future CreditWatch action. Negative means that a rating may be lowered.

Each of Moody's and Standard & Poor's has been established in the European Union and has been registered pursuant to the list of registered and certified credit rating agencies published on the website of the European Securities and Markets Authority (www.esma.europa.eu) pursuant to Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of September 16, 2009, as amended.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time.

The Issuer and the Guarantor acknowledge and accept that

(1) the MNB shall be entitled to make available to the public on the MNB's website either directly or indirectly (e.g. by way of a link to the relevant website of the Issuer or the Guarantor, as applicable); and

(2) the respective credit rating agency shall be entitled to make available on its website,

the respective credit ratings of the Bonds and the Guarantor, together with any annual revisions and the rating reports related to such credit ratings.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET RELATED INFORMATION

The target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in Act CXXXVIII of 2007 on Investment Firms and Commodity Exchange Service Providers and the Rules of their Activities and Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a **distributor**) should take into consideration the above target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the above target market assessment) and determining appropriate distribution channels.

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I. DEFINITIONS AND ABBREVIATIONS

Arranger	means Raiffeisen Bank Zrt. (registered seat: Váci út 116-118., 1133 Budapest, Hungary).
Auction	means the closed book auction sale arranged by the Arranger on 27 May 2021 where the Bonds were offered to the public in Hungary in accordance with paragraph (a) and (c) of Article 1(4) of the Prospectus Regulation.
Auction Module	means the auction module used for the Auction.
Bond Decree	has the meaning described on the cover page of this Information Document.
Bonds	has the meaning described on the cover page of this Information Document.
Bondholder or Bondholders	has the meaning described in paragraph 4.1 of the Terms and Conditions.
Bondholder's Meeting	has the meaning described in Annex 1 of this Information Document.
BSE	has the meaning described on the cover page of this Information Document.
Business Day	has the meaning described in paragraph 9.4 of the Terms and Conditions.
Capital Markets Act	has the meaning described on the cover page of this Information Document.
Civil Code	has the meaning described in paragraph 1.1 of the Terms and Conditions.
Company	has the meaning described on the cover page of this Information Document.
Denomination	has the meaning described in paragraph 3.2 of the Terms and Conditions.
Distributor	means Raiffeisen Bank Zrt. (registered seat: Váci út 116-118., 1133 Budapest, Hungary).
Document	has the meaning described in paragraph 2.1 of the Terms and Conditions.
Group, Nestlé or Nestlé Group	means the group of companies whose ultimate holding company is the Guarantor.
Guarantee	has the meaning described in paragraph 5 of the Terms and Conditions, the full text of which is set out under the heading "*The Guarantee*" of this Information Document.
Guarantor or Nestlé S.A.	has the meaning described on the cover page of this Information Document.
Information Document	means this Information Document.
Interest Payment Date	has the meaning described in paragraph 9.1 of the Terms and Conditions.

Interest Rate	has the meaning described in paragraph 9.1 of the Terms and Conditions.
Issue Date	has the meaning described in paragraph 2.2 of the Terms and Conditions.
Issuer	has the meaning described on the cover page of this Information Document.
KELER	has the meaning described in paragraph 2.1 of the Terms and Conditions.
Market Interest Rate	has the meaning described in Section II of this Information Document.
Market Maker	means Raiffeisen Bank Zrt. (registered seat: Váci út 116-118., 1133 Budapest, Hungary).
Maturity Date	has the meaning described in paragraph 3.1 of the Terms and Conditions.
MNB	has the meaning described on the cover page of this Information Document.
Offering	has the meaning described on the cover page of this Information Document.
Partial Payment	has the meaning described in paragraph 9.3 of the Terms and Conditions.
Paying Agency Agreement	has the meaning described in paragraph 6 of the Terms and Conditions.
Paying Agent	has the meaning described in paragraph 6 of the Terms and Conditions.
Reference Date	has the meaning described in paragraph 11.1 of the Terms and Conditions.
Relevant Indebtedness	has the meaning described in paragraph 8 of the Terms and Conditions.
Subsidiary	has the meaning described in paragraph 8 of the Terms and Conditions.
Terms and Conditions or the Conditions	have the meaning described in Section III of this Information Document.
XBond MTF	has the meaning described on the cover page of this Information Document.
XBond Registration Application	has the meaning described on the cover page of this Information Document.

II. RISK FACTORS

The "Risk factors" as set out below only specify those risk factors which directly relate to (i) the Issuer and the Guarantor and (ii) the ability of the Issuer and the Guarantor to fulfil their obligations under the Bonds or under the Guarantee (as applicable). In purchasing Bonds, investors assume the risk that the Issuer and the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Bonds or under the Guarantee. There is a wide range of factors which individually or together could result in the Issuer and the Guarantor becoming unable to make all payments due. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantor's control. The Issuer and the Guarantor have identified in this Information Document a number of factors which could materially adversely affect their businesses and ability to make payments due.

The factors which are material for the purpose of assessing the market risks associated with Bonds are also described below.

Prospective investors should also read the detailed information set out elsewhere in this Information Document and reach their own views prior to making any investment decision.

The MNB has neither approved nor reviewed the information contained in this Information Document. Following the Offering of the Bonds, application has been made to the BSE with respect to the registration and subsequent trading of the Bonds on the XBond MTF. The Chief Executive Officer of the BSE has approved this Information Document in the resolution dated 05.08. **2020 (**72 **/XBond/2021). In the context of the XBond Registration Application and the approval of the Information Document (i) the BSE has not assessed the soundness, accuracy and completeness of the information contained in this Information Document relating to the Issuer, the Guarantor or their operations; and (ii) the Issuer and the Guarantor shall exclusively be liable for any claim arising as a result of any information set out in this Information Document being untrue, inaccurate or incomplete. Approval by the BSE should not be considered as an endorsement of the Issuer or the Guarantor or the quality of the Bonds. Accordingly, an investment in the Bonds involves a risk that is higher than the risk of an investment in relation to which a prospectus approved by the MNB has been prepared. Given the fact that the Issuer and the Guarantor shall exclusively be liable for this Information Document, the Issuer (and the Guarantor, as the case may be) draws the attention of all investors to the fact that an investment in the Bonds involves an element of enhanced risk (in Hungarian *kiemelten kockázatos*).**

FACTORS THAT MAY AFFECT THE ISSUER'S AND THE GUARANTOR'S ABILITY TO FULFIL THEIR OBLIGATIONS UNDER THE BONDS

The Issuer is a subsidiary of the Guarantor. The Bonds are irrevocably guaranteed by the Guarantor in respect of principal and interest payments. Accordingly, the Issuer is affected, substantially, by the same risks as those that affect the business and operations of the Guarantor and/or its consolidated subsidiaries. Therefore, references in this section to the Guarantor and/or its consolidated subsidiaries and/or Nestlé Group shall include references to the Issuer (if applicable).

The Guarantor is subject to various risks resulting from changing economic, political, social, industry, business and financial conditions. The principal risks which could affect the Guarantor's business, financial condition, profitability, cash flows, results of operations and future business results are described below. The Guarantor's overall risk situation is the sum of the individual risks of all risk categories for the divisions, the corporate functions and legal entities. In general, the reporting of risks takes place in relation to the individual segments. If no segment is explicitly mentioned, the risks described relate to all divisions.

In addition, risks that are not yet known or assessed as not material can influence profitability, cash flows and financial position.

As a matter of the nature of Nestlé Group's business, it is exposed to the following risks:

1. Consumer Risks;
2. Environmental, Social and Governance Risks;
3. Operational Risks;
4. Legal and Regulatory Risks;
5. Economic and Political Risks;
6. Other Risks

Subsequent risk factors in the same category are not ranked in order of materiality or probability of occurrence. Where a risk factor may be categorised in more than one category, such risk factor appears only once and in the most relevant category for such risk factor.

1. Consumer Risks

The Nestlé Group operates in a competitive environment

The business environment in which the Nestlé Group operates is competitive. In its major markets, the Group competes with other corporations that might also have significant financial resources to respond to and develop the markets in which both they and the Group operate. These resources may be applied to change areas of focus or to increase investments in marketing or new products. This could cause the Group's sales or margins to decrease in these markets.

In addition, the rapid and continuous emergence of new distribution channels, particularly in e-commerce, may create consumer price deflation, affecting the Group's retail customer relationships and presenting additional challenges to increasing prices in response to commodity and other cost increases. Moreover, if the Nestlé Group is unable to adjust to new distribution channels and developments in e-commerce, the Group may be disadvantaged with certain consumers, which could adversely impact the Group's business, financial condition and results of operations.

Maintaining, extending and expanding the Nestlé Group's reputation and brand image are essential to its business success

The Nestlé Group has many iconic brands with long-standing consumer recognition across the globe. The Nestlé Group's success depends on its ability to maintain the brand image for its existing products, extend its brands to new platforms and expand its brand image with new product offerings.

Reliance on the Nestlé Group's brands makes the Group vulnerable to brand damage in a variety of ways. For example, the Nestlé Group could become a victim of a food safety or other compliance issue, product tampering or contamination or brand dilution by people who use any of the Nestlé brands without the Nestlé Group's permission, resulting in negative publicity. Damage to the Nestlé Group's brands could result in the loss of revenue associated with the affected brands and higher costs to address these circumstances, including those associated with any product recall events that may occur.

The Nestlé Group's success in maintaining, extending and expanding its brand image depends, in part, on its ability to adapt to a rapidly changing media environment. The Nestlé Group is increasingly relying on social media and online dissemination of advertising campaigns. The growing use of social and digital media increases the speed and extent that information, including misinformation, and opinions can be shared. Negative posts or comments about the Nestlé Group, its brands or suppliers and, in some cases, its competitors, on social or digital media, whether or not valid, could seriously damage the Group's brands and reputation.

Furthermore, the Nestlé Group may fail to invest sufficiently in maintaining, extending and expanding its brand image. If the Nestlé Group does not successfully maintain, extend and expand its reputation or its brand image, then its business, financial condition and results of operations could be adversely impacted.

The Nestlé Group may be unable to anticipate and successfully respond to changes in consumer preferences or trends, which may result in decreased demand for its products

The success of the Nestlé Group depends, in part, on its ability to anticipate the tastes and dietary habits of consumers and to offer products that appeal to their preferences. Consumer preferences are susceptible to change. Any major change in demographics and/or any failure to anticipate, identify or react to changes in consumer preferences or trends or introduce new and improved products on a timely basis could result in reduced demand for the Nestlé Group's products, which would in turn cause the volume, revenue and operating companies' income to suffer. Moreover, there are inherent marketplace risks associated with new products or packaging introductions, including uncertainties about trade and consumer acceptance.

The Nestlé Group must distinguish between short-term fads, mid-term trends and long-term changes in consumer preferences. If the Nestlé Group does not accurately predict if shifts in consumer preferences will be long-term or if it fails to introduce new and improved products to satisfy those preferences, its sales could decline. In addition, because of its varied consumer base, the Nestlé Group must offer an array of products that satisfy a broad spectrum of consumer preferences. If the Nestlé Group fails to expand its product offerings successfully across product categories, or if it does not rapidly develop products in faster growing or more profitable categories, demand for the Group's products could decrease, which could adversely impact its business, financial condition and results of operations.

Successful innovation depends on the Nestlé Group's ability to correctly anticipate consumer acceptance, to obtain, protect and maintain necessary intellectual property rights and to avoid infringing upon the intellectual property rights of others. The Nestlé Group must also successfully respond to new products and technological advances made by competitors. Failure to respond to competitive moves and changing habits of consumers could compromise the Nestlé Group's competitive position and adversely impact the Group's business, financial condition and results of operations.

There is also the risk that the Nestlé Group's business, financial condition and results of operations may be adversely impacted by an overall reduction in consumer spending.

Product recalls and product liability claims could adversely impact the Nestlé Group

The Nestlé Group has a comprehensive food safety assurance programme and implements an array of preventive measures to ensure the safety of its products. Nevertheless, selling products for human and animal use and consumption involves inherent legal and other risks, including contamination or spoilage, misbranding, product tampering and other adulteration. The Nestlé Group could decide to, or be required to, recall products due to suspected or confirmed product contamination or any other such deficiencies. Product recalls or market withdrawals could result in losses due to their costs, the destruction of product inventory and lost sales due to the unavailability of the product for a period of time.

The Nestlé Group could be adversely impacted if consumers lose confidence in the safety and quality of certain food products or ingredients or the food safety assurance programme generally. Adverse attention about these types of concerns, whether or not valid, may damage certain of the Nestlé Group's brands and/or the Group's reputation, discourage consumers from buying its products or cause production and delivery disruptions.

The Nestlé Group may also suffer losses if its products or operations violate applicable laws or regulations, or if its products cause injury, illness, or death. In addition, the Nestlé Group's marketing could face claims of false or deceptive advertising or other criticism. A significant product liability or other legal judgment or a related regulatory enforcement action against the Nestlé Group, or a significant product recall, may adversely impact the Group's reputation and profitability. Moreover, even if a product liability or fraud claim

is ultimately unsuccessful, has no merit, or is not pursued, the negative publicity surrounding assertions against the Nestlé Group's products or processes could adversely impact its business, financial condition and results of operations.

2 Environmental, Social and Governance Risks

The Nestlé Group is subject to risks arising from the transition to a low-carbon economy

Under the Paris Agreement scenario (the climate scenario where global temperature rises by 2100 is limited to 2°C from pre-industrial levels), macro shifts will be required to move the world to a low-carbon economy. Depending on the nature and, particularly, the speed of transition, varying levels of financial and reputational risks exist. Policy and regulatory changes to constrain emission-intensive activities may include, but not limited to, adoption of carbon pricing, reforms in agricultural subsidies and incentives for renewable energy. Investments in technology to adapt to and mitigate climate change will carry uncertainty due to the immaturity of technological solutions. Sector or business level reputation may be impacted (positively or negatively depending on the category) by increased stakeholder concern and shifts in consumer sentiment. Consumers may adopt more sustainable choices leading to wide ranging supply and demand shifts which may vary across different product categories. Competitor responses may change competitive dynamics and impact on the sector's reputation. This transition disruption to a low-carbon economy may impact revenue and growth projections, as well as indirectly impact the Nestlé Group in a number of additional areas including community relations, employee attraction and engagement.

Climate change may have an adverse impact on the Nestlé Group's business, financial condition and results of operations

Climate change is a major global challenge, with shifting weather patterns threatening food security and changes in consumption putting pressure on natural resources. Decreased agricultural productivity in certain regions of the world as a result of changing weather patterns may limit the availability or increase the cost of key agricultural commodities, which are important sources of ingredients for our products. Climate change may also exacerbate water scarcity and cause a further deterioration of water quality in affected regions, which could limit water availability for the Nestlé Group's water products. Increased frequency or duration of extreme weather conditions could also impair production capabilities, disrupt our supply chain or impact demand and consumption patterns for our products. As a result, the effects of climate change could adversely impact the Nestlé Group's business, financial condition and results of operations.

The Nestlé Group is subject to risks related to corporate social responsibility

The Nestlé Group's business faces increasing scrutiny related to environmental, social and governance issues, including sustainable development, product safety, product packaging, renewable resources, environmental stewardship, supply chain management, climate change, diversity and inclusion, workplace conduct, human rights, philanthropy and support for local communities. If the Nestlé Group fails to meet applicable standards or expectations with respect to these issues across all its products and in all its operations and activities, the Group's reputation and brand image could be damaged and its business, financial condition and results of operations could be adversely impacted.

Further, the Nestlé Group has developed a strong corporate reputation over many years for its focus on environmental, social and governance issues. The Nestlé Group seeks to conduct its business in an ethical and socially responsible way, through sustainable business practices and various programmes committed to sustainability, human rights and compliance, which it regards as essential to maximise shareholder value, while enhancing community quality and environmental stewardship. Implementation of these programmes, including Nestlé needs YOUth, Nestlé for Healthier Kids and Farmer Connect, can require significant expenditures of financial and employee resources.

Adverse weather conditions could reduce the demand for the Nestlé Group's products

The Nestlé Group's business is subject to some seasonality and adverse weather conditions may impact the Group's sales. For example, the water business experiences seasonal business swings. Unusually prolonged periods of cold, rain, blizzards, hurricanes or other severe weather patterns could impact consumers' decisions to purchase goods associated with the spring and summer.

3. Operational Risks

Price changes for raw materials and commodities may adversely impact the Nestlé Group's business, financial condition and results of operations

The Nestlé Group relies to a varying degree on the sourcing of raw materials from around the world. This exposes the Nestlé Group to price fluctuations and supply uncertainties which are subject to factors such as commodity market price volatility, currency fluctuations, changes in governmental agricultural programmes, harvest and weather conditions including longer-term changes in weather patterns, water shortages, crop disease, crop yields, alternative crops and by-product values. Underlying base material price changes may result in unexpected increases in raw material and packaging costs and the Nestlé Group may be unable to fully reflect these increases by raising prices without suffering reduced volume, revenue and operating income.

The ability to maintain the profitability of products containing tradeable commodities is largely dependent on cost management capacity of both direct and indirect materials, including energy, as well as market competitiveness. A significant or sustained decrease in the sale price of products based on commodities such as coffee, cocoa or milk products could have an adverse impact on the business, financial condition and results of operations of the Nestlé Group.

Although the Nestlé Group monitors its exposure to commodity prices and seeks to hedge against price changes for raw materials and commodities to the extent it deems appropriate, it does not fully hedge against changes in raw materials or commodity prices, and its hedging strategies may not protect the Group from increases in specific raw materials costs.

Should the price of commodities decline over a period of time, producers of raw materials may diversify their product range, which may restrict the availability of raw materials.

In addition, various governments throughout the world are considering regulatory proposals relating to genetically modified organisms or ingredients, food safety and market and environmental regulation which, if adopted, would increase costs. If any of these or other proposals are enacted, the Nestlé Group may experience difficulties in supply and may be unable to pass on the cost increases to consumers without incurring volume loss as a result of higher prices.

The ability to attract and retain highly skilled and talented employees is critical to the success of the Nestlé Group

The success of the Nestlé Group depends on its ability to attract and retain a highly-skilled and talented workforce. The Nestlé Group may not be able to successfully compete for and attract the high quality employee talent it wants, and its future business needs may require. Any unplanned turnover or unsuccessful implementation of the Nestlé Group's succession plans to backfill current leadership positions, or to hire, train, develop and retain a highly talented workforce could deplete the Group's institutional knowledge base and erode its competitive advantage or result in increased costs due to increased competition for employees, higher employee turnover or increased employee benefit costs. Any of the foregoing could adversely impact the Nestlé Group's reputation, business, financial condition or results of operations.

Prolonged negative perceptions concerning health implications of certain foods could lead to an increase in regulation of the food industry or influence consumer preferences, which may adversely impact the Nestlé Group's brands, reputation and results of operations

The food industry as a whole is faced with the global challenge of rapidly rising obesity levels. The Nestlé Group makes all of its products available in a range of sizes and varieties designed to meet all needs and all occasions. There is a possibility, however, of governments taking action against the food industry, for example, by levying additional taxes on products with high calories or salt levels or by restricting the advertising of products of this type. Further, even absent additional regulation, consumers may change their purchasing or consumption habits in response to perceived health concerns. Such actions or shifting preferences could have an adverse impact on the Nestlé Group's brands, reputation and results of operations.

A significant disruption in one or many of the Nestlé Group's manufacturing facilities or to the Group's suppliers could impact the Group's business, financial condition and results of operations

The Nestlé Group's manufacturing facilities and/or suppliers could be disrupted for reasons beyond the Group's control. These disruptions may include extremes of natural hazards, fire, supplies of materials or services, system failures, workforce actions, political instability, environmental issues or an event such as infectious disease. The Nestlé Group takes measures to limit these risks, and, in particular, the decentralized nature of the Group's manufacturing assets helps to limit the impact that any local disruption may have on the Group's manufacturing capabilities. However, any significant manufacturing disruptions or a major event in one of the Nestlé Group's key plants, at a key supplier, contract manufacturer, co-packer and/or warehouse facility could lead to a supply disruption and adversely impact the Group's ability to make and sell products, which could adversely impact the Group's business, financial condition and results of operations. Shifts in production patterns and economic and social inequality in supply chains could also result in capacity constraints, as well as reputational damage.

If the Nestlé Group does not realise the economic benefits it anticipates from its productivity and costsaving initiatives or is unable to successfully manage such initiatives' possible negative consequences, the Group's business, financial condition and results of operations could be adversely impacted

The Nestlé Group has implemented a number of productivity and cost-savings initiatives that it believes are important to position its business for future success and growth. The Nestlé Group's future success may depend upon its ability to realise the benefits of its productivity and cost-savings initiatives. In addition, certain of the Nestlé Group's initiatives may lead to increased costs in other aspects of its business such as increased outsourcing or distribution costs. Some of the actions the Nestlé Group takes in furtherance of its productivity and cost-savings initiatives may become a distraction for its managers and employees and may disrupt its ongoing business operations; cause deterioration in employee morale which may make it more difficult for the Group to retain or attract qualified managers and employees; disrupt or weaken the internal control structures of the affected business operations; and give rise to negative publicity which could affect the reputation of our brands. If the Nestlé Group is unable to successfully manage the possible negative consequences of its productivity and cost-savings initiatives, the Group's business, financial condition and results of operations could be adversely impacted.

Disruption impacting the reliability, security and privacy of data, as well as the Nestlé Group's software applications, is a threat

The Nestlé Group depends on accurate, timely information and numerical data from key software applications to enable day-to-day decision making. The Nestlé Group also uses computer systems to monitor financial conditions and daily cash flows and to process payments to internal and external counterparties. The management of daily cash flows at Nestlé Group companies depends on the timely receipt of funds from external institutions who act as counterparties to financial transactions, such as bonds, swaps or other derivative financial instruments.

Any disruption caused by a failure of a key software application, of underlying equipment or of communication networks, for whatever reason, could delay day-to-day decision making, payment processes, manufacturing processes, product delivery and/or cause the Nestlé Group adverse financial losses. Moreover, restoring or recreating information that has been lost could be costly, difficult or even impossible. Changes in the European regulatory environment regarding data privacy and protection could have an adverse impact on the Nestlé Group's business.

The Nestlé Group may not be able to protect its intellectual property rights

The success of the branded goods industry in general and the Nestlé Group's business in particular depends, in a large part, on the Group's ability to protect its current and future trademarks, brand names and trade names and to defend the Group's intellectual property rights. The Nestlé Group has invested considerable effort in protecting its intellectual property rights, including registering trademarks and domain names. The Nestlé Group cannot, however, be certain that the measures it has taken to protect its intellectual property rights will be sufficient or that third parties will not infringe or misappropriate its intellectual property rights. Given the attractiveness of the Nestlé Group's brands to consumers, the Group is subject to the risk of third parties manufacturing counterfeit or similar products or using its trademarks or brand names without the Group's permission. The Nestlé Group cannot be certain that the steps it takes to prevent, detect and eliminate counterfeit products will be effective in preventing material loss of profits or erosion of brand equity resulting from lower quality or even dangerous counterfeit product reaching the market. Moreover, certain countries in which the Group operates offer less intellectual property protection than is available in North America and Europe. If the Nestlé Group is unable to protect its intellectual property against infringement or misappropriation, this could adversely impact the Group's business, financial condition and results of operations.

The Nestlé Group's strategy of growth through acquisitions and investments may not be successful

From time to time, the Nestlé Group may evaluate acquisition candidates, alliances, joint ventures or investments that may strategically fit its business objectives. Such acquisitions, alliances, joint ventures and investments may expose the Nestlé Group to unknown liabilities and may lead the Group to incur additional debt, related interest expense and increase the Group's contingent liabilities. The Nestlé Group may not be able to successfully produce, market or sell the products of brands it acquires, and integrating acquired brands so they conform to the Group's trade practice standards may prove challenging and costly, may not deliver the anticipated benefits, cost savings or synergies, and may cause an impairment of goodwill and/or intangible assets.

In addition, the Nestlé Group may not be able to find suitable targets for acquisitions, alliances, joint ventures or investments on acceptable terms and conditions in the future.

4. Legal and Regulatory Risks

Changes in, or failure to comply with, the laws and regulations applicable to the Nestlé Group's products or its business could adversely impact the Group's business, financial condition and results of operations

The Nestlé Group is subject to various laws and regulations in numerous countries throughout the world in which it does business, including laws and regulations relating to competition, product safety, advertising and labelling, recycling and product stewardship, the protection of the environment and employment and labour practices. Changes in applicable laws or regulations or increased disclosures on environmental, social and governance performance or evolving interpretations thereof may result in increased compliance costs, capital expenditures and other financial obligations for the Nestlé Group, as well as reputational damage. For example, increased or additional regulations to discourage the use of plastic, including regulations relating to recovery and/or disposal of plastic packaging materials due to environmental concerns, could impact its profitability or may impede the production, distribution, marketing and sale of its products, which could adversely impact the Group's reputation, business, financial condition and results of operations.

In addition, failure to comply with privacy laws and regulations such as the General Data Protection Regulation, anti-corruption laws such as the U.S. Foreign Corrupt Practices Act and other applicable laws or regulations could result in the assessment of damages, the imposition of penalties, suspension of production or distribution, costly changes to equipment or processes due to required corrective action or a cessation or interruption of operations at the Nestlé Group's facilities (or those of suppliers), as well as damage to its

image and reputation, all of which could harm the Group's business, financial condition and results of operations.

Further, the Nestlé Group conducts business in certain countries that are the target of trade sanctions imposed by the United States. Such trade sanctions notably prohibit transactions with certain financial institutions and certain persons. If the Nestlé Group fails to comply with these trade sanctions, it could be subject to criminal penalties and/or significant financial penalties.

Some of the Nestlé Group's products, especially in its Nutrition and Health Science products segment, are subject to regulation by the U.S. Food and Drug Administration (the **FDA**) and numerous international, supranational, federal and state authorities. The process of obtaining regulatory approvals to market a drug, cosmetic or other health care product can be costly and time-consuming, and approvals might not be granted for future products, or additional indications or uses of existing products, on a timely basis, if at all. Delays in the receipt of, or failure to obtain, approvals for future products, or new indications and uses, could result in delayed realisation of product revenues, reduction in revenues and substantial additional costs. In addition, no assurance can be given that the Nestlé Group will remain in compliance with applicable FDA and other regulatory requirements once approval or marketing authorisation has been obtained for a product. Possible regulatory actions for non-compliance could include warning letters, fines, damages, injunctions, civil penalties, recalls, seizures of the Nestlé Group's products and criminal prosecution, any of which could negatively impact the Group's business, financial condition and results of operations.

Significant additional labelling or warning requirements or limitations on the marketing or sale of the Nestlé Group's products may reduce demand for such products and could adversely impact the Group's business, financial condition or results of operations

Certain jurisdictions in which the Nestlé Group's products are made, manufactured, distributed or sold have either imposed, or are considering imposing, product labelling or warning requirements or limitations on the marketing or sale of certain of its products as a result of ingredients or substances contained in such products. These types of provisions have required that the Nestlé Group provide a label that highlights perceived concerns about a product or warns consumers to avoid consumption of certain ingredients or substances present in the Group's products. For instance, a number of jurisdictions have imposed or are considering imposing labelling requirements, including color-coded labelling of certain food and beverage products where colours such as red, yellow and green are used to indicate various levels of a particular ingredient, such as sugar, sodium or saturated fat. The imposition or proposed imposition of additional product labelling or warning requirements could reduce overall consumption of the Nestlé Group's products, lead to negative publicity (whether based on scientific fact or not) or leave consumers with the perception (whether or not valid) that its products do not meet their health and wellness needs. Such factors could adversely impact the Nestlé Group's business, financial condition or results of operations.

Failure to comply with environmental, occupational health and safety laws and regulations of the countries in which the Nestlé Group operates could adversely impact the Group's business, financial condition and results of operations

The Nestlé Group is subject to various environmental laws and regulations in numerous countries throughout the world in which it does business and has to comply with legislation concerning the protection of the environment, including the use of natural resources (for example, water), release of air emissions and waste water, and the generation, storage, handling, transportation, treatment and disposal of waste materials. In the ordinary course of business, the Nestlé Group's operations are subject to internal environmental policy and management procedures, environmental inspections and monitoring by governmental enforcement authorities. Costs may be incurred, including fines, damages and criminal or civil sanctions, or interruptions may be experienced in operations for actual or alleged violations arising under any environmental laws. Moreover, the Nestlé Group's production facilities require operating permits that are subject to renewal, modification and, in certain circumstances, revocation. Violations of permit requirements can also result in restrictions or prohibitions on plant operations, substantial fines and civil or criminal sanctions.

Environmental legislation is also increasingly imposing requirements on the Nestlé Group's products and packaging (for example, eco-taxes or deposits), which affect costs.

Similarly, the Nestlé Group is subject to various health and safety laws and regulations in numerous countries throughout the world in which it operates and has to comply with legislation concerning the protection of the health and welfare of employees and contractors. Despite the Nestlé Group's internal policy decisions on safety, the training provided to employees, accident prevention and awareness, the risk of accidents and/or longterm health impacts cannot be excluded. Costs may be incurred, including fines, damages and criminal or civil sanctions, or interruptions may result from, actual or alleged violations arising under any health and safety laws and/or regulations. The failure to comply with any such laws may also adversely impact the Nestlé Group's reputation.

The results of litigation claims and legal proceedings cannot be predicted and may adversely impact the Nestlé Group

Several of the Nestlé Group's companies are party to litigation claims and legal proceedings arising out of the ordinary course of business. The relevant companies in the Nestlé Group believe that there are valid defences for the claims and proceedings and such companies intend to defend any such litigation claim or legal proceeding. However, the results of litigation and legal proceedings cannot be predicted with certainty. In the event that the relevant companies' assessment of the various litigation or legal proceedings proves inaccurate or litigation, claims, proceedings, inquiries or investigations that are material arise in the future, there may be an adverse impact on the Nestlé Group's business, financial condition or results of operations. Responding to litigation claims, legal proceedings, inquiries, and investigations, even those that are ultimately nonmeritorious, may also require the Nestlé Group to incur significant expense and devote significant resources.

Changes in tax laws and interpretations could adversely impact the Nestlé Group's business

The Nestlé Group is subject to income and other taxes in various foreign jurisdictions in which it operates. The Nestlé Group's domestic and foreign tax liabilities are dependent on the jurisdictions in which its operations are determined to be taxable. A number of factors influence the Nestlé Group's effective tax rate, including changes in tax laws and treaties as well as the interpretation of existing laws and rules in the jurisdictions in which the Group operates. Significant judgment, knowledge, and experience are required as to the interpretation and application of these rules. The Nestlé Group's future effective tax rate is impacted by a number of factors including changes in the valuation of its deferred tax assets and liabilities, increases in expenses not deductible for tax and changes in available tax credits. In the ordinary course of the Nestlé Group's business, there are many transactions and calculations where the ultimate tax determination is uncertain. In addition, federal, state, and local governments and administrative bodies within various jurisdictions have implemented, or are considering, a variety of broad tax, trade, and other regulatory reforms that may impact the Nestlé Group. Increases in or the imposition of new taxes on the Nestlé Group's business operations or products would increase the cost of products or, to the extent levied directly on consumers, make the Group's products less affordable, which may negatively impact on the Group's net operating revenues and profitability. The Nestlé Group is also regularly subject to audits by tax authorities. Although the Nestlé Group believes its tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from the Group's historical income tax provisions and accruals. Economic and political pressures to increase tax revenue in various jurisdictions may make resolving tax disputes more difficult. The occurrence of any of the foregoing tax risks could have an adverse impact on the Nestlé Group business, financial condition and results of operations.

The Nestlé Group's results could be adversely impacted as a result of increased obligations under its retirement benefit schemes

The Nestlé Group has various retirement benefit schemes which are funded via investments in equities, bonds and other external assets, the liabilities for which reflect the latest salary levels. The values of such assets are dependent on, among other things, the performance of the equity and debt markets, which are volatile. Any

shortfall in the Nestlé Group's funding obligations may require significant additional funding from the employing entities, which may adversely impact the Group's results of operations.

5. Economic and Political Risks

Changes to international trade policies, treaties and tariffs, or the emergence of a trade war could adversely impact the Nestlé Group's business, financial condition and results of operations

Changes to international trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely impact the financial and economic conditions of some or all of the jurisdictions in which the Nestlé Group operates. Any trade tensions or trade wars, for example, between the United States and China, or changes in the European Union (including as a result of the departure of the United Kingdom from the EU), or news and rumours of a potential trade war, could have an adverse impact on the Nestlé Group's business, financial condition and results of operations. Additionally, the imposition of increased or new tariffs could increase the Nestlé Group's costs and require the Group to raise prices on certain of its products, which may adversely impact the demand for such products. If the Nestlé Group is not successful in offsetting the impacts of any such tariffs, the Group's business, financial condition and results of operations could be adversely impacted.

Adverse economic, political and business conditions or other developments, as well as other geopolitical risks, such as terrorism, in the countries in which the Nestlé Group operates, may adversely impact the Group's business, financial condition and results of operations

The Nestlé Group sells products in more than 180 countries worldwide, so its business is subject to a variety of risks and uncertainties related to trading in many different countries, including political, economic or social upheaval. Such upheaval could lead governments to make changes, including the imposition of import, investment or currency restrictions, such as tariffs and import quotas and restrictions on the repatriation of earnings and capital, or changes in trade regulation. Any trade tensions or trade wars, for example, between the United States and China, or changes in the European Union (including as a result of the departure of the United Kingdom from the EU), or news and rumours of a potential trade war could negatively impact the Nestlé Group's operations and sales. In addition, the loosening of any such restrictions impacting the Nestlé Group's competitors could lead to increased competition in some of the Group's markets, negatively impact the Group's market share and adversely impact the Group's business, financial conditions and results of operations.

Political, fiscal or social unrest, potential health issues (including pandemic issues) and terrorist threats or acts may also occur in various places around the world, which will have an impact on trade, tourism and travel. These disruptions may directly impact the Nestlé Group's, suppliers' or customers' physical facilities. Furthermore, terrorists threats or acts may make travel and the transportation of supplies and products more difficult and more expensive and ultimately impact the Nestlé Group's operating results.

Unfavourable global economic conditions, such as a recession or economic slowdown could adversely impact the Nestlé Group's sales and profitability. Under difficult economic conditions, consumers may seek to reduce discretionary spending by foregoing purchases of the Nestlé Group's products. The Nestlé Group cannot predict how current or future global economic conditions will impact the Group's customers, consumers, suppliers, distributors or other third parties and any negative impact on the foregoing may also have an adverse impact on the Group's business, financial condition or results of operations.

The COVID-19 pandemic or other major disease outbreaks may adversely impact the Nestlé Group's business

The global outbreak of a novel strain of coronavirus ("COVID-19") and the emergence of a number of mutations and variations of COVID-19, including mutations that have resulted in a higher transmissibility of the COVID-19 virus, have disrupted, and are expected to continue to disrupt, financial markets and the

operations of businesses worldwide. The long-term economic impacts of the pandemic however, including on Nestlé Group's business, remain difficult to predict or quantify.

On 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. The rapid spread of COVID-19, first identified in December 2019 and the emergence of further mutations and variations of COVID-19, including mutations that increase the transmissibility and/or further increase the health implications of the virus or impair the ability of vaccines to offer protection against the COVID-19 virus, have resulted in a rapid deterioration of the political, socio-economic and financial situation globally and this may consequently have a negative impact on the Nestlé Group's business. The Nestlé Group continues to monitor the impact which the COVID-19 outbreak is having globally and could have on the markets in which it operates and more broadly on global trade, supply chains and the macro-economic outlook as governments and international agencies impose a range of measures to deal with the outbreak.

Any slowdown in economic activity or other business disruption caused by COVID-19 that adversely impacts the Nestlé Group's customers, consumers or other third parties may result in a decrease in the demand for the Nestlé Group's products, which could in turn have a negative impact on the Nestlé Group's business, financial conditions and results of operations (See "Adverse economic, political and business conditions or other developments, as well as other geopolitical risks, such as terrorism, in the countries in which the Nestlé Group operates, may adversely impact the Group's business, financial condition and results of operations" above).

In addition, the Nestlé Group may experience material labour quarantine or other labour, supply chain or operational issues as a result of COVID-19 that may affect the Nestlé Group's production and sales and which, if experienced in the Nestlé Group's major facilities or on a widespread basis in the Nestlé Group's facilities generally, could adversely impact the Nestlé Group's business, financial conditions and results of operations.

Any future emergence and spread of similar pathogens (such COVID-19) could have an adverse impact on global economic conditions which may adversely disrupt the Nestlé Group's business, financial condition and results of operations.

Currency fluctuations could adversely impact the financial condition of the Nestlé Group

The Nestlé Group operates in many different countries and thus is subject to currency fluctuations, both in terms of its trading activities and the translation of its financial statements. While the Nestlé Group uses short-term hedging for trading activities, it does not believe that it is appropriate or practicable to hedge longterm translation exposure. The Nestlé Group does, however, seek some mitigation of such translation exposure by relating the currencies of trading cash flows to those of its debt by using broadly similar interest cover ratios. If the Nestlé Group experiences significant currency fluctuations or is unable to use effectively similar interest cover ratios, then the Group's financial condition could be adversely impacted.

Changes in interest rates could adversely impact the Nestlé Group's results of operations

The Nestlé Group holds a substantial volume of interest rate sensitive financial assets, liabilities and derivatives for operational, financing and investment activities. Changes in interest rates can have adverse impacts on the financial condition and operating results of the Nestlé Group. In order to mitigate the impact of interest rate risk, the Nestlé Group continually assesses the exposure of the Group to this risk. Interest rate risk is managed and hedged through the use of derivative financial instruments, such as interest rate swaps and forward rate agreements. When deemed appropriate, there might be unhedged positions.

Global capital and credit markets could adversely impact the Nestlé Group's liquidity, increase its costs of borrowing and disrupt the operations of its suppliers and customers

Certain Nestlé Group companies raise finance by the issuance of term debt, principally in the capital markets. Therefore, the Nestlé Group depends on broad access to these capital markets and investors. Changes in

demand for term debt instruments in the capital markets could limit the ability of the Nestlé Group to fund operations.

In connection with its financing activities, the Nestlé Group deals with many banks and financial institutions and thus is exposed to a risk of loss in the event of non-performance by the counterparties to financial instruments. While the Nestlé Group seeks to limit such risk by dealing with counterparties which have high credit ratings, the Group cannot give assurances that counterparties will fulfil their obligations, the failure of which could adversely impact the Group's business, financial condition and results of operations.

In addition, increases in the cost of borrowing could negatively impact the operating results of the Nestlé Group. Increases in borrowing costs could arise from changes in demand for term debt instruments in the capital markets and a decreasing willingness of banks to provide credit lines and loans.

The Nestlé Group's business could also be negatively impacted if its suppliers or customers experience disruptions resulting from tighter capital and credit markets or a slowdown in the general economy.

6. Other Risks

Additional risks and uncertainties relating to the Nestlé Group that are not currently known to the Nestlé Group, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Nestlé Group's business, prospects, results of operations and financial position.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE BONDS

The Bonds may not be a suitable investment for all investors

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Information Document or any applicable supplement hereto;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Sophisticated institutional investors generally do not purchase financial instruments as stand-alone investments. They purchase financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolio. A potential investor should not invest in the Bonds unless it has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Market price risk

The development of market prices of the Bonds depends on various factors, such as changes of market interest rate levels, the policy of central banks, overall economic developments, inflation rates or the lack of or excess demand for the Bonds. The holder of the Bonds is therefore exposed to the risk of an unfavourable development of market prices of his/her/its Bonds which materializes if the Bondholder sells the Bonds prior to the final maturity of such Bonds.

Fixed rate bonds

A holder of a fixed rate bond (such as the Bonds) is exposed to the risk that the price of such Bond falls as a result of changes in the current interest rate on the capital markets (the **Market Interest Rate**) for comparable debt securities of the same maturity. While the nominal interest rate of the Bonds is fixed during the life of the Bond, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of the Bond also changes, but in the opposite direction. If the Market Interest Rate increases, the price of a fixed rate bond typically falls, until the yield of such bond is approximately equal to the Market Interest Rate. If the Market Interest Rate falls, the price of a fixed rate bond typically increases, until the yield of such bond is approximately equal to the Market Interest Rate. Potential purchasers of the Bonds should be aware that movements of the Market Interest Rate could adversely affect the market price of the Bonds. If, however, the holder of the Bond holds such Bond until maturity, changes in the market interest rate are without relevance to such holder as the Bond will be redeemed at a specified redemption amount, being the principal amount of the Bond.

An investment in the Bonds may be subject to inflation risks

The inflation risk is the risk of future money depreciation. The real yield from an investment is reduced by inflation. The higher the rate of inflation, the lower the real yield on the Bonds. If the inflation rate were to increase and match or exceed the nominal yield, the real yield of the Bonds would be zero or even negative.

The Bonds do not constitute deposits and are not subject to deposit protection schemes

The Bonds do not constitute deposits or other obligations of a depository institution and are not subject to deposit protection schemes, such as the National Deposit Insurance Fund (*Országos Betétbiztosítási Alap*) or any other governmental agency.

The Bonds are not subject to investor protection schemes in the event the Issuer fails to make any payment

The Investor Protection Fund (*Befektető-védelmi Alap*, the **IPF**) will not pay any compensation to any Bondholder in the event the Issuer fails to make any payment of interest or principal under the Bonds. The IPF would only pay any compensation to a Bondholder if the manager of the securities account which the Bonds are credited to failed to transfer such Bond(s) to the order of the Bondholder.

Trading in the Bonds on the XBond MTF may be suspended

The BSE has the right to suspend trading of the Bonds if the Issuer fails to comply with the obligations under the applicable laws, regulations and the XBond General Terms and Conditions. There can be no assurance that trading in the Bonds will not be suspended during the term of the Bonds. During the period of suspension of trading in the Bonds, investors would have no possibility to buy or sell the Bonds on the XBond MTF, which would have a negative impact on liquidity.

The Bonds may be deleted from the security list of the XBond MTF

There is no assurance that the BSE will accept the Bonds for registration on the XBond MTF. In addition, the BSE has the right to delete the Bonds from the security list of the XBond MTF if the Issuer fails to comply with the obligations under the applicable laws, regulations and the XBond General Terms and Conditions.

There can be no assurance that such a situation will not occur in relation to the Bonds. Once the Bonds are deleted from the security list of XBond MTF the investors lose the possibility of trading in the Bonds on the XBond MTF, which may adversely affect their liquidity. The sale of the Bonds outside the Xbond MTF platform may be effected at substantially lower prices compared to the most recent prices obtained in transactions carried out on the XBond MTF. There can be no assurance that such a situation will not occur in relation to the Bonds, however, currently there is no reason to believe that such a situation will occur in the future.

An active secondary market in respect of the Bonds may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his/her/its Bonds.

Bonds may have no established trading market when issued, and one may never develop. If a market for the Bonds does develop, it may not be very liquid and may be sensitive to changes in financial markets. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case should the Issuer be in financial distress, which may result in any sale of the Bonds having to be at a substantial discount to their principal amount.

The Terms and Conditions of the Bonds do not contain a tax gross up clause

Investment in the Bonds may entail the necessity of the Bondholders paying taxes.

The Terms and Conditions of the Bonds do not contain a tax gross up clause related to payments to the Bondholders. If any payment on account of Bonds entails the obligation to collect and pay any tax, charge or other public imposts, the Issuer or the Guarantor shall not be obliged to pay to the Bondholders any amounts compensating the collected taxes, charges or other public imposts, or to make any other payments.

The obligation to pay any taxes connected with acquiring, holding (in terms of any payments under the Bonds), or selling the Bonds may result in a lower than expected rate of return on the investment in the Bonds.

The form of the Bonds

The Bonds were issued in dematerialised form. The Bondholders are not entitled to request the creation and the issue and delivery of the Bonds in printed form.

Lack of market stabilisation measures in relation to the Bonds

Raiffeisen Bank Zrt. as Arranger, Distributor, Paying Agent and Market Maker has not undertaken any market stabilisation obligation (as specified in paragraph (d) of Article 3(2) of EU Regulation 596/2014) with respect to the Bonds.

Governing law of the Guarantee and submission to jurisdiction with respect to the Guarantee

The rights and obligations arising from the Guarantee are in all respects governed by, and are to be exclusively construed in accordance with, Swiss law. In addition, place of performance and place of jurisdiction is Vevey, Switzerland.

RISK MANAGEMENT MECHANISM OF THE GROUP

Enterprise Risk Management is a process applied across the Group, designed to identify potential events that may affect the Group's achievement of its strategic objectives and support the Group to ensure it acts in accordance with external regulations and internal policies. It supports Nestlé's management to raise risk awareness and to anticipate emerging risks, as well as the process of identifying appropriate mitigation actions.

The Nestlé Group adopts a dual approach using “Top-Down” and “Bottom-Up” assessments. The “Top-Down” assessment occurs annually and focuses on the Group’s global risks. A “Bottom-up” assessment occurs in parallel resulting in the aggregation of individual assessments by all Markets, Regionally and Globally Managed Businesses. Risk assessments are the responsibility of line management and any mitigating actions identified in the assessments are the responsibility of the individual line management. If Group-level intervention is required, responsibility for mitigating actions will generally be determined by the Executive Board.

Additionally, Nestlé engages with external stakeholders to better understand the issues that are of most concern to them. For each issue, the materiality matrix (as reported in the Nestlé Group’s Annual Review) rates the degree of stakeholder concern and potential business impact.

The Group risk assessment is reported annually to the Executive Board, Audit Committee and Board of Directors. Additionally, the Audit Committee assesses the effectiveness of the internal risk management organization and processes. It reviews the reports on the effectiveness of the systems for internal control and on the performance of the annual risk assessment at least once a year. It also reviews management’s reports on the Company’s compliance and risk management processes. The Audit Committee has complete and unrestricted access to the Company’s management, books and records and may obtain any information it requires from the appropriate services.

III. TERMS AND CONDITIONS OF THE BONDS

The following are the terms and conditions (the **Conditions**) of the bonds titled „NESTLÉ 2028 HUF Kötvény" (ISIN code: HU0000360458; each a **Bond**, together the **Bonds**) and issued by Nestlé Hungária Kft. (registered seat: 1095 Budapest, Lechner Ödön fasor 7., Hungary, registered by the Metropolitan Court acting as Court Registry under registration number: 01-09-267926, tax number: 10571086-2-44; LEI code: 549300B7WEJMJJFPL835). The payments of all amounts of principal and interest due in respect of the Bonds are irrevocably guaranteed by Nestlé S.A. (CH-1800 Vevey, Nestlé Avenue 55., Switzerland, registration number: CHE-105.909.036; LEI: KY37LUS27QQX7BB93L28 (the **Guarantor**)) in the form of a Swiss law joint and several suretyship (*cautionnement solidaire*) pursuant to Article 496 of the Swiss Code of Obligations. These Conditions form an inseparable part of the Document (as defined below).

1. LEGAL BASIS, AUTHORISATION AND PURPOSE OF THE ISSUE

1.1 Legal basis of the issue of the Bonds

The Bonds were issued in accordance with (a) Article 12/B of Act CXX of 2001 on the Capital Markets (the **Capital Markets Act**); (b) 285/2001 (XII. 26.) Government Decree on bonds; (c) Act V of 2013 on the Civil Code (the **Civil Code**), and (d) the Product Rules of the Bond Funding for Growth Scheme (in Hungarian: *Terméktájékoztató a Növekedési Kötvényprogram Feltételeiről*) established by the National Bank of Hungary as currently in effect (dated 7 May 2021 as at the date of these Conditions) as registered debt securities. Each Bond represents the same rights pursuant to point 45 of Article 5(1) of the Capital Markets Act. The Bonds do not give any right to its holder to exchange the Bond for, or acquire, other securities or any other financial instruments.

1.2 Authorisation

The public offering of the Bonds and the application for their registration in and subsequent trading on the XBond multilateral trading facility operated by the Budapest Stock Exchange has been authorised under Resolution No. 1/2021 of the sole owner of the Issuer, being Société des Produits Nestlé S.A. (registered seat: CH-1800 Vevey, Nestlé Avenue 55., Switzerland; registration number: CHE-109.815.753) on 19 April 2021. The Issuer does not intend to list the Bonds on any regulated market or other equivalent trading venue.

1.3 Purpose of the issue

The Issuer intends to apply the proceeds from the Bonds for the Issuer's general corporate purposes. The contemplated financial coverage for the performance of the Issuer's obligations under the Bonds is constituted by the assets of the Issuer, as described in detail in the information document prepared for the Bonds (the **Information Document**) under the heading "Description of the Issuer" and the Guarantee (as defined below).

2. METHOD OF CREATION, PLACE AND DATE OF ISSUE

2.1 Method of creation of the Bonds

The Bonds are in dematerialized and registered form. In accordance with Article 7(2) of the Capital Markets Act, the Issuer issued and deposited with KELER Központi Értéktár Zártkörűen Működő Részvénytársaság (**KELER**) a document (the **Document**), which does not qualify as a security, with the mandatory particulars of the Bonds. The form of the Document is set out in Annex 2 of the Information Document. Section 1 of the Document sets out the name of the signatories of the Document and the basis of their signing authority. The Document will remain to be deposited with KELER as long as all claims of the Bondholders under the Bonds will be satisfied. The Conditions form part of the Bonds, and therefore, the Document.

2.2 Method, place and date of the offering (issue) and creation of the Bonds

The place of the public offering (issue) and creation of the Bonds was Budapest, Hungary. Hungarian law shall be applicable to the public offering of the Bonds.

The Bonds were sold by way of a public offering (auction) on 27 May 2021. The Bonds were issued and created on 31 May 2021, as value date (the **Issue Date**).

3. TERM, NUMBER AND NOMINAL FACE VALUE

3.1 Term of the Bonds

The term of the Bonds is seven years, commencing on the Issue Date and ending on 31 May 2028 (the **Maturity Date**).

3.2 Number and nominal face value of the Bonds and the aggregate principal amount

The Bonds were issued in one series consisting of 2300 Bonds, each Bond denominated in HUF with the nominal face value of HUF 50,000,000 (the **Nominal Face Value**). The aggregate principal amount of the Bonds is HUF 115,000,000,000.

3.3 Tap issue

The Issuer can issue further Bonds within the same Series but consisting of separate Tranches at any time by way of a tap issue, without the consent of the Bondholders. Any tap issue is subject to the Guarantor issuing a new guarantee for the bonds to be issued in the relevant tap issue without making any amendments to the Guarantee (as defined below), so that the payments under each Bond in the Series (including the Bonds to be issued under the relevant tap issue) would be guaranteed by the Guarantor (under the same terms as the terms of the Guarantee as of the Issue Date, except the Maximum Guarantee Amount (as defined in the Guarantee)). The payment obligations of the Guarantor under the new guarantee issued in relation to the tap issue shall rank *pari passu* with the payment obligations of the Guarantor under the Guarantee.

Such tap issue automatically amends the technical parameters of the Bonds (e.g. number of the Bonds within the Series and the aggregate principal amount of the Bonds) as set out in these Conditions.

As used herein, **Series** means the original issue of the Bonds together with any further issues expressed to form a single series with the original issue and the terms of which (save for the Issue Date, and/or the amount, and/or the date of the first payment of interest thereon, and/or the date from which interest starts to accrue and/or the issue price, as applicable) are identical (including the Maturity Date, Interest Rate and Interest Payment Dates). As used herein, **Tranche** means all Bonds of the same Series with the same issue date.

4. OWNERSHIP AND TRANSFER

4.1 Bondholders

In accordance with Article 6:566(6) of the Civil Code and Article 138(2) of the Capital Markets Act, any reference to a **Bondholder** or the **Bondholders** in relation to any Bonds shall mean the person or persons to whose securities account the Bonds are credited until the opposite is proven. The transfer of the Bonds is effected, on the basis of a contract for transfer or other legal title, by way of debiting the Bonds from the transferor's securities account and crediting the Bonds to the transferee's securities account.

The holder of any Bond who acquired the Bonds in accordance with the paragraph above shall (except as otherwise required by law or a competent court) be deemed and treated as its absolute owner and shall be entitled to any payments of principal and interest by the Issuer and other rights under the Bonds in accordance with these Conditions, even if the term of the Bonds expired, if applicable in relation to such rights.

4.2 Restrictions on the transfer of the Bonds

The Issuer does not restrict the transfer of the Bonds.

The rules and procedures for the time being of KELER may specify limitations and closed periods in relation to the transfer of the Bonds between the respective securities accounts of the relevant securities account managers which shall apply to, and be binding on, the Bondholders.

5. GUARANTEE IN RELATION TO THE BONDS

The payment of the principal and interest in respect of each Bond has been irrevocably guaranteed by the Guarantor pursuant to the Guarantee dated 20 May 2021 (the **Guarantee**) and issued in the form as set out under the heading „The Form of the Guarantee" of the Information Document which has been deposited, as an attachment to the Document, for the benefit of the Bondholders with KELER. The Guarantee is a joint and several suretyship (*cautionnement solidaire*) pursuant to Article 496 of the Swiss Code of Obligations. Such a guarantee is accessory in nature, which means that its enforceability is dependent upon the legal validity and enforceability of the primary obligation to which it relates. This means that the Guarantor will only have an obligation to pay a Bondholder an amount under the Guarantee if and to the extent such Bondholder has a legally valid and enforceable claim against the Issuer to pay such amount under the Bonds. Further details of the Guarantee are set out under the heading „Description of the Guarantee" of the Information Document.

6. PAYING AGENT AND THE TERMS AND CONDITIONS OF THE PAYING AGENCY AGREEMENT

The Bonds have been issued subject to and with the benefit of a paying agency agreement (the **Paying Agency Agreement**) dated 20 May 2021 and made between the Issuer and Raiffeisen Bank Zrt. (the **Paying Agent**) as paying agent. Pursuant to the Paying Agency Agreement, the Paying Agent agreed to provide interest and principal paying agency services set out therein.

A copy of the Paying Agency Agreement (excluding any fee related parts of the Paying Agency Agreement) shall be made available for inspection free of charge upon a prior written notice at a mutually acceptable time agreed over the telephone but no later than 8 (eight) Business Days from such notice during the Issuer's regular business hours on any Business Day at the Issuer's registered seat, for any Bondholder who has evidenced her/his/its identity and ownership title in a manner satisfactory to the Issuer.

The Paying Agent may change, provided that during the entire term of the Bonds there will be a paying agent in Hungary in relation to the Bonds (the Issuer may, for such purposes, in the absence of a paying agent and to the extent permitted by applicable law, carry out on a temporary basis the duties of a paying agent). When acting under the Paying Agency Agreement, the Paying Agent acts solely as agent of the Issuer and does not assume any obligation or liability to any Bondholders.

7. STATUS OF THE BONDS

The Bonds are direct, unconditional, unsecured (subject to the provisions of Condition 8) and unsubordinated obligations of the Issuer and rank *pari passu* and rateably without any preference

among themselves and equally with all other unsecured and unsubordinated obligations of the Issuer from time to time outstanding (other than obligations mandatorily preferred by law).

8. NEGATIVE PLEDGE

So long as any of the Bonds remain outstanding:

(a) the Issuer will procure that, provided that security upon its assets is neither mandatory pursuant to applicable laws nor required as a prerequisite for governmental approvals, no Relevant Indebtedness (as defined below) now or hereafter existing of the Issuer and no guarantee or indemnity by the Issuer of any Relevant Indebtedness of any Subsidiary (as defined below) of the Issuer will be secured by any mortgage, charge, lien, pledge or other security interest upon, or with respect to, the whole or any part of the present or future revenues or assets of the Issuer unless in any such case the Issuer shall, simultaneously with, or prior to, the creation of such security interest, take any and all action necessary to procure that all amounts payable under the Bonds are secured by such security interest equally and rateably or such other security interest is provided for such amounts as is not materially less beneficial to the interests of the Bondholders or as shall be approved by the Bondholders at the Bondholders' Meeting convened and conducted pursuant to the rules specified under Annex 1 of the Information Document; and

(b) the Guarantor will procure that, provided that security upon its assets is neither mandatory pursuant to applicable laws nor required as a prerequisite for governmental approvals, no Relevant Indebtedness now or hereafter existing of the Guarantor and no guarantee or indemnity by the Guarantor of any Relevant Indebtedness of the Issuer or any Subsidiary of the Issuer will be secured by any mortgage, charge, lien, pledge or other security interest upon, or with respect to, the whole or any part of the present or future revenues or assets of the Guarantor unless in any such case the Guarantor shall, simultaneously with, or prior to, the creation of such security interest, take any and all action necessary to procure that all amounts payable under the Guarantee are secured by such security interest equally and rateably or such other security interest is provided for such amounts as is not materially less beneficial to the interests of the Bondholders or as shall be approved by the Bondholders, provided that in the event of a merger, amalgamation or consolidation of the Guarantor with another company the provisions of this Condition 8(b) shall not apply with regard to any security in respect of any Relevant Indebtedness over the assets of that other company which security exists at the time of such merger, amalgamation or consolidation (other than any such security created in contemplation thereof) and any such security thereafter created by the resulting or surviving entity in substitution for the aforesaid security over assets the value of which does not materially exceed the current value of the assets subject to such security immediately prior to such merger, amalgamation or consolidation.

For the purposes of this Condition 8, the term **Relevant Indebtedness** means any indebtedness now or hereafter existing which is in the form of or represented or evidenced by any bonds, notes or other securities which, in any such case, are or are capable of being listed on any recognised stock exchange and the term **Subsidiary** means any company of which the Issuer shall own more than 50 per cent. of the outstanding voting stock of such company.

9. INTEREST

9.1 Interest Payment Dates

The Bonds bear interest from and including the Issue Date at the fixed rate of 1.75 per cent. per annum (the **Interest Rate**). Interest is payable during the term of the Bonds annually in arrear on 31 May in each year (each an **Interest Payment Date**) until and including the Maturity Date. The first payment (representing a full year's interest) (for the period from and including the Issue Date to but

excluding 31 May 2022 and amounting to HUF 875,000 per Bond) shall be made on 31 May 2022. The amount of interest payable and the respective Interest Payment Dates are set out in the table below:

Interest Payment Date:	**Interest amount:**
31 May 2022	HUF 875,000
31 May 2023	HUF 875,000
31 May 2024	HUF 875,000
31 May 2025	HUF 875,000
31 May 2026	HUF 875,000
31 May 2027	HUF 875,000
31 May 2028	HUF 875,000

9.2 Calculation of interest for a broken interest period

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated by applying the Interest Rate to the Nominal Face Value of the Bond and then the result shall be multiplied by the actual number of days elapsed since the last Interest Payment Date (or the Issue Date, if no Interest Payment Date occurred since the Issue Date) and divided by (i) 365; or (ii) 366 if the 29th day of February falls in the period since the last Interest Payment Date (or the Issue Date, if no Interest Payment Date occurred since the Issue Date) (Actual/Actual (ISMA/ÁKK)). The resultant figure per Bond shall be rounded to the nearest forint, half a forint being rounded upwards.

9.3 Default interest

(a) Unless otherwise provided in this Condition 9, no interest shall accrue in respect of the Bonds from the date on which the principal amount under the Bonds becomes due and payable. Should the Issuer unlawfully delay or refuse to effect repayment of any portion of the principal amount under the Bonds, the Issuer shall pay default interest in connection with the respective portion of the principal amount in accordance with section 6:48(2) of the Civil Code until the outstanding principal amount payable under the Bonds is paid in full.

(b) Should the Issuer be in default with any interest payment obligations under the Bonds, the Issuer shall pay default interest in connection with the overdue but unpaid interest amount in accordance with section 6:48(2) of the the Civil Code.

(c) In the event of a partial delay in the payment of any interest or principal amount payable under the Bonds:

(i) the Issuer shall notify the Bondholders in accordance with Condition 14 (Notices) at least 5 (five) Business Days prior to the respective due date;

(ii) the Paying Agent shall pay the partial amount made available to it to the Bondholders on the due date (**Partial Payment**) in a manner that the amount paid with respect to the Partial Payment:

(A) shall first be used for the purposes satisfying any due and payable interest payment obligations under the Bonds and shall then be used for the purposes of satisfying any due and payable principal payment obligations under the Bonds; and

(B) shall be paid to each Bondholder pro rata to the Bonds held by such Bondholder. The resultant broken figure shall be rounded to the nearest forint (half a forint being rounded upwards).

(d) Without prejudice to the application of Condition 13 (Events of Default), the consequences of late payment, as set out in paragraphs (a) and (b) above, shall not apply in the context of any Partial Payment effected in accordance with this Condition.

9.4 Business Day

In these Conditions **Business Day** means a day which is:

(a) a day on which commercial banks settle payments and are open for general business in Budapest and Zürich, Switzerland; and

(b) a day on which KELER is effecting money and securities transfers.

10. REDEMPTION AND REPURCHASE

10.1 Redemption at maturity

The Issuer shall repay the Nominal Face Value of each Bond to the Bondholders on the Maturity Date.

10.2 Redemption for Tax Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), if:

(i) on the occasion of the next payment due under the Bonds or (if applicable) the Guarantee, the Issuer or (if applicable) the Guarantor, as the case may be, will be or is expected to become the subject of any negative tax consequences related to the payment of interest under the Bonds (including the deductibility of such interest payments for accounting purposes) as a result of any change in, or amendment to, the laws or regulations of the jurisdiction in which the Issuer is incorporated or, in the case of payment by the Guarantor (if applicable), Switzerland or, in either case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment is expected to become effective on or after the Issue Date of the Bonds; and

(ii) such negative tax consequence cannot be avoided by the Issuer or (where applicable) the Guarantor taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or (where applicable) the Guarantor would become subject to such negative tax consequence (were a payment in respect of the Bonds then due).

Each Bond redeemed pursuant to this Condition 10.2 will be redeemed at the Nominal Face Value referred to in Condition 13 below together (if appropriate) with interest accrued but unpaid to (but excluding) the date of redemption.

10.3 Repurchase

Following the offering of the Bonds the Issuer may at any time purchase Bonds at any price in the open market or otherwise. Bonds purchased by the Issuer may, at the option of the Issuer, be held, resold or cancelled.

In the event of a partial repurchase of the Bonds prior to their maturity, the Issuer shall repurchase Bonds from the National Bank of Hungary (as Bondholder) pro rata to the Bonds owned by the National Bank of Hungary in the series at the time of the repurchase. The price to be paid for such repurchase shall, in all cases, be agreed between the Issuer and the relevant Bondholders.

11. PAYMENTS

11.1 Method of payment

Payments in respect of the Bonds to the Bondholders shall be made through the Paying Agent as set out in the Paying Agency Agreement and in accordance with the rules and regulations of KELER as effective from time to time, and taking into consideration the relevant laws on taxation, to those securities account managers to whose securities account at KELER such Bonds are credited at close of business on the Reference Date (as defined below) for that payment, as designated in the regulations of KELER effective from time to time. Pursuant to the currently effective rules and regulations of KELER, the Reference Date is the day falling two (2) Business Days immediately prior to the relevant payment date (the **Reference Date**). Payments shall be due to that Bondholder who is deemed to be the Bondholder on the Reference Date.

11.2 Non-Business Day

If the date for payment of any amount in respect of any Bond does not fall on a Business Day, the Bondholder thereof shall not be entitled to payment until the next following Business Day and shall not be entitled to further interest, default interest or other payment in respect of such delay.

11.3 General provisions relating to payments

Only Bondholders are entitled to receive payments under the Bonds and the Issuer shall be deemed to have fulfilled its respective payment obligation by effecting payment to the respective Bondholder pursuant to Condition 11.1.

11.4 Undertakings securing the repayment of principal and interest under the Bonds

Other than the undertakings of the Issuer set out in Condition 5, 9.1 and 10.1, there are no undertakings securing the repayment of principal and interest under the Bonds.

12. PRESCRIPTION

Claims against the Issuer for payment under the Bonds may not be prescribed unless otherwise permitted by Hungarian law.

13. EVENTS OF DEFAULT

Should

(a) the Issuer fail to comply with any of its due and payable principal or interest payment obligations in respect of the Bonds following the expiry of 30 (thirty) days grace period; or

(b) the Guarantor default in the due performance or observance of any obligation, condition or other provision under or in relation to the Guarantee of the Bonds if such default shall not

have been cured within 60 days after written notice thereof having been given to the Guarantor by the holders of 25 per cent. or more in principal amount of the Bonds then outstanding; or

(c) the Issuer default in the due performance or observance of any obligation, condition or other provision under Condition 7 or Condition 8, if such default shall not have been cured within 60 days after written notice thereof having been given to the Issuer by the holders of 25 per cent. or more in principal amount of the Bonds then outstanding; or

(d) a competent court orders, by way of a final and binding decision, the commencement of bankrupcy or liquidation proceedings against the Issuer; or

(e) the Guarantor applies for or is subject to an amicable settlement with its creditors (*accord amiable*), or admits in writing that it is insolvent, or seeks or resolves to seek its judicial reorganisation (*concordat*), or the transfer of the whole of its business (*cession totale de l'entreprise*) or any such proceedings are instituted against it and remain undismissed for a period of 60 days or are uncontested, or it otherwise institutes or resolves to institute other proceedings for bankruptcy (*faillite*), judicial reorganisation, winding up, dissolution, liquidation, restructuring (*assainissement*), stay of bankruptcy proceedings (*ajournement de la faillite*) or any similar proceedings (or any such proceedings are instituted against it and remain undismissed for a period of 60 days or are uncontested), or makes conveyance or assignment for the benefit of, or enters into a composition with substantially all its creditors generally; or

(f) the Guarantor is wound up, dissolved or otherwise ceases to carry on its business, except in connection with a merger or other reorganisation pursuant to which the surviving company expressly assumes all the obligations of the Guarantor under the Guarantee; or

(g) the Guarantee ceases to be the legal, valid and binding obligation of the Guarantor, enforceable in accordance with its terms, or the Guarantor contests or denies the validity of the Guarantee,

then

(i) the Issuer will notify the Bondholders in accordance with Condition 14; and

(ii) any Bondholder may– by way of delivering a written notice to the registered seat of the Issuer in accordance with Condition 14. (which notice shall become effective on the date of its receipt by the Issuer) – declare the payment obligations with respect to the Bonds held by such Bondholder to become due and payable on such date unless prior to such date all such defaults in respect of the relevant Bond shall have been cured. For the avoidance of any doubt paragraph (i) above is not a precondition for such declaration.

In the above event the Issuer shall immediately, but no later than within 30 (thirty) Business Days, pay to the Bondholder the Nominal Face Value together with any interest accrued but unpaid until the date of payment in respect of all Bonds in relation to which the Bondholder has duly evidenced her/his/its identity and ownership title to the Issuer.

14. NOTICES

All notices relating to the Bonds:

(i) shall be published on the website of the Issuer, in the official information storage system operated by the National Bank of Hungary (www.kozzetetelek.hu) and on the Budapest Stock Exchange's website (http://www.bet.hu); and

(ii) shall be deemed to be validly given to the Bondholders on the date of their first publication on the website of the Issuer.

Notices or declarations from the Bondholders shall be sent to the Issuer in written form at the Issuer's registered seat and shall be accompanied with a document issued by KELER or the relevant securities account manager, as applicable, which document certifies at least the title of the Bondholder to the Bonds.

Should, at any time during the term of the Bonds, any event occur at the Issuer which would prevent or may hinder the Issuer to fulfil its payment or other obligations under the Bonds within the applicable deadline, then the Issuer will, as soon as possible but in any event within three Business Days of becoming aware of any such event, directly and simultaneously notify the Bondholders in writing of any such delay (including the reasons for such delay and any measures taken or intended to be taken in order to avoid or to remedy the occurrence of the respective event, as well as the expected time to remedy such event).

15. TAXATION

All payments of principal and interest in respect of the Bonds by the Issuer or the Guarantor (if the Guarantor is obliged to make payments under the Guarantee) will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Hungary or any province, territory or other political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, neither the Issuer, nor the Guarantor or Raiffeisen Bank Zrt. as Paying Agent, arranger or Market Maker will pay such additional amounts as may be necessary in order that the net amounts received by the Bondholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds in the absence of the withholding or deduction. Neither the Issuer, nor the Guarantor or Raiffeisen Bank Zrt. as Paying Agent, arranger or Market Maker or any other future Paying Agent shall be held liable to the Bondholders for the recovery of any fees, expenses or losses in connection with the payment of any principal, interest or other amounts under the Bonds.

16. APPLICABLE LAW, DISPUTE RESOLUTION, LANGUAGE AND AMENDMENTS

16.1 Applicable law

The Bonds are governed by, and shall be construed in accordance with, Hungarian law. The Guarantee is governed by, and shall be construed in accordance with, Swiss law.

16.2 Dispute resolution

Any disputes arising from or in connection with the Bonds shall be submitted to the exclusive jurisdiction of the Permanent Arbitration Court attached to the Hungarian Chamber of Commerce and Industry (Commercial Arbitration Court Budapest). The Arbitration Court proceeds in accordance with its own Rules of Proceedings (supplemented with the provisions of the Sub-Rules of Expedited Proceedings). The number of arbitrators shall be three and the language to be used in the arbitral proceedings shall be English. The parties exclude the possibility of the retrial of the proceedings as regulated in Section IX of Act LX of 2017 on Arbitration.

Any disputes arising from or in connection with the Guarnatee shall be submitted to the exclusive jurisdiction of the Swiss courts. The place of jurisdiction for any suit, action or proceeding arising out of or in connection with the Guarantee shall be Vevey, Switzerland.

16.3 Language

These Conditions are prepared in the English language and shall be binding on the Issuer and the Bondholders. The English language version of these Conditions shall prevail over any translation thereof.

16.4 Amendments

These Conditions may only be amended by the resolutions of the Bondholders' Meeting convened and conducted pursuant to the rules specified under Annex 1 of the Information Document. Annex 1 forms part of these Conditions.

IV. FORM OF THE GUARANTEE

THIS GUARANTEE is entered into on 20 May 2021 (this "**Guarantee**") by Nestlé S.A. (the "**Guarantor**") for the benefit of the holders from time to time of the Bonds (as defined below). Each holder of a Bond is a Bondholder as defined in Condition 4.1 of the Conditions referred to below.

WHEREAS

(A) Nestlé Hungária Kft. (the "**Issuer**") has agreed to issue bonds titled „NESTLÉ 2028 HUF Kötvény" (ISIN code: HU0000360458; each a **Bond**, together the **Bonds**). The Bonds will be issued in May/June 2021 in one series consisting of up to 2300 Bonds, each Bond denominated in HUF with the nominal value of HUF 50,000,000 and the aggregate principal amount of up to HUF 115,000,000,000. The term of the Bonds will be seven years, bearing interest at the fixed rate of 1.75 per cent. per annum and commencing on the date of the issuance of the Bonds.

(B) The Bonds will be issued in accordance with (a) Article 12/B of Act CXX of 2001 on the Capital Markets of Hungary, (b) 285/2001 (XII.26.) Government Decree on bonds of Hungary, (c) Act V of 2013 on the Civil Code of Hungary and (d) the Product Rules of the Bond Funding for Growth Scheme established by the National Bank of Hungary as currently in effect, and more particularly described in the Information Document dated 20 May 2021 and particularly the Terms and Conditions (the "**Conditions**") contained therein in relation thereto.

(C) The Issuer and Raiffeisen Bank Hungary Zrt. have agreed to enter into a Paying Agency Agreement dated in May 2021 (the "**Paying Agency Agreement**") relating to the Bonds in accordance with Condition 6 of the Conditions.

(D) Nestlé S.A. as Guarantor has agreed to guarantee the payment of all sums expressed to be due and payable from time to time by the Issuer to the Bondholders up to the Maximum Guarantee Amount mentioned hereafter and in accordance with the following terms:

The Guarantor as joint and several surety (*caution solidaire*) according to Article 496 of the Swiss Code of Obligations hereby irrevocably guarantees to each Bondholder the due and punctual payment, in accordance with the Conditions, of the principal, interest (if any) and any other amounts due and payable by the Issuer to such Bondholder under the Bonds up to a

maximum amount of HUF 121,037,500,000
(in words: one hundred twenty-one billion thirty-seven million five hundred thousand Hungarian Forint)
(the "Maximum Guarantee Amount")

upon the following terms:

(1) In the event of any failure by the Issuer punctually to pay any such principal, interest (if any) or other amount as and when the same becomes due in accordance with the Conditions, and, except in the event that the Issuer's insolvency is evident, provided that the relevant Bondholder shall have made a request to the Issuer for payment of such amount, the Guarantor as joint and several surety will on demand pay to the relevant Bondholder any such principal, interest (if any) or other amount.

(2) The Guarantor confirms, with respect to each Bond, that it does not have and will not assert as a defence to any claim under this Guarantee (i) any right to require any proceedings to be brought first against the Issuer or any paying agent, or (ii) any right to require filing of claims with any court, or (iii) any suspension or cancellation of the Issuer's obligation to make payments under the Bonds for the reasons described in Article 501 paragraph 4 of the Swiss Code of Obligations, and covenants that this Guarantee will not be discharged except by complete performance of the obligations contained in each Bond or otherwise in accordance with Clause (6) hereof.

(3) This Guarantee extends, subject to the Maximum Guarantee Amount, to all principal, interest (if any) and other amounts due and payable by the Issuer to the Bondholder under the Bonds, and Article 499 paragraph 2 of the Swiss Code of Obligations is not applicable to this Guarantee.

(4) Amounts payable under this Guarantee (including interest (if any), and any other amount due and payable by the Issuer) may not exceed the Maximum Guarantee Amount in the aggregate.

(5) This Guarantee constitutes a direct, unsecured (subject to the provisions of Condition 8 of the Conditions) and unsubordinated obligation of the Guarantor and will rank *pari passu* with all other present and future unsecured and unsubordinated obligations outstanding of the Guarantor (other than obligations mandatorily preferred by law applying to companies generally).

(6) This Guarantee will continue in full force and effect until the earlier of (i) the date on which all sums payable in respect of the Bonds shall have been paid in full, and (ii) the date which is 365 days after 15 June 2028, at which date it will expire automatically without further notice, except, to the extent applicable, as described in Article 510 paragraph 3 of the Swiss Code of Obligations.

(7) The Guarantor agrees that it shall comply with and be bound by those provisions contained in Condition 5, Condition 8(b) and Condition 15 of the Conditions insofar as the same relate to the Guarantor.

(8) This Guarantee is governed by, and shall be construed in accordance with, the substantive laws of Switzerland.

(9) The courts of the Canton of Vaud, Switzerland, (venue being the City of Vevey) shall have exclusive jurisdiction to settle any and all disputes arising out of or in connection with this Guarantee.

Dated 20 May 2021

NESTLÉ S.A.

_____	_____
Lee Edwards	Claudio Menghi

V. DOCUMENTS ON DISPLAY

The Issuer's annual reports and interim financial statements are published on the Issuer's website (https://www.nestle.hu/) and, following the registration of the Bonds on the XBond MTF, on the information storage system operated by the National Bank of Hungary (www.kozzetetelek.mnb.hu) and the website of the Budapest Stock Exchange (www.bet.hu).

The Issuer shall make its most recent articles of association available for inspection upon a prior written notice sent to the Issuer in accordance with Condition 14. The inspection shall be carried out at a mutually acceptable time agreed over the telephone (the Issuer's phone number is provided under 1.1.5 of Section VI) during the Issuer's regular business hours on any Business Day at the Issuer's registered seat.

The Guarantor's most recent constitutional documents are available for inspection at https://www.nestle.com/investors/bonds/investorbonds/debt-issuance-program-documents and the Guarantor's annual reports and interim financial statements are published on the Guarantor's website (https://www.nestle.com/). The above documents are not incorporated by reference into this Information Document.

VI. DESCRIPTION OF THE ISSUER

1. General description of the Issuer

1.1 Company information in relation to the Issuer

1.1.1 Issuer's company name

The Issuer's company name is: Nestlé Hungária Korlátolt Felelősségű Társaság

The Issuer's abbreviated company name is: Nestlé Hungária Kft.

1.1.2 Place of the Issuer's company registration and the Issuer's company registration number

The Issuer is registered in the companies' registry kept by the Court of Registration of Metropolitan Court of Budapest under number: 01-09-267926.

1.1.3 Date of the Issuer's registration

The Issuer was registered by the Court of Registration of the Metropolitan Court of Budapest on 17 June 1991.

1.1.4 Duration of the Issuer's activities

The Issuer was established for an indefinite period.

1.1.5 Address and telephone number of the Issuer's registered seat:

Issuer's registered seat: 1095 Budapest, Lechner Ödön fasor 7. Hungary

Issuer's telephone number: +36 1 224 1200

1.1.6 Legal form of the Issuer

The legal form of the Issuer is a limited liability company (*korlátolt felelősségű társaság*). The Issuer is neither directly nor indirectly under the dominant influence of the public sector and does not qualify as a public undertaking in accordance with Article 8(1) of the Council Regulation (EC) No 3603/93.

1.1.7 Law applicable to the Issuer's operations

The law applicable to the Issuer's operations is Hungarian law.

1.1.8 Issuer's country of incorporation

The Issuer is a limited liability company incorporated in Hungary.

1.1.9 Issuer's ownership structure

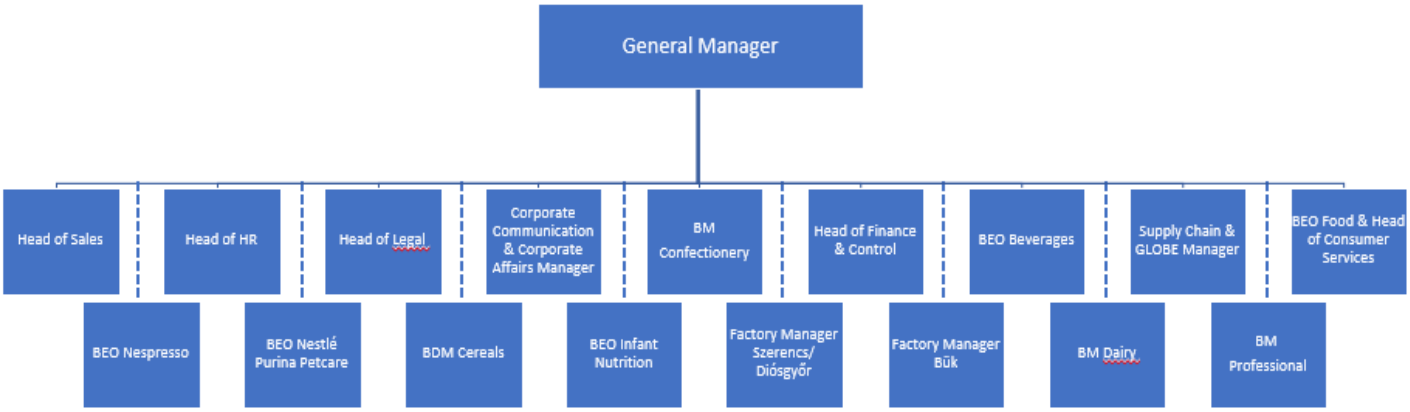
The Issuer is wholly owned by Société des Produits Nestlé S.A. (registered address: CH-1800 Vevey, Nestlé Avenue 55.; company registration number: CHE-109.815.753). Société des Produits Nestlé S.A. is a technical, scientific, commercial and business assistance company within the Nestlé Group and it is a subdidary of the Guarantor.

1.2 Company structure, organisational structure

1.2.1 Brief overview of the company group and the material subsidiaries

The Issuer is a member of the Nestlé Group in Hungary and is indirectly owned by Nestlé S.A. The Issuer does not have any subsidiary.

1.2.2 Organisational chart in relation to the Issuer



1.2.3 The Issuer's auditor

The Issuer's registered auditor from 1 July 2020 is Ernst & Young Könyvvizsgáló Korlátolt Felelősségű Társaság (registered seat: 1132 Budapest, Váci út 20., company registration number: 01-09-267553).

The individual responsible for auditing the Issuer is: Ms. Zsuzsanna Éva Bartha.

Neither the auditor company nor the individual responsible for auditing the Issuer has any material interest in the Issuer.

1.3 Number of employees at the end of the financial period presented in the Information Document

On 31 December 2020 the average number of employees (in Hungarian: *átlagos állományi létszám*) at the Issuer were 2148.

2. Overview of the Issuer's business

2.1 The Issuer's operation

The Issuer has been present in Hungary for 30 years, currently being the largest Swiss investment and employer. This comes with immense responsibility, which is also a result of the fact that Nestlé brands can be found in nine out of ten Hungarian households. The strategic foundation of the Issuer's operation is the Creating Shared Value approach. As one of the largest global food and beverages companies, the Issuer's operation based on excellent quality, safety and the latest nutrition science research which relies on the Issuer's efforts to provide answers to current social challenges and to

the continuously changing demands of the Issuer's current and future consumers, partners, employees, suppliers and the environment.

2.2 Overview of the main activities and products and/or services of the Issuer

The Issuer is present on the Hungarian market with confectionery products, instant beverages, breakfast cereals, pet food, infant formulas, baby food, culinary products for home cooking, products for professional kitchens, coffee products and clinical nutritional products.

2.3 Description of the most important markets of the Issuer, including its aggregate turnover broken down to the Issuer's respective businesses and also in a geographical breakdown; the Issuer's competitive position

As the Issuer forms part of the Group, the information under point 2.3 of Section VII. (*Description of the Guarantor*) of this Information Document also applies to it.

2.4 Description of the Issuer's strategic partners and the cooperation with such partners

The coordination of co-operations with strategic partners is managed by the Guarantor, as the parent company of the Issuer.

2.5 Brief summary of the Issuer's business strategy

The Issuer prepared its local strategy based on the corporate strategy of the Group described under point 2.5 of Section VII. (*Description of the Guarantor*)

3. Information on the Issuer's financial situation – management discussion and analysis on the Issuer's financial situation and the results of the Issuer's operation in the last year

3.1 Description of the material factors which have an effect on the business results

The business development of the Issuer is essentially subject to the same risks and opportunities as that of the Nestlé Group.

3.2 Revenues (in Hungarian: *árbevétel*)

The revenues of the Issuer in the year ending on 31 December 2020 was HUF 164,186,243,000.

3.3 Operational expenses (in Hungarian: *működési ráfordítások*)

The operational expenses of the Issuer in the year ending on 31 December 2020 was HUF 161,522,475,000.

3.4 Results of operations (in Hungarian: *üzleti tevékenység eredménye*)

In the year ending on 31 December 2020, the Issuer's result of operations (EBIT) was HUF 3,815,284,000.

3.5 Result of financial transactions (in Hungarian: *pénzügyi műveletek eredménye*)

The result of financial transactions of the Issuer in the year ending on 31 December 2020 was HUF -1,607,946,000.

3.6 Profit after tax (in Hungarian: *adózott eredmény*)

The profit after tax of the Issuer in the year ending on 31 December 2020 was HUF 1,811,654,000.

3.7 Fixed assets (in Hungarian: *befektetett eszközök*)

The value of the fixed assets of the Issuer on 31 December 2020 was HUF 59,167,026,000.

3.8 Current assets (in Hungarian: *forgóeszközök*)

The value of the current assets of the Issuer on 31 December 2020 was HUF 34,698,103,000.

3.9 Total liabilites (in Hungarian: *források*)

The value of the total liabilities of the Issuer on 31 December 2020 was HUF 78,812,012,000.

3.10 Cash Flows

We refer to Appendix 2 of the Notes to the Issuer's 2020 Annual Report under Annex 3 of this Information Document.

3.11 Information on the Issuer's current, pending and future investments

As a result of the capacity expansions carried out in several stages between 2010 and 2019, the Issuer has created more than 500 new jobs in Bük, with a total investment of HUF 43 billion. The Bük factory has become one of the largest and most significant pet food factories in Europe. It is now home to a significant number of automated production lines, with nearly 50 robots at its service. Meanwhile, 85 percent of the factory's production is exported. Nestlé Purina has delivered more than HUF 400 billion worth of pet food from Bük to the markets of more than 50 countries around the world in the last 10 years.

In October 2020, the Issuer announced a new HUF 50 billion development in Bük which is the largest investment in the Issuer's history in Hungary and will increase the production capacity of the plant by 30 percent, creating 160 new jobs. Following the expansion, the capacity of the Bük plant could exceed 5 million products per day, meaning that more than 70 trucks of pet food will be able to reach almost every country in Europe, North Africa, the Middle and Far East, Australia and New Zealand every day.

3.12 Overview of the short term and long term funding sources (equity, amount and term and type of the loans and credit facilities and EU and state subsidies)

The Issuer's equity:

The value of equity of the Issuer on 31 December 2020 was HUF 7,750,336,000.

The Issuer's loans (amount, type, maturity):

Long term financial obligations:
HUF 33,000,000,000

Short term financial obligations:
HUF 45,812,012,000

EU and state subsidies received by the Issuer:

The Issuer has received COVID-19 related subsidy of HUF 215,241,176 in 2020.

4. Owners, officers and employees of the Issuer

4.1 Names, positions and a brief introduction of the members of the management and supervisory bodies of the Issuer (management, board of directors, supervisory board, audit committee and any other committee, as applicable) and the key officers/employees of the Issuer.

Managing Directors

As at the date of this Information Document, the Managing Director of the Issuer is Péter Noszek.

Mr. Noszek joined Nestlé in 1991 as a trainee at the company's Swiss headquarters and later he worked in the United Kingdom. His first Hungarian assignment started in 1992: first as Controller of the Szerencs and Diósgyőr factories, then in 1996 as Corporate Controller of the entire organization of Nestlé in Hungary. In 1997, he was appointed as the Finance and Control Director of Nestlé's subsidiary in New Zealand and continued to work there and for 2 years in Australia until he returned to Hungary in 2002. In 2005, he was promoted to be the CFO of Nestlé in the Philippines, then in 2011 he moved to Switzerland and worked there as the Finance and Control Director of Nestlé Purina Petcare Europe. In 2014, he was appointed as CFO of Nestlé's Zone Europe and in the same year to the extended Zone Europe, Middle East and North Africa, responsible for the strategy of the region until 2020. Mr. Noszek is the Managing Director of the Issuer since January 2018.

The Supervisory Board

As at the date of this Information Document, members of the Supervisory Board are:

(i) Trevor Douglas Brown

Trevor Douglas Brown is a solicitor (England and Wales) in the Nestlé Legal and Compliance Function at the Group's headquarters in Switzerland. He has an extensive background in company and commercial law and M&A. He spent several years practising in the City of London and then in Central and Eastern Europe (CEE) focusing on privatization and strategic investment. Mr Brown joined Nestlé in 1995 as regional counsel for CEE whilst gradually assuming more responsibility for legal M&A at Group level. In 2003 he was appointed as General Counsel for Zone Europe and then General Counsel and Zone Compliance Office for Zone EMENA on its creation in 2015.

(ii) Anikó Lengyelné Simon

current position: Industrial Performance Specialist,

entry date: 1991.09.02

(iii) Harold Vincent Christophe Humbert

Harold Vincent Christophe Humbert is Vice President and Head of F&C and IS/IT of Nestlé Zone Europe, Middle East & North Africa since January 2018. He joined Nestlé in 1995 through the water business and subsequently held various management positions internationally, building a solid finance expertise as well as a strong ability to adapt in a VUCA environment. In his current role he is overlooking one of the 3 Nestlé Zone comprising of 8 different lines of products across 52 countries. Former board member of Ecopar in France (Recycling), Chairman of the Board of Gerber Life Insurance in the US and board member in Glycom Denmark A/S (BioTech company). He is currently Chairman of the board of Nestlé España S.A. He has a Bachelor Degree in Finance and a Master in Sales & Marketing.

(iv) Jan Peter Mikael Svensson

Jan Peter Mikael Svensson, Senior Vice President, Head of Markets and Customers in Nestlé

Zone EMENA (Middle East & North Africa) and member of the Zone Executive Board has over 30 years of experience with Nestlé. He joined the Group in 1988 and held several positions in the marketing area in Sweden, then in Hungary as Marketing Manager for Culinary. In 1998, he was appointed Deputy General Manager, then promoted General Manager for Zoegas Coffee in Sweden, taking at the same time responsibility for the Beverage and Vending businesses for the whole region. In 2002, Peter was transferred to Vevey as Zone Europe Marketing and Business Optimization Manager for Beverages, until his transfer in 2004 in the Czech Republic to the Market Head position. In 2008, he moved again to the Centre to take over the role of Zone Europe Operations Manager and in 2012 he became Market Head for the Nordic Region. He was then appointed Head of Global Branded Beverages at Nestlé Professional before taking his current role in 2018 as Head of Markets and Customers in Z-EMENA.

(v) Michiel Bernard Gerard Kernkamp

Michiel Bernard Gerard Kernkamp is the CEO of Nestlé Central and Eastern Europe (covering the Baltics, Poland, Hungary, Czech Republic, Slovak Republic, Hungary) since 1 October 2020 and he is currently based in Prague, Czech Republic. He joined Nestlé Malaysia in sales in 1995. Then from 1998 he was the Assistant Zone Operations Manager for Nestlé Zone AOA in Vevey, Switzerland. In 2001, he became the Business Executive Officer Coffee for Nestlé Malaysia, Singapore & Brunei, and from 2005, he was the Business Executive Officer for Nestlé Japan. In 2009, he became the Global Head of Beverages for Nestlé Professional in Orbe, Switzerland, then in 2016 he was appointed as CEO for Nestlé NORDICS (covering Denmark, Sweden, Norway, Finland, Iceland). He was studying business in Lausanne, Paris, Oxford, Berlin, and Breukelen (the Netherlands). He speaks Dutch, English, French and German.

(vi) András Horváth

current position: Springer,

entry date: 2001.09.03.

Description of any proceedings initiated against such members in the last three years in connection with their professional activities (including the results of such proceedings)

Not applicable. To the best of the Issuer's knowledge, there are no such proceedings.

4.2 Main members/quotaholders of the Issuer

The sole member of the Issuer is Société des Produits Nestlé S.A. (registered address: CH-1800 Vevey, Nestlé Avenue 55.; company registration number: CHE-109.815.753).

5. Financial information

5.1 The audited annual report of the Issuer for the most recent financial year (together with any business reports and other annexes) and the auditor's reports thereon

We refer to Annex 3 of this Information Document.

5.2 Quarterly or semi-annual financial information published since the date of the most recent audited annual report of the Issuer

Not applicable.

5.3 Recent events affecting the Issuer

There has been no recent events affecting the Issuer or the Issuer's ability to meet its obligation to the Bondholders in respect of the Bonds.

6. Pending court proceedings, arbitration proceedings or other administrative (e.g. tax) proceedings in a value exceeding 10 per cent. of the Issuer's equity

There are no pending court proceedings, arbitration proceedings or other administrative (e.g. tax) proceedings commenced against the Issuer in a value exceeding 10 per cent. of the Issuer's equity.

7. Material contracts

There are no material contracts that have been entered into in the ordinary course of the Issuer's business, which could result in the Issuer being under any obligation or entitlement that is material for the purposes of the assessment of the Issuer or the Bonds.

VII. DESCRIPTION OF THE GUARANTOR

1. General description of the Guarantor

1.1 Company information in relation to the Guarantor

1.1.1 Issuer's company name

The Guarantor's company name is: Nestlé Société Anonyme

The Guarantor's abbreviated company name is: Nestlé S.A.

1.1.2 Place of the Guarantor's company registration and the Guarantor's company registration number

The Guarantor is registered at the Commercial Registry of the Canton of Vaud under number: CHE-105.909.036.

1.1.3 Date of the Guarantor's registration

The Guarantor was founded in 1866 as "Anglo-Swiss Condensed Milk Company". Following the merger in 1905 with "Farine lactée Henri Nestlé" (founded in Vevey in 1867), the Guarantor was renamed "Nestlé and Anglo-Swiss Condensed Milk Company" and in 1977 adopted the present name, Nestlé S.A.

1.1.4 Duration of the Guarantor's activities

The Guarantor was established for an indefinite period.

1.1.5 Address and telephone number of the Guarantor's registered seat:

The Guarantor's executive offices are at Avenue Nestlé 55, 1800 Vevey, Canton of Vaud, Switzerland and Zugerstrasse 8, 6330 Cham, Canton of Zug, Switzerland. The telephone number of Nestlé S.A.'s office in Vevey, Switzerland is +41 (0)21 924 21 11.

1.1.6 Legal form of the Guarantor

The Guarantor is a public limited company (*société anonyme*) organized under the Swiss Code of Obligations.

1.1.7 Law applicable to the Guarantor's operations

The law applicable to the Guarantor's operations is Swiss law.

1.1.8 Guarantor's country of incorporation

The Guarantor is incorporated in Switzerland.

1.1.9 Guarantor's ownership structure

The Guarantor is a publicly traded company and its shares are listed on the SIX Swiss Exchange. Pursuant to the Guarantor's articles of association, no person or entity may be registered (directly or indirectly through nominees) with voting rights for more than 5 per cent. of the Guarantor's share capital as recorded in the commercial register. At the general meetings of the Guarantor no person may exercise directly or indirectly voting rights, with respect to own shares or shares represented by proxy, in excess of 5 per cent. of the Guarantor's share capital as recorded in the commercial register.

Any shareholder holding shares in the Guarantor of 3 per cent. or more of the Guarantor's share capital is required to disclose its/his/her shareholding pursuant to the Swiss Financial Market Infrastructure Act.

BlackRock, Inc., New York, announced most recently on October 22, 2020, that it holds, directly or indirectly, 4.97% of the Guarantor's share capital, and The Capital Group Companies, Inc., Los Angeles, announced on October 30, 2017, that it holds, directly or indirectly, 3.55% of the Guarantor's share capital. Apart from the foregoing, the Guarantor is not aware of any other shareholder holding, as at December 31, 2020, the Guarantor's shares in excess of 3% of the share capital. The Guarantor is not aware of cross-shareholdings exceeding 5% of the capital or voting rights on both sides.

During 2020, the Company published on the electronic publication platform of the SIX Swiss Exchange 28 disclosure notifications pertaining to the holding of the Guarantor's shares by BlackRock, Inc., New York (the latest one relating to the announcement mentioned above) and one disclosure notification concerning the holding of its own shares. The details of these disclosure notifications can be accessed on the publication platform of the SIX Swiss Exchange following this link: https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/

The Guarantor is not aware of any arrangement the effect of which would result in a change of control of the Guarantor.

1.2 Company structure, organisational structure

1.2.1 Brief overview of the company group and the material subsidiaries

Nestlé S.A. is the ultimate parent company of the Nestlé Group and therefore dependent on the performance of its direct and indirect subsidiaries.

1.2.2 Organisation of the Guarantor

The Group which includes the Guarantor and its consolidated subsidiaries, is one of the globally leading food companies. The Group's product portfolio includes baby food, medical food, bottled water, breakfast cereals, coffee and tea, confectionery, dairy products, ice cream, frozen food, pet foods, and snacks.

The Guarantor has a Board of Directors, led by the Chairman Paul Bulcke, who was the former CEO of the Guarantor.

The day-to-day management of the Guarantor's business is taken care of by the Executive Board. The designated Board Members manage diverse parts of the global business.

The Nestlé Group is managed by geographies - Zones EMENA (Europe, Middle East and North Africa), Americas and Asia/Oceania/sub-Saharan Africa - for most of the food and beverage business, with the exceptions of the globally managed businesses, which include Nespresso and Nestlé Health Science. The Group also has joint ventures such as Cereal Partners Worldwide and Froneri.

1.2.3 The Guarantor's auditor

The Guarantor's registered auditor during the period covered by the Information Document is:

Ernst & Young Ltd., Avenue de la Gare 39a, 1002 Lausanne, Switzerland.

Individual responsible for auditing the Guarantor is: Ms. Jeanne Boillet.

Neither the auditor company nor the individual responsible for auditing the Guarantor has any material interest in the Guarantor.

1.3 Number of employees at the end of the financial period presented in the Information Document

On 31 December 2020, the Group employed a total workforce of around 273,000 people worldwide.

2. Overview of the Guarantor's business

2.1 The Guarantor's operation

Pursuant to Article 2 of the Guarantor's articles of association the purpose of the Guarantor is to participate in industrial, service, commercial and financial enterprises in Switzerland and abroad, in particular in the food, nutrition, health, wellness and related industries. The Guarantor may itself establish such undertakings or participate in, finance and promote the development of undertakings already in existence. The Guarantor may enter into any transaction which its business purpose may entail. Nestlé shall, in pursuing its business purpose, aim for long-term, sustainable value creation.

2.2 Overview of the main activities and products and/or services of the Guarantor

The Nestlé Group manufactures and sells food and beverages, as well as products related to the nutrition, health and wellness industries. The Nestlé Group product portfolio has seven product categories, distributed throughout the world: powdered and liquid beverages, nutrition and health science, milk products, prepared dishes and cooking aids, petcare, confectionery and water.

2.3 Description of the most important markets of the Guarantor, including its aggregate turnover broken down to the Guarantor's respective businesses and also in a geographical breakdown; the Guarantor's competitive position

The Guarantor is the world's largest, most diversified food and beverages company having a unique global footprint and selling its products in 186 countries worldwide.

Sales by geographic areas	Differences 2020/2019 (in %)		
	in CHF	in local currency	in CHF millions
By principal markets			2020
United States	−9.8%	−4.4%	26 014
Greater China Region	−13.4%	−8.5%	5 986
France	−10.8%	−7.3%	3 946
United Kingdom	−1.2%	+4.3%	2 883
Brazil	−23.5%	+5.7%	2 790
Philippines	+4.8%	+6.2%	2 769
Mexico	−12.6%	+2.6%	2 564
Germany	−7.1%	−3.4%	2 445
Canada	−2.8%	+4.3%	2 122
Japan	−11.5%	−8.0%	1 607
India	−3.7%	+7.2%	1 605
Russia	−8.7%	+8.6%	1 555
Italy	−9.9%	−6.4%	1 508
Spain	−6.8%	−3.2%	1 409
Australia	−5.0%	+1.8%	1 394
Switzerland	−2.6%	−2.6%	1 134
Rest of the world	−7.5%	(a)	22 612
Total	**−8.9%**	**(a)**	**84 343**

(a) Not applicable.

2.4 Description of the Guarantor's strategic partners and the cooperation with such partners

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 225 million (2019: CHF 134 million) of royalties for the use of its brands, trademarks and other intellectual property.

2.5 Brief summary of the Nestlé Group's business strategy

The Nestlé Group manufactures and sells food and beverages, as well as products related to the nutrition, health and wellness industries. The Nestlé Group product portfolio has seven product categories, distributed throughout the world: powdered and liquid beverages, nutrition and health science, milk products, prepared dishes and cooking aids, petcare, confectionery and water.

The Guarantor is extensively engaged in research and development activities in most sectors of modern nutrition. The Group's objective, through the efforts of its around 273,000 employees, working with partners of the Nestlé Group, is enhancing quality of life and contributing to a healthier future.

The Guarantor's aim is to offer a portfolio of products and services that evolve with consumer demands. The Guarantor strives to create products that are right for consumers and that contribute to public health and a sound environment.

3. Information on the Guarantor's financial situation – management discussion and analysis on the Guarantor's financial situation and the results of the Guarantor's operation in the last year

Except as otherwise indicated, the selected financial data presented below as of and for the year ended December 31, 2020 has been derived from the Nestlé Group's audited consolidated financial statements as of and for the year ended December 31, 2020 which comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with Swiss law.

The Consolidated Financial Statements 2020 were approved for issue by the Board of Directors on 17 February 2021, and have been approved by the Annual General Meeting on 15 April 2021.

3.1 Description of the material factors which have an effect on the business results

COVID-19
2020 was a challenging year. COVID-19 severely impacted every aspect of everyone's lives and created much uncertainty. The Nestlé Group responded immediately and with clear priorities by putting measures in place to keep their employees safe; by ensuring supply of essential food and beverages to consumers; by caring for their communities and providing financial and in-kind support to their business partners.

While the COVID-19 crisis has caused volatility, the Group made further progress on the value creation model based on a balanced pursuit of top-line and bottom-line growth with capital efficiency. Highlights include:
– Organic growth reached 3.6%, with real internal growth of 3.2% and pricing of 0.4%. Growth was supported by strong momentum in the Americas, Purina PetCare and Nestlé Health Science.
– Foreign exchange reduced sales by 7.9% due to the continued appreciation of the Swiss franc against most currencies. Divestures had a negative impact of 4.6%. As a result, total reported sales decreased by 8.9% to CHF 84.3 billion (2019: CHF 92.6 billion).
– Underlying trading operating profit (UTOP) margin reached 17.7%, up 10 basis points on a reported basis and up 20 basis points in constant currency. The trading operating profit (TOP) margin increased by 210 basis points to 16.9% on a reported basis.
– Underlying earnings per share increased by 3.5% in constant currency and decreased by 4.5% on a reported basis to CHF 4.21. Earnings per share stayed unchanged at CHF 4.30 on a reported basis.
– Free cash flow reached CHF 10.2 billion, accounting for 12.1% of sales.

Sharpening the strategic focus
The Group continued to make significant progress in its portfolio transformation toward attractive, high-growth businesses in 2020 by taking the decision to sharpen the water focus on iconic international, premium mineral and functional brands, while exploring strategic options for parts of the Waters business in North America. The Group also sold the Yinlu peanut milk and canned rice porridge businesses in China to Food Wise Co., Ltd.

The Group completed the divestment of the U.S. ice cream business to Froneri and the sale of 60% of its stake in Herta to create a joint venture with Casa Tarradellas. The Group continued to build Nestlé Health Science into a nutritional powerhouse through a combination of strong organic growth and targeted acquisitions. Examples include Zenpep, Vital Proteins, IM HealthScience and Aimmune Therapeutics. With Aimmune's PALFORZIA, the Group acquired the first and only FDA and European Commission-approved treatment for peanut allergy. The Group also expanded its presence in direct-to-consumer meal delivery services through the acquisition of Freshly in the United States and a majority stake in Mindful Chef in the United Kingdom.

Investing for the long term
The Group continues to invest in research and development (R&D) and in its brands, and made further investments behind key growth platforms. Purina PetCare unveiled plans to extend its production network in the Americas, Europe, China and Australia. Nespresso announced a CHF 160

million investment in the expansion of its production center in Romont, Switzerland, to meet growing consumer demand worldwide. To accelerate the development of nutritious and environmentally friendly plant-based products, the Group expanded production and R&D facilities, and extended its supply chain partnerships.

Developing solutions to meet fast-changing consumer needs
One major change, brought on by the pandemic, has been the rapid shift toward at-home consumption. With consumer behaviour evolving faster than ever, the Group is adapting to this new reality by strengthening its innovation, leveraging our digital capabilities and executing with speed. For example, the Group rolled out our Smart Recipe Hub across 48 markets to inspire families with healthy recipes that can be customized using nutritional balance scores and meal planners. As the economic consequences of the pandemic have intensified, the Group has also revitalized its affordable nutrition offerings, particularly in emerging markets.

Boosting innovation to drive growth
The Group's relentless dedication to innovation allows it to deliver on consumer preferences time and time again. The Group focuses on exploring trends, rapidly converting ideas into products and testing their relevance with consumers and customers. The Group continued to enhance its speed and reduced its average time to market by a further 10% on our top priority projects in 2020.

The Group's ability to build a pipeline of meaningful innovations fuels its growth. The Group continually develop and deploy breakthrough technologies to create new growth opportunities. The Group leverages these technologies across categories, brands and markets to scale growth. In 2020, the Group increased the number of multi-market launches by 23%. The Group continues to evolve its approach to innovation with an emphasis on encouraging entrepreneurialism and fueling creative ecosystems. The Group further expanded its innovation capabilities in 2020 and opened a new R&D Accelerator focused on plant-based dairy alternatives in Konolfingen, Switzerland.

i. Pro Plan LiveClear: The introduction of Purina Pro Plan LiveClear came on the back of more than a decade of research and coincided perfectly with the trend for increased pet ownership. Pro Plan LiveClear is the first and only cat food that reduces the allergens in cat hair and dander, improving the quality of life for cats and their owners. In 2020, it was launched in seven countries and has seen very high consumer ratings.

ii. Coffee: Among the numerous innovations in our coffee category, the Group developed drought- and disease-resistant coffee varieties using its expertise in plant science. The Group expanded Nescafé Black Roast, its strongest, darkest soluble coffee, building on its expertise in flavor and aroma extraction. And as part of the Group's commitment to minimize waste and maximize reuse, the Group introduced Nespresso coffee capsules using 80% recycled aluminum. The Group also continued to create new growth opportunities for the Starbucks brand by expanding its range of products to include seasonal, at-home coffees for the holidays, non-dairy coffee creamers and premium instant coffee. Sales of Starbucks products reached CHF 2.7 billion, generating incremental sales of over CHF 400 million in 2020.

iii. Plant-based: The Group introduced many new plant-based foods, including sausages, mince and Sensational Vuna, a plant-based alternative to tuna. The Group continued to upgrade its plant-based offering in terms of taste, texture, flavor and nutrition. The Group also leveraged its expertise in plant protein to expand its dairy-alternative offerings.

In addition to the above, reference is also made to the information under the heading "*Factors that may affect the Issuer's and the Guarantor's ability to fulfil their obligations under the Bonds*" as set out in the Risk Factors section of this Information Document.

3.2 Revenues

The revenues of the Nestlé Group in the year ending on 31 December 2020 was CHF 84,343 million.

3.3 Trading operating profit

The Trading operating profit of the Nestlé Group in the year ending on 31 December 2020 was CHF 14,233 million.

3.4 Operating profit

The Operating profit of the Nestlé Group in the year ending on 31 December 2020 was CHF 14,796 million.

3.5 Net financial expense

The Net financial expense of the Nestlé Group in the year ending on 31 December 2020 was CHF 874 million.

3.6 Profit after tax (Net Profit)

The profit after tax (Net Profit) of the Nestlé Group in the year ending on 31 December 2020 was CHF 12,232 million.

3.7 Non-current assets

The value of the total non-current assets of the Nestlé Group on 31 December 2020 was CHF 89,960 million

3.8 Current assets

The value of the total current assets of the Nestlé Group on 31 December 2020 was CHF 34,068 million.

3.9 Total liabilities

The value of the total liabilities of the Nestlé Group on 31 December 2020 was CHF 77,514 million

3.10 Cash Flows

We refer to the "Consolidated Statement of Cash Flows" table in the Nestlé Group 2020 Consolidated Financial Statements under Annex 4 of this Information Document.

3.11 Information on the Guarantor's current, pending and future investments

We refer to Section 3.1 above.

3.12 Overview of the short term and long term funding sources (equity, amount and term and type of the loans and credit facilities and EU and state subsidies (excluding subsidized loans using EU or state funds))

The Guarantor's equity:

The value of equity of the Guarantor on 31 December 2020 was CHF 21,050 million and the equity attributable to shareholders of the parent of the Nestlé Group was CHF 45,695 on 31 December 2020.

The Guarantor's refinancing instruments (amount, type):

We refer to section 12.2b Liquidity risk in the Guarantor's 2020 Consolidated Financial Statements under Annex 4 of this Information Document.

EU and state subsidies received by the Guarantor:

The Guarantor does not receive any state subsidies.

4. Owners, officers and employees of the Guarantor

4.1 Names, positions and a brief introduction of the members of the management and supervisory bodies of the Guarantor (management, board of directors, supervisory board, audit committee and any other committee, as applicable) and the key officers/employees of the Guarantor, as well as the description of any proceedings initiated against such members in the last three years in connection with their professional activities (including the results of such proceedings)

The corporate bodies of the Guarantor are the General Meeting of Shareholders, the Board of Directors and the Statutory Auditors. The Board of Directors delegates to the Chief Executive Officer, with the authorisation to sub-delegate, the power to manage the Guarantor's and the Group's business, subject to law, the articles of association and the Board of Directors' Regulations. The Chief Executive Officer chairs the Executive Board, which comprises all Executive Vice Presidents and Deputy Executive Vice Presidents, and delegates to its members individually the powers necessary for carrying out their responsibilities, within the limits fixed in the Executive Board's Regulations.

The Board of Directors
In accordance with the articles of association, the Board of Directors shall consist of at least seven members.

As at the date of this Information Document, the members of the Board of Directors of the Guarantor are:

Position	**Name**	**Principal other activities outside the Guarantor**
Chairman of the Board	Paul Bulcke	L'Oréal S.A., FR, Vice Chairman; Roche Holding Ltd., CH, Board Member; Avenir Suisse, CH, Member of the Board of Trustees; European Roundtable of Industrialists (ERT), Belgium, Member; J.P. Morgan International Council, USA, Member; 2030 Water Resources Group (WRG), USA, Co-Chairman
Chief Executive Officer	Ulf Mark Schneider	International Business Council of the World Economic Forum (WEF), CH, Member
Vice Chairman Lead Independent Director	Henri de Castries	HSBC Holdings plc, UK, Board Member; General Atlantic LLC., USA, Senior Advisor, Chairman of Europe; AXA Assurances Vie Mutuelle, FR, Member of the Board; AXA Assurances IARD Mutuelle, FR, Member of the Board; Stellantis N.V. NL, Lead Independent Director, Member of the Board
Non-Executive Director	Hanne Jimenez de Mora	a-connect (group) AG, Co-founder and Chairperson; AB Volvo, Member of the Board;

Position	Name	Principal other activities outside the Guarantor
		Microcaps AG, CH, Chairwoman;IMD Business School, Switzerland, Vice-chair and Supervisory Board member
Non-Executive Director	Renato Fassbind	Swiss Re AG, CH, Vice Chairman Kühne + Nagel International AG, CH, Board Member
Non-Executive Director	Ann M. Veneman	Council on Foreign Relations, USA, Member of the Advisory Board; Clinton Health Access Initiative (CHAI), USA, Member of the Board; Nestlé CSV Council, CH, Member; Global Health Innovative Technology Fund, Board Member; BRAC, USA, Member of the Advisory Board; Terra Vesco, USA, Member of the Advisory Board; The Washington Institute for Business Government and Society, USA, Member; Kamine Development Corporation AG, USA, Member of the Advisory Board; Full Harvest Technologies, Inc., USA, Member of the Advisory Board; Memphis Meats, USA, Member of the Advisory Board; Ukko, USA, Member of the Advisory Board
Non-Executive Director	Eva Cheng	Haier Smart Home Co. Ltd., HK, Board Member; Kam Yuen (Group) International Ltd, HK, Board Member; Our Hong Kong Foundation, HK, Executive Director; Chinese General Chamber of Commerce, Member
Non-Executive Director	Patrick Aebischer	Logitech International SA, CH, Member of the Board; Novartis Bioventures AG, CH, Chairman; Amazentis SA, CH, Chairman of the Board of Directors; NistronTech Sàrl, CH, Member of the Board; Singapore Biomedical Sciences International, Advisors Council, Member; Verbier Festival, CH, Member of the Foundation Board; Montreux Jazz Festival, CH, Member of the Foundation Board; NanoDimension-III, Senior Partner
Non-Executive Director	Lindiwe Majele Sibanda	Director and Chairwoman, African Research Universities Alliance Centre of Excellence in Sustainable Food Systems (ARUA-SFS), University of Pretoria, South Africa; Professor and Senior Research Fellow at the Centre for the Advancement of Scholarship (CAS), University of Pretoria, South Africa; Founder and Managing Director, Linds Agricultural Services Pvt Ltd., Harare, Zimbabwe; Co-Chairwoman of the Global Alliance for Climate Smart Agriculture (GACSA), Rome, Italy; Board Member and Chairwoman of the nominations committee, World Vegetable Board; Advisory Board Member of Infinite Foods;

Position	Name	Principal other activities outside the Guarantor
		Serving member, Champions UN SDG 12.3, accelerating progress towards halving food loss and waste by 2030; Expert Panel Member of the Cornell University – Nature Sustainability panel on "Innovations to build sustainable, equitable, inclusive food value chains"; International Advisory Panel Member, Regional Universities Forum for Capacity Building in Agriculture (RUFORUM); Advisory Board Member of the Reserve Bank of Zimbabwe; Member of the Presidential Advisory Council for agriculture in Zimbabwe; Deputy Chairwoman of Council for the National University of Science and Technology (NUST); Deputy Chairwoman of the Iam4Byo Fighting COVID-19 Trust responsible for communications, public relations and research coalition
Non-Executive Director	Kasper B. Rorsted	adidas AG, GER, Chief Executive Officer; Siemens AG, Member of the Board
Non-Executive Director	Pablo Isla	Industria de Diseño Textil S.A., SP, Executive Chairman
Non-Executive Director	Kimberly A. Ross	Cigna Corporation, USA, Member of the Board; KKR Acquisition Holdings I Corp., USA, Member of the Board
Non-Executive Director	Dick Boer	Royal Dutch Shell plc, NL/UK, Member of the Board G-Star RAW CV, NL, Chairman of the Advisory Board; SHV Holdings, NL, Member of the Board; VNO-NCW, NL, Chairman of the Board; Royal Concertgebouw, NL, Chairman of the Advisory Board; Rijksmuseum Fonds, NL, Chairman
Non-Executive Director	Dinesh Paliwal	Raytheon Company, USA, Board Member; Business Roundtable, Washington D.C., USA,Member; U.S.-India Business Council (USIBC), Member

As at the date of this Information Document, the members of the Executive Board of Directors of the Guarantor are:

Position	Name	Principal other activities outside the Guarantor
Chief Executive Officer	Ulf Mark Schneider	International Business Council of the World Economic Forum (WEF), CH, Member
Executive Vice President: CEO for EMENA (Europe, Middle East and North Africa)	Marco Settembri	Lactalis Nestlé Produits Frais S.A.S, France, Board Member; Cereal Partners Worldwide S.A., Board Member; FoodDrinkEurope, President of the Board; Association des Industries de Marque (AIM), BE, Board Member

Position	Name	Principal other activities outside the Guarantor
Executive Vice President: Operations	Magdi Batato	World Business Council for Sustainability Development (wbcsd), CH, Member of the Executive Committee; IHD- the Sustainable Trade Initiative, Chairman; Carlsberg A/S, Board Member
Executive Vice President: CEO for Americas (United States of America, Canada, Latin America, Caribbean)	Laurent Freixe	Cereal Partners Worldwide S.A., CH, Board Member; Froneri Lux Topco Sàrl, LUX, Board Member; Consumer Goods Forum Latin America, Regional Board Member; International Youth Organization for Ibero- America, International Youth Ambassador; Global Apprenticeship Network, Chair
Executive Vice President: Strategic Business Units, Marketing and Sales	Bernard Meunier	Board member IVC-Evidensia, UK Co-Chairman of Cereal Partners Worldwide, Switzerland
Deputy Executive Vice President: Head of the Nestlé Coffee Brands group	David Rennie	Vice-Chair, Blue Bottle Coffee Inc. (USA)
Executive Vice President: Global Head Human Resources & Business Services	Béatrice Guillaume-Grabisch	L'Oréal SA, FR, Board Member and Audit Committee Member; GS1, BE, Board Member
Executive Vice President: CEO for Asia, Oceania and Subsaharan Africa	Chris Johnson	Swiss-American Chamber of Commerce, CH, Treasurer; Blue Bottle Coffee Inc., Board Member
Executive Vice President: Finance & Control	François-Xavier Roger	None at present
Executive Vice President: Chief Technology Officer	Stefan Palzer	Nutrition Cluster Berlin, GER, Board Member; École Polytechnique Fédérale de Lausanne (EPFL), CH, Industrial Advisory Board Member; European Academy of Food Engineering (EAFE), NL, Board Member; Swiss Food & Nutrition Valley Association, CH, Vice President; International Union of Food Science and Technology (IUFOST), Fellow
Executive Vice President: General Counsel, Corporate Governance and Compliance	Leanne Geale	CEELI Institute o.p.s, Czech Republic, Member of the Management Board
Deputy Executive Vice President: CEO Nestlé Health Science	Grégory Behar	Seres Therapeutics Inc., USA, Board Member; Aimmune Therapeutics Inc., USA, Board Member; Axcella Health Inc., USA, Board Member; Nutrition Science Partners Limited, HK, Chairman
Deputy Executive Vice President: Head of Group Strategy and Business Development	Sanjay Bahadur	Froneri Lux Topco Sàrl, Lux, Board Member; Blue Bottle Coffee Inc., USA, Board Member

Conflicts of Interest
As at the date of this Prospectus, the above mentioned members of the Board of Directors and of the Executive Board of the Guarantor do not have potential conflicts of interests between any duties to the Guarantor and their private interests or other duties.

Corporate Governance
The Guarantor complies with applicable rules of Swiss law relating to corporate governance. Each year the Guarantor compiles a Corporate Governance Report as required by the regulations of the SIX Swiss Exchange.

Chair's and Corporate Governance Committee
The Chair's and Corporate Governance Committee consists of the Chair, any Vice Chair, the Lead Independent Director, the CEO (administrateur délégué) and any other member elected by the Board. It liaises between the Chair and the full Board of Directors in order to act as a consultant body to the Chair and to expedite whenever necessary the handling of the Guarantor's business. The Committee regularly reviews the corporate governance of the Company and prepares recommendations for the Board. Its current members are Paul Bulcke (Chair), Ulf Mark Schneider, Henri de Castries, Renato Fassbind, Pablo Isla and Ann M. Veneman.

Audit Committee
The Audit Committee is chaired by an independent and non-executive member of the Board of Directors and includes a minimum of two other members of the Board, excluding the CEO and any former member of the Executive Board. At least one member has to have recent and relevant financial expertise, the others must be familiar with the issues of accounting and audit. In discharging its responsibilities, the Audit Committee has unrestricted access to the Guarantor's management, books and records. The Audit Committee supports the Board of Directors in its supervision of financial control through a direct link to the external auditors as mentioned above and the corporate internal auditors (Nestlé Group Audit) of the Guarantor. The Audit Committee's main duties include (i) to discuss Nestlé's internal accounting procedures, (ii) to make recommendations to the Board of Directors regarding the nomination of external auditors to be appointed by the shareholders, (iii) to discuss the audit procedures, including the proposed scope and the results of the audit, (iv) to keep itself regularly informed on important findings of the audits and of their progress, (v) to oversee the quality of the internal and external auditing, (vi) to present the conclusions on the approval of the financial statements to the Board of Directors, and (vii) to review certain reports regarding internal controls and the Nestlé Group's annual risk assessment. The current members of the Audit Committee are Renato Fassbind (Chair), Henri de Castries, Eva Cheng and Kimberly A. Ross. The Audit Committee regularly reports to the Board on its findings and proposes appropriate action. The responsibility for approving the annual financial statements remains with the Board of Directors.

Compensation Committee
The Compensation Committee consists of a Chair, who is an independent and non-executive member of the Board, and a minimum of three other non-executive members of the Board of Directors. All members are independent. It determines the principles for remuneration of the members of the Board and submits them to the Board for approval. It oversees and discusses the remuneration principles for the Guarantor and the Group. In addition, it proposes to the Board of Directors the individual remuneration of the Chair of the Board, the CEO and approves the individual remuneration of other members of the Executive Board. It reports on its decisions to the Board and keeps the Board updated on the overall remuneration policy of the Group. The current members of the Compensation Committee are Pablo Isla (Chair), Patrick Aebischer, Kasper Rorsted and Dick Boer.

Nomination Committee
The Nomination Committee consists of a Chair, who is an independent and non-executive member of the Board, the Chair of the Board of Directors and a minimum of two independent and non-executive members of the Board. The Nomination Committee oversees the long term succession

planning of the Board, establishes the principles and criteria for the selection of candidates to the Board, performs a regular gap analysis, selects candidates for election or re-election to the Board and prepares proposals for the Board's decision.

The nomination process for the Board of Directors is highly structured and seeks to ensure a balance of necessary competencies and an appropriate diversity of its members. It ensures an appropriately wide net is cast on key successions. The candidates to the Board must possess the necessary profile, qualifications and experience to discharge their duties. Newly appointed Board members receive an appropriate introduction into the business and affairs of the Guarantor and the Group. If required, the Nomination Committee arranges for further training of Board members. The Nomination Committee reviews, at least annually, the independence of the members of the Board as well as their outside mandates, and prepares the annual self-evaluation of the Board and its Committees. It meets as frequently as necessary to fulfil its tasks and prepares the relevant *in camera* sessions of the Board. The current members of the Nomination Committee are Henri de Castries (Chair), Paul Bulcke, Eva Cheng, Dinesh Paliwal,

Sustainability Committee
The Sustainability Committee consists of a Chair, who is an independent and non-executive member of the Board, and a minimum of three other non-executive members of the Board of Directors. All members are independent. It reviews reports and gives advice on measures which ensure the long-term sustainability of the Guarantor in its economic, social and environmental dimension and monitors the Guarantor's performance against selected external sustainability indexes. It reviews the annual Nestlé in society report and discusses periodically how other material non-financial issues affect the Guarantor's financial performance and how its long-term strategy relates to its ability to create shared value. It meets as frequently as necessary to fulfil its tasks and prepares the relevant *in camera* sessions of the Board. The current members of the Sustainability Committee are Ann M. Veneman (Chair), Dick Boer, Hanne Jimenez de Mora and Lindiwe Majele Sibanda.

Description of any proceedings initiated against such members in the last three years in connection with their professional activities (including the results of such proceedings)

Not applicable. To the best of the Guarantor's knowledge, there are no such proceedings.

4.2 Main shareholders of the Guarantor

Any shareholder holding shares in the Guarantor of 3 per cent. or more of the Guarantor's share capital is required to disclose its/his/her shareholding pursuant to the Swiss Financial Market Infrastructure Act.

BlackRock, Inc., New York, announced most recently on October 22, 2020, holding, directly or indirectly, 4.97% of the Guarantor's share capital, and The Capital Group Companies, Inc., Los Angeles, announced on October 30, 2017, holding, directly or indirectly, 3.55% of the Guarantor's share capital. Apart from the foregoing, the Guarantor is not aware of any other shareholder holding, as at December 31, 2020, the Guarantor's shares in excess of 3% of the share capital. The Guarantor is not aware of cross-shareholdings exceeding 5% of the capital or voting rights on both sides.

The Guarantor is not aware of any arrangement the effect of which would result in a change of control of the Guarantor.

5. Financial information

5.1 The consolidated audited annual report of the Guarantor for the most recent financial year (together with any business reports and other annexes) and the auditor's reports thereon

We refer to Annex 4 of this Information Document.

5.2 Quarterly or semi-annual financial information published since the date of the most recent audited annual report of the Guarantor

The half-year results of the Group were published on 29 July 2021 and are available for inspection at https://www.nestle.com/media/mediaeventscalendar/allevents/2021-half-year-results.

5.3 Recent events affecting the Guarantor

There has been no significant change in the financial performance or financial position of Guarantor and its consolidated subsidiaries since the date of its most recently published audited financial statements (dated 31 December 2020) and there has been no material adverse change in the prospects of the Guarantor since the date of such audited financial statements (being 31 December 2020).

The Group continues to make significant capital and research and development investments on a global basis, satisfying the need for capacity, delivering value added innovations, improving quality and safety within its operations, enhancing capabilities and advancing shared value strategies.

In December 2018, the Group sold Gerber Life Insurance Company, a life insurance provider and a subsidiary of Gerber Products Company, to Western & Southern Financial Group for U.S.$1.55 billion in cash.

In August 2018, the Group acquired the perpetual rights to market, sell and distribute certain Starbucks' consumer and foodservice products globally for an up-front cash payment of U.S.$7.15 billion (the "**Starbucks Alliance**"). Such consumer and foodservice products include "Starbucks®", "Seattle's Best Coffee®", "Teavana", "Starbucks VIA®", "Instant, Torrefazione Italia®" coffee and "Starbucks-branded KCup ®" pods. Through the Starbucks Alliance, the Group and Starbucks will work closely together on the existing Starbucks range of roast and ground coffee, whole beans as well as instant and portioned coffee. The Starbucks Alliance will also capitalise on the experience and capabilities of both companies to work on innovation with the goal of enhancing its product offerings for coffee lovers globally. This partnership with Starbucks significantly strengthens the Group's coffee portfolio in the North American premium roast and ground and portioned coffee business. It also unlocks global expansion in grocery and foodservice for the Starbucks brand, utilising the global reach of Nestlé.

In March 2018, the Group completed the sale of its U.S. confectionery business (the "U.S. Confectionery Business") to the Ferrero Group for U.S.$2.8 billion in cash. The sale of the U.S. Confectionery Business covers U.S.-focused confectionery brands only and does not include Nestlé's iconic Toll House® baking products, a strategic growth brand Nestlé will continue to develop.

The Group remains fully committed to growing its leading international confectionery activities around the world, particularly its global brand "KitKat®".

In March 2018 the Nestlé Group acquired Atrium Innovations Inc. to support the Group's pursuit of growth opportunities in consumer healthcare to complement its focus on high-growth food and beverage categories.

The Group also announced in February 2018 that it did not intend to increase its stake in L'Oréal S.A. and had also decided not to renew the shareholders agreement with the Bettencourt family that was to expire on 21 March 2018.

The Group announced on 2 October 2019 that it had closed the sale of Nestlé Skin Health to a consortium led by EQT and a wholly owned subsidiary of the Abu Dhabi Investment Authority for a value of CHF 10.2 billion.

The Group announced on 11 December 2019 that it had reached an agreement to sell its U.S. ice cream business to Froneri, an ice cream-focused joint venture that Nestlé created in 2016 with PAI Partners, for a transaction value of U.S.$4 billion. The transaction closed on 31 January 2020.

The Group announced on 19 December 2019 that it has agreed to sell a 60 per cent. stake of Herta to Casa Tarradellas to create a joint venture for Herta with their respective stakes of 40 per cent. and 60 per cent. The joint venture includes Herta charcuterie (cold cuts and meat-based products) available in six European countries, as well as the Herta dough business in France and Belgium. In June 2020, the Nestlé Group closed the sale of its 60 per cent. stake in its Herta charcuterie business to Casa Tarradellas.

The Group announced on 27 January 2020 that it had entered into an asset purchase agreement with Allergan to acquire the gastrointestinal medication Zenpep. The deal was closed on 11 May 2020 following the merger of Allergan and AbbVie and at such time the Nestlé Group took ownership of Zenpep, with customary transition support from the seller. The acquisition is intended to expand the Group's medical nutrition business and complement its portfolio of therapeutic products.

On 10 June 2020, the Nestlé Group announced that it had reached an agreement to acquire a majority stake in Vital Proteins. The transaction closed on July 1, 2020.

The Nestlé Group completed the acquisition of Aimmune Therapeutics, Inc. in October 2020. Aimmune Therapeutics, Inc. joined Nestlé Health Science as a stand-alone business unit called Aimmune Therapeutics. Aimmune is a biopharmaceutical company developing and commercializing treatments for potentially life-threatening food allergies. Aimmune's Palforzia® is the first and only FDA and European Commisssion-approved treatment to help reduce the frequency and severity of allergic reaction to peanuts, including anaphylaxis, in children aged 4 through 17.

On 30 October 2020, the Nestlé Group announced that it had signed and closed its acquisition of Freshly, a leading fresh-prepared meal delivery services in the U.S. The acquisition is intended to expand the Nestlé Group's presence into direct-to-consumer meal delivery services and provide growth opportunities through Freshly's established consumer analytics platform and distribution network.

On 31 December 2020, the Nestlé Group completed the sale of the Yinlu peanut milk and canned rice porridge businesses in China to Food Wise Co., Ltd. The transaction allows Nestlé to focus on key categories in China: infant nutrition, confectionery, coffee, culinary, dairy and petcare, capitalizing on the company's strong brands, digital capabilities and innovation engine to drive growth. As part of the transaction, Nestlé will retain its ready-to-drink Nescafé coffee business and distribute the products across most of the Greater China Region.

On 5 March 2021, the Nestlé Group announced that it has acquired Essentia Water, a premium functional water brand headquartered in Bothell, Washington. This transaction is part of the Nestlé Group's continued transformation of its global water business to focus on international premium and mineral water brands and healthy hydration products, such as functional water.

On 31 March 2021, the Nestlé Group announced the closing of the sale of Nestlé Waters North America brands to One Rock Capital Partners in partnership with Metropoulos & Co. for U.S.$ 4.3 billion. The Group's international premium brands including Perrier®, S.Pellegrino® and Acqua Panna® were not a part of the transaction.

On 30 April 2021, the Nestlé Group announced the acquisition for U.S.$5.75 billion (on a cash free, debt free basis) of the core brands of The Bountiful Company, a pure-play leader in the global nutrition and supplement category. This expands Nestlé Health Science's health and nutrition portfolio. The transaction is expected to close in the second half of 2021, following the completion of customary closing conditions, including regulatory clearance.

Otherwise, whilst the Nestlé Group continues to make ongoing investments, since the date of its last

published financial statements, the Group has made no other material investments and divestments or firm commitments with respect to material investments in the future.

The global business environment remained challenging in 2020 and continues to be challenging in 2021. The Group is well positioned with strong, high quality brands, which are valued by the consumer but any adverse developments in the global economy and in particular the global outbreak of COVID-19 may negatively impact consumer demand. On 11 March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Since then, there has been the emergence of a number of mutations and variations of COVID-19, including mutations that have resulted in a higher transmissibility of the COVID-19 virus. Many governments have taken stringent steps to help contain or delay the spread of the virus. Currently, there is significant economic uncertainty which is, for example, evidenced by volatile asset prices and currency exchange rates.

6. Pending court proceedings, arbitration proceedings or other administrative (e.g. tax) proceedings

As of 31 December 2020, the Group is exposed to contingent liabilities amounting to a maximum potential payment of CHF 1,443 million (2019: CHF 1352 million) representing potential litigations of CHF 1,373 million (2019: CHF 1256 million) and other items of CHF 70 million (2019: CHF 96 million). Potential litigations relate mainly to labour, civil and tax litigations in Latin America.

As of 31 December 2020, contingent assets for litigation claim in favor of the Group amount to a maximum potential recoverable amount of CHF 289 million (2019: CHF 534 million), mainly in Latin America.

7. Material contracts

There are no material contracts that have been entered into in the ordinary course of the Guarantor's business, which could result in the Guarantor being under an obligation or entitlement that is material for the purposes of the assessment of the Guarantor or the Bonds.

VIII. DESCRIPTION OF THE GUARANTEE

Consistent with the Group's existing notes, debt issuance program and commercial paper programs, the Guarantor guarantees, as a joint and several surety (*caution solidaire*) in accordance with the terms of Article 496 of the Swiss Code of Obligations, to the Bondholders the due and punctual payment of all sums payable by the Issuer in respect of the Bonds. The Guarantor's obligations in that respect are contained in, and subject to the limitations provided in the Guarantee. The obligations of the Guarantor under the Guarantee constitute direct, unsecured and unsubordinated obligations of the Guarantor and will rank equally with all present and future unsecured and unsubordinated obligations of the Guarantor (other than obligations mandatorily preferred by law applying to companies generally).

A joint and several suretyship (*cautionnement solidaire*) pursuant to Article 496 of the Swiss Code of Obligations is a guarantee that is accessory in nature, which means that its enforceability is dependent upon the legal validity and enforceability of the primary obligation to which it relates. In the case of the Guarantee, this means that the Guarantor will only have an obligation to pay a Bondholder an amount under the Guarantee if and to the extent such Bondholder has a legally valid and enforceable claim against the Issuer to pay such amount under the Bonds. A joint and several suretyship pursuant to Article 496 of the Swiss Code of Obligations is also governed by a number of statutory provisions of Swiss law that are designed to protect the surety. Some of these provisions must be reflected in the terms of the suretyship itself, while others apply as a matter of mandatory Swiss law. These provisions mean for the Guarantee, among other things, that:

• if the Issuer has not paid to the relevant Bondholder an amount when due under the Bonds, unless the Issuer is manifestly insolvent, such Bondholder must first have unsuccessfully requested the Issuer to pay such amount prior to being able to make a demand for payment under the Guarantee;

• any defenses that the Issuer may assert against a Bondholder, whether available to the Issuer under the terms of the Bonds or under the laws of Hungary or otherwise, may, as a rule, also be asserted by the Guarantor against such Bondholder with respect to claims under the Guarantee (even if the Issuer has itself waived or otherwise not exercised any such defense);

• the terms of the Guarantee limits the aggregate amount payable by the Guarantor to Bondholders thereunder (including amounts in respect of principal, interest and other amounts due and unpaid under the Bonds) to a fixed amount, the so-called Maximum Guarantee Amount.

The Maximum Guarantee Amount represents (i) the initial aggregate principal amount of the Bonds, plus (ii) three multiplied by the product of (x) the interest rate per annum applicable to the Bonds and (y) the initial aggregate principal amount of the Bonds;

• if a Bondholder seeks to enforce the Guarantee against the Guarantor in Switzerland, the Guarantor may petition the competent court to stay the enforcement proceeding until such time as insolvency or related proceedings against the Issuer are completed without such Bondholder having been paid in full for amounts owed to it under the Bonds, so long as the Guarantor posts sufficient collateral;

• in the event of insolvency proceedings in respect of the Issuer, if a Bondholder fails to file its claims against the Issuer under the Bonds or to do everything conscionable to safeguard its rights under the Bonds in such proceedings, such Bondholder will forfeit its claims against the Guarantor under the Guarantee if and to the extent that the Guarantor suffers damages as a result of such failure; and

• in accordance with Swiss law on suretyships, a Bondholder cannot make any further claim under or in connection with the Guarantee after its termination date, unless legal proceedings are initiated by such Bondholder prior to the end of the four week period following such termination date and pursued by such Bondholder without significant interruption. The termination date in the Guarantee is defined as the earlier

of (x) the date on which all sums payable in respect of the Bonds have been paid in full and (y) the date that is one year after the maturity date of the Bonds.

The Guarantee is governed by, and construed in accordance with, the substantive laws of Switzerland. The courts of the Canton of Vaud, Switzerland (venue being the City of Vevey) shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Guarantee. The executed original of the Guarantee is attached to the Document and deposited with KELER.

IX. RESPONSIBILITY STATEMENT OF THE ISSUER

Nestlé Hungária Korlátolt Felelősségű Társaság (registered seat: Lechner Ödön fasor 7., 1095 Budapest, Hungary; court registry number: 01-09-267926, the **Issuer**) accepts responsibility for the information contained in this Information Document. The Issuer accepts responsibility only for information which exclusively refers to it.

To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Information Document is accurate, not misleading, in accordance with the facts and does not omit any fact or information which would be of significance for the purposes of the assessment of the Bonds or the Issuer's conditions or which may affect any important conclusions drawn from the information set out in the Information Document.

The Issuer acknowledges that, in accordance with paragraph (e) of section 15 of Annex 1 of the Budapest Stock Exchange's XBond General Terms & Conditions, the above liability of the Issuer may not validly be excluded or limited.

Signed on behalf of the Issuer:

Budapest, 29 July 2021

Péter Noszek

Managing Director

acting in the name and on behalf of Nestlé Hungária Korlátolt Felelősségű Társaság as Issuer

X. STATEMENTS OF THE ISSUER RELATED TO THE XBOND REGISTRATION AND THE ISSUER'S PARTICIPATION IN THE MNB'S BOND FUNDING FOR GROWTH SCHEME

HUF 115,000,000,000 fixed rate bonds due 2028, entitled "Nestlé 2028 HUF Bonds" (ISIN Code: HU0000360458; the Bonds), issued by Nestlé Hungária Korlátolt Felelősségű Társaság (the Issuer) and irrevocably guaranteed by Nestlé S.A. (the Guarantor).

Given that: (i) following the offering of the Bonds, application will be made to the Budapest Stock Exchange (the **BSE**) with respect to the registration and subsequent trading of the Bonds on the XBond Multilateral Trading Facility (the **XBond MTF**) operated by the BSE; and (ii) the Bonds are issued within the framework of the Bond Funding for Growth Scheme established by the National Bank of Hungary (the **MNB**), Nestlé Hungária Korlátolt Felelősségű Társaság as Issuer (the **Issuer**) hereby makes the following statements and undertakes the following:

(a) The Issuer declares that the Issuer is neither directly nor indirectly under the dominant influence of the public sector and the Issuer does not qualify as a public undertaking in accordance with the definitions of the Handout for the Bond Funding for Growth Scheme (in Hungarian: *Tájékoztató a Növekedési Kötvényprogram Feltételeiről*) effective from 7 May 2021.

(b) The Issuer undertakes to issue the Bonds through the Auction Modul operated by the BSE.

(c) The Issuer undertakes to ensure that in the course of the auction of the Bonds one investor may only acquire up to 50 per cent. of the aggregate principal amount of the Bonds.

(d) The Issuer undertakes that the registration of the Bonds on the XBond MTF operated by the BSE will occur within 90 days following the completion of the offering of the Bonds.

(e) The Issuer undertakes to maintain the registration of the Bonds on the XBond MTF operated by the BSE or to ensure the continuous registration of the Bonds in another multilateral trading facility until the maturity of the Bonds.

(f) Until all payment obligations under the Bonds are settled in full, the Issuer shall refrain from any transaction or any combination of transactions or transaction structure, that may individually or by way of its combined effect be capable of raising funds through the issue of the Bonds from a member of a group of which the Issuer is a member or from an owner of a company in such group or from a close relative of such owner. Upon request of the MNB, the Issuer shall provide ad hoc data reports to verify its compliance with the obligation in this paragraph.

(g) The Issuer will ensure that at least one market maker will enter into a market making agreement with the BSE for making binding bids and offers on the trading venue from the first trading day on the XBond MTF until the maturity of the Bonds, subject to the following conditions:

    (i) the market maker shall place own-account bilateral offers/bids (simultaneous buying bids and selling offers) on each trading day for at least 15 minutes;

    (ii) the face value of the offers/bids on both the buying and selling side is at least (A) the amount in HUF which is equivalent to EUR 100.000; or (B) for 1 (one) Bond; and

    (iii) the difference between yields related to the buy rate and sell rate, as calculated for the second trading day following the date when the relevant offer/bid was made, does not exceed 200 basis points.

(h) The Issuer undertakes to ensure that (A) the credit rating of the Bonds will be reviewed annually by at least one credit rating agency which is eligible under the Bond Funding for Growth Scheme; (B)

the Bonds will continue to be rated by at least one credit rating agency during the entire term of the Bonds; and (C) the Issuer will cooperate with the respective credit rating agency (including the provision of any documents or information requested by the credit rating agency and necessary for the purposes of such credit rating). The Issuer directly informs the Bondholders whose contact details are available (for MNB: nkp@mnb.hu) about the annual review of the credit rating and its result. The Issuer acknowledges and accepts that:

(i) the MNB shall be authorised to make available to the public on the MNB's website either directly or indirectly (e.g. by way of a link to the relevant website of the Issuer or the credit rating agency); and

(ii) the respective credit rating agency shall be authorised to make available on its website,

the respective credit rating of the Bonds, together with any annual revisions and the rating reports related to such credit rating.

(i) The Information Document contains all information, including information as to whether the Issuer is a public undertaking or under the dominant influence of the public sector which is relevant for the purposes of the assessment whether the purchase of the Bonds by the MNB complies with the requirements of the Handout for the Bond Funding for Growth Scheme (in Hungarian: *Tájékoztató a Növekedési Kötvényprogram Feltételeiről*) and the prohibiton of monetary financing. The Issuer shall be responsible for the accuracy and completeness of the above information as described in this Information Document. By participating in the Bond Funding for Growth Scheme the Issuer agrees to provide without any delay any further information in relation to the above upon the request of the MNB.

(j) In the event the Issuer will repurchase some, but not all of the Bonds prior to maturity, the Issuer undertakes to repurchase the Bonds from the MNB at least *pro rata* to the number of Bonds held by the MNB on the date of such repurchase to the total number of the Bonds. In case of any such repurchase, the purchase price shall be determined on the basis of an agreement between the Issuer and the relevant Bondholder(s).

(k) The Issuer undertakes to use, and shall be liable for using, the proceeds of the issue of the Bonds for general corporate purposes or as described in the rating report issued by Moody's.

(l) The Issuer undertakes to determine the lowest level of purchase price that can offered in the Auction.

(m) The Issuer undertakes to order the identification of the Bondholders from KELER immediately after the creation of the Bonds.

(n) The Issuer undertakes that following the placement of the auction purcase offers in the course of the Auction, it will not accept auction purchase offers for more Bonds than was offered for sale prior to the commencement of the Auction.

(o) The Issuer undertakes that the issue of the Bonds, the Issuer and the Bonds comply with the requirements of the Handout for the Bond Funding for Growth Scheme.

(p) The Issuer undertakes that following the registration of the Bonds on the XBond MTF it will publish annual and semi-annual reports pursuant to the Capital Markets Act and the ministerial decree on the detailed rules of disclosure obligations in relation to securities offered to the public and send such reports to those Bondholders whose contact details are available to it (in the case of MNB: nkp@mnb.hu).

Capitalised terms which are used but not defined in this statement will have the meaning attributed to them in the Information Document.

Signed on behalf of the Issuer:

Budapest, 20 May 2021

Péter Noszek

Managing Director

acting in the name and on behalf of Nestlé Hungária Korlátolt Felelősségű Társaság as Issuer

XI. STATEMENTS OF THE GUARANTOR

HUF 115,000,000,000 fixed rate bonds due 2028, entitled "NESTLÉ 2028 HUF Bonds" (ISIN Code: HU0000360458; the Bonds), issued by Nestlé Hungária Korlátolt Felelősségű Társaság (the Issuer) and irrevocably guaranteed by Nestlé S.A. (the Guarantor).

Given that the Bonds are issued within the framework of the Bond Funding for Growth Scheme established by the National Bank of Hungary (the **MNB**), the Guarantor hereby undertakes to ensure that (A) the Guarantor's credit ratings will be annually reviewed by at least one credit rating agency; (B) it will continue to be rated by at least one credit rating agency during the entire term of the Bonds; and (C) the Guarantor will cooperate with the respective credit rating agency in connection with the maintenance of the respective credit rating (including the provision of any documents or information requested by the credit rating agency and necessary for the purposes of such credit rating). The Guarantor acknowledges and accepts that:

(i) the MNB shall be authorised to make available to the public on the MNB's website either directly or indirectly (e.g. by way of a link to the relevant website of the Guarantor); and

(ii) the respective credit rating agency shall be authorised to make available on its website,

the respective credit ratings of the Guarantor, together with any annual revisions and the rating reports related to such credit ratings.

The Guarantor accepts responsibility for the information contained in this Information Document. The Guarantor accepts responsibility only for information which exclusively refers to it.

To the best of the knowledge of the Guarantor (having taken all reasonable care to ensure that such is the case), the information contained in this Information Document is accurate, not misleading, in accordance with the facts and does not omit any fact or information which would be of significance for the purposes of the assessment of the Bonds or the Guarantor's conditions or which may affect any important conclusions drawn from the information set out in the Information Document.

The Guarantor acknowledges that, in accordance with paragraph (e) of section 15 of Annex 1 of the Budapest Stock Exchange's XBond General Terms & Conditions, the above liability of the Guarantor may not validly be excluded or limited.

Signed on behalf of the Guarantor:

Vevey, Switzerland, 29 July 2021

Lee Edwards

acting in the name and on behalf of Nestlé S.A. as Guarantor

Stefan Hoffenstein

acting in the name and on behalf of Nestlé S.A. as Guarantor

Authentication Nr. 14'190.-

On the basis of a comparison of signature, the undersigned, BRIGITTE FAHRNI CHIUSANO, Notary Public in Vevey for the Canton of Vaud, Switzerland, certifies the authenticity of the signatures appended on the opposite by Mr Lee EDWARDS, Senior Vice President, and Mr Stefan HELFENSTEIN, Senior Vice President, who validly commits the limited company Nestlé S.A. in Vevey, Canton of Vaud, Switzerland, with their individual signature. ----------
VEVEY, THIS TWENTYNINTH DAY OF JULY TWO THOUSAND AND TWENTY ONE. ----------

B. FAHRNI CHIUSANO NOTAIRE

APOSTILLE
(Convention de La Haye du 5 octobre 1961)

1. Pays: SUISSE

Le présent acte public

2. a été signé par Brigitte Fahrni Chiusano

3. agissant en qualité de notaire à Vevey

4. est revêtu du sceau/timbre de B. FAHRNI CHIUSANO *

NOTAIRE

Attesté

5. à Lausanne 6. le 29 juillet 2021

7. par la Chancellerie d'Etat du Canton de Vaud

8. sous No 11'789

9. Sceau/timbre: 10. Signature
pr le Chancelier d'Etat:
Christophe CHEVALLEY

CHANCELLERIE DU CONSEIL D'ETAT

ANNEXES

1. **Provisions for the Meetings of the Bondholders**
2. **Form of the dematerialised securities document in relation to the Bonds**
3. **The Issuer's 2020 annual report**
4. **The Guarantor's 2020 consolidated financial statements**

Annex 1.

PROVISIONS FOR THE MEETINGS OF THE BONDHOLDERS'

These provisions (the **Meeting Rules**) shall be applicable for each meetings of the Bondholders (the **Bondholders' Meeting** or the **Meeting**) convened in connection with the Bonds and shall form part of the Terms and Conditions of the Bonds (the **Conditions**).

Capitalised terms and expressions not defined in the Meeting Rules shall have the meanings attributed to them in the Conditions.

1. Convening of the Meeting

The Issuer or the Guarantor may at any time and, upon a request in writing of the Bondholders holding not less than one twentieth of the aggregate nominal amount of the Bonds for the time being outstanding, shall, convene a Bondholders' Meeting in Budapest during business hours and if the Issuer makes default for a period of seven days in convening the Meeting the same may be convened by the requesting Bondholder. Whenever the Issuer or the Guarantor is about to convene any Meeting it shall forthwith give notice in writing to the Paying Agent, time and place thereof and of the nature of the business to be transacted thereat.

At least 21 days' notice (exclusive of the day on which the notice is given and the day on which the Bondholders' Meeting is held) specifying the place, day and hour of the Meeting shall be given to the Bondholders prior to any Bondholders' Meeting in the manner provided by Condition 14. Such notice shall state generally the nature of the business to be transacted at the Bondholders' Meeting thereby convened but it shall not be necessary to specify in such notice the terms of any resolution to be proposed. A copy of the notice shall be sent to the Issuer (unless the Meeting is convened by the Issuer) and to the Guarantor (unless the Meeting is convened by the Guarantor).

2. Attendance

Any director or officer of the Issuer or the Guarantor and their lawyers may attend and speak at any Meeting. Save as aforesaid, no person shall be entitled to attend and speak nor shall any person be entitled to vote at any Bondholders' Meeting or join with others in requesting the convening of a Meeting unless he/she either presents to the Issuer an appropriate certificate of ownership as of the second Business Day before the Meeting in relation to the Bonds of which he/she is the holder or is a representative (the **Representative**). Neither the Issuer, the Guarantor nor any of its or their subsidiaries shall be entitled to vote at any Meeting in respect of Bonds held by it for the benefit of any such company and no other person shall be entitled to vote at any Meeting in respect of Bonds held by it for the benefit of any such company.

A Representative shall for all purposes in connection with the relevant Meeting or adjourned Meeting be deemed to be the holder of the relevant Bond.

3. Chairman of the Meeting

Any person (who may but need not be a Bondholder) nominated in writing by the Issuer or the Guarantor shall be entitled to take the chair at every Meeting but if no such nomination is made or if at any Meeting the person nominated shall not be present within fifteen minutes after the time appointed for holding the Meeting, the Bondholders present shall choose one of the Bondholders to be chairman (the **Chairman**).

4. Quorum and Adjournment

At any Meeting one or more persons present (either in person or as a Representative) holding Bonds and holding or representing in the aggregate not less than twenty per cent. of the aggregate nominal amount of the Bonds shall form a quorum for the transaction of business and no business (other than the choosing of a Chairman) shall be transacted at any Meeting unless the requisite quorum be present at the commencement of business.

If within fifteen minutes after the time appointed for any Meeting a quorum is not present, the Meeting shall, if convened upon the request of the Bondholders, be dissolved. In any other case the Meeting shall be adjourned to the same day in the next week (or if such day is a public holiday, then the next succeeding Business Day) at the same time and place and at such adjourned Meeting one or more persons present (either in person or as a Representative) holding Bonds (whatever the nominal amount of the Bonds so held or represented by them) shall form a quorum and shall have power to pass any resolution and to decide upon all

matters which could properly have been dealt with at the Meeting from which the adjournment took place had the requisite quorum been present. It shall not be necessary to give any notice of an adjourned meeting.

The Chairman may with the consent of (and shall if so directed by) any Meeting adjourn the same from time to time and from place to place but no business shall be transacted at any adjourned Meeting except business which might lawfully (but for the lack of required quorum) have been transacted at the Meeting from which the adjournment took place.

Any poll demanded at any Meeting on the election of a Chairman or on any question of adjournment shall be taken at the Meeting without adjournment.

5. Voting and Resolutions

Subject to Section 2 above, each Bondholder attending a Meeting (either in person or as a Representative) has one vote in respect of each Bond held by such Bondholder. Without prejudice to the obligations of Representatives, any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.

Every question submitted to a Meeting shall be decided in the first instance by a show of hands.

At any Meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or the Issuer or the Guarantor or by one or more persons present (either in person or as a Representative) holding Bonds (whatever the nominal amount of the Bonds so held by them), a declaration by the Chairman that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

If at any Meeting a poll is so demanded it shall be taken in such manner and subject as hereinafter provided either at once or after an adjournment as the Chairman directs and the result of such poll shall be deemed to be the resolution of the Meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the Meeting for the transaction of any business other than the motion on which the poll has been demanded.

The Bondholders' Meeting shall have the following powers exercisable by adopting a resolution (subject to the provisions relating to quorum) with a qualified majority of 75% of the total number of Bonds represented at the Bondholders' Meeting:

(a) power to amend the Conditions in accordance with Section 16.4 of the Conditions;

(b) power to sanction any compromise or arrangement proposed to be made between the Issuer and the Guarantor and the Bondholders or any of them;

(c) power to sanction any abrogation, modification, compromise or arrangement in respect of the rights of the Bondholders against the Issuer and the Guarantor or against any of their respective property whether such rights shall arise under the Meeting Rules, the Bonds or otherwise;

(d) power to give any authority or sanction which under the Meeting Rules or the Bonds is required to be given by a resolution at a Bondholders' Meeting;

(e) power to appoint any persons (whether Bondholders or not) as a committee or committees to represent the interests of the Bondholders and to confer upon such committee or committees any powers or discretions which the Bondholders could themselves exercise by a resolution at a Bondholders' Meeting;

(f) power to sanction any scheme or proposal for the sale or cancellation of the Bonds; and

(g) power to approve the substitution of any entity in place of the Issuer or the Guarantor (or any previous substitute) as the principal debtor or guarantor, as the case may be, in respect of the Bonds.

Any resolution (i) passed at the Bondholders' Meeting duly convened and held, (ii) passed as a resolution in writing, or (iii) passed by way of electronic consents given by Bondholders, in accordance with the Meeting Rules shall be binding upon all the Bondholders whether present or not present at the Meeting and whether or not voting and each of them shall be bound to give effect thereto accordingly, provided that (for the avoidance of doubt) no such resolution shall be binding on the Issuer or the Guarantor without their written consent, and the passing of any such resolution shall be conclusive evidence that the circumstances justify the passing thereof. Notice of the result of the voting on any resolution duly considered by the Bondholders shall be published in accordance with Condition 14 by the Issuer within two days, or earlier if so required by law, of such result being known provided that the non-publication of such notice shall not invalidate such resolution.

6. Minutes

Minutes of all resolutions and proceedings at every Meeting as aforesaid shall be made and duly entered in the books to be from time to time provided for that purpose by the Issuer and any such minutes signed by the Chairman of the Meeting at which such resolutions were passed or proceedings had shall be conclusive evidence of the matters therein contained. Until the contrary is proved every Meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed or proceedings had there to have been duly passed or had.

7. Holding the Meeting through electronic means

The Issuer (or the Guarantor, as applicable) may at its sole discretion elect that the Meeting can be convened and held by the use of electronic communication device(s). In such case the Issuer (or the Guarantor, as applicable) shall specify any necessary details of the applicable electronic communication device(s).

In case the Meeting is held by the use of electronic communication device(s), the provisions of the Meeting Rules shall apply respectively.

The Meeting that held by the use of electronic communication device(s) shall be recorded by the Chairman and shall be stored on the Issuer's (or the Guarantor's, as applicable) servers for, at least, five years.

Annex 2.

FORM OF THE DEMATERIALISED SECURITIES DOCUMENT IN RELATION TO THE BONDS

OKIRAT DEMATERIALIZÁLT KÖTVÉNYRŐL

1. A kibocsátóra vonatkozó adatok:

Teljes név:	Nestlé Hungária Kft
Rövid név:	Nestlé Hungária Kft
Székhely:	Magyarország 1095 Budapest, Lechner Ödön fasor 7.
Cégjegyzékszám:	01-09-267926
Adószám:	10571086-2-44
Alaptőke mértéke:	6 000 000 000,00

Az Okiratot aláíró(k) adatai:

az első aláíró neve:	Noszek Péter
képviseleti jogának alapja (beosztása):	Ügyvezető
a második aláíró neve:	
képviseleti jogának alapja (beosztása):	

2. A sorozatrészletre vonatkozó adatok:

Sorozatrészlet kibocsátásáról szóló döntés időpontja:	2021.04.19.
Sorozatrészlet kibocsátásáról szóló döntés jellege:	Egyéb határozat
Sorozatrészlet száma:	1
Sorozatrészlet névérték darabszáma:	2 300
Sorozatrészlet össznévértéke:	115 000 000 000,0000 HUF
Sorozatrészlethez kapcsolódó értéknap:	2021.05.31.
Eddigi kibocsátások összesen névérték darabszáma:	0

3. A teljes sorozatra vonatkozó adatok:

Sorozat elnevezése:	NESTLÉ 2028 HUF Kötvény
Sorozat betűjele és kódja:	NESTLÉ2028
ISIN-azonosító:	HU0000360458
Sorozat típusa:	Névre szóló
Névérték és devizanem:	50 000 000,0000 HUF
Sorozat összesen névérték darabszáma:	2 300
Sorozat össznévértéke:	115 000 000 000,0000 HUF
Kibocsátás helye:	Magyarország
Forgalomba hozatal helye:	Magyarország
Forgalomba hozatal módja:	Nyilvános
Kibocsátás ideje (az első kibocsátás értéknapja):	2021.05.31.
Lejárat napja:	2028.05.31.

Kötvény futamideje:	7 Év
Kamatozás módja:	Fix
a kamatláb mértéke %-ban:	1,75
Kamatfizetési időpont(ok):	2022.05.31.; 2023.05.31.; 2024.05.31.; 2025.05.31.; 2026.05.31.; 2027.05.31.; 2028.05.31.;
Kamatfizetési feltételek:	A Kötvényekkel kapcsolatos kamat és tőkeösszegek kifizetésére a KELER mindenkor hatályos szabályai alapján, továbbá a vonatkozó adózási jogszabályok figyelembe vétele mellett, a Fizető Bankon keresztül azon értékpapír-számlavezetők részére kerül sor, amely értékpapír-számlavezetők KELER-nél vezetett értékpapírszámláin a Kötvények az adott kifizetéssel érintett – és a KELER mindenkor hatályos szabályai alapján kijelölt – Referencia Napon ügyletzáráskor szerepelnek. A KELER hatályos szabályai alapján a Referencia Nap azt a napot jelenti, amely nap két Munkanappal megelőzi az adott fizetési napot. Amennyiben a Kötvényekkel kapcsolatos bármely összeg kifizetése olyan napon válna esedékessé, amely nem tekinthető Munkanapnak, az adott Kötvénytulajdonos a következő Munkanapon válik a kifizetésre jogosulttá és e késedelemmel kapcsolatosan további kamat, késedelmi kamat vagy bármely egyéb kifizetés igénylésére nem lesz jogosult. Munkanap: Olyan napot jelent, amelyen (I) Budapesten és Zürichben (Svájc) a kereskedelmi bankok nyitva tartanak és kifizetéseket teljesíthetnek; és (II) a KELER pénzátutalásokat végez és értékpapírtranszfereket hajt végre.
Futamidőn belül van beváltás (törlesztés):	Nem
Beváltási (törlesztési) feltételek:	Kötvények visszaváltására a Lejárati Napon kerül sor. A Kibocsátó választása alapján bármikor jogosult az általa legalább 30, de legfeljebb 60 napon belül megküldött előzetes értesítés alapján (mely értesítés visszavonhatatlan) a Kötvényeket teljes mértékben és nem részben visszaváltani, amennyiben:(I)a Kötvények vagy adott esetben a Garancia szerinti következő esedékes kifizetésekor, a Kibocsátó letelepedési helye szerinti országban vagy a Garantőr esetében Svájc vagy ezen országok bármely politikai alegysége vagy adóhatósága által, várhatóan a Kibocsátás napján vagy azt követően hatályba lépő jogszabály vagy szabályozás alapján vagy ezen jogszabályok, illetve szabályozás hivatalos értelmezésében vagy alkalmazásában bekövetkező bármilyen mértékű változás vagy módosulás eredményeképpen a Kibocsátó, illetve adott esetben a Garantőr a Kötvényekkel kapcsolatos kamatfizetések tekintetében (ideértve a kamatfizetések számviteli levonhatóságát) hátrányos adókövetkezményeknek lenne vagy várhatóan ilyennek lenne kitéve; és(II)a fenti hátrányos adókövetkezményt a Kibocsátó vagy adott esetben a Garantőr nem tudja a rendelkezésére álló ésszerű intézkedésekkel elkerülni, feltéve, hogy a visszaváltásról szóló értesítés leghamarabb 90 nappal azelőtt az időpont előtt küldhető ki, amely időpontban a Kibocsátó vagy adott esetben a Garantőr ki lenne téve a hátrányos adókövetkezményeknek (ha a Kötvények tekintetében kifizetések válnának esedékessé). Minden a fenti feltétel alapján visszaváltott Kötvény, a Kötvényfeltételek 13. pontja szerinti Névértéken a visszaváltás napjáig (visszaváltás napját kivéve) esedékes, és kifizetetlen kamatösszegekkel együtt kerül visszaváltásra.
Sorozathoz kapcsolódó átruházás megkötések leírása:	Sorozathoz kapcsolódó átruházási megkötések nincsenek.
A kötvény összegének visszafizetését és a kamat megfizetését biztosító kötelezettségvállalások:	A Kötvények a Garancia által garantált kötelezettségek. A Garancia eredeti példánya a jelen Dokumentum melléklete és annak részét képezi.
A kötvény kibocsátásának célja:	A Kötvények kibocsátásából befolyó bevételek a Kibocsátó általános társasági céljaira fognak felhasználásra kerülni.

4. Kibocsátó által az okiraton megjeleníteni kívánt további információk:

Amennyiben (a)a Kibocsátó a Kötvények tekintetében esedékes kamat vagy tőkefizetési kötelezettségét több mint 30 (harminc) napon keresztül nem teljesíti; vagy (b)a Garantőr a Garancia alapján fennálló bármely kötelezettség, feltétel vagy egyéb rendelkezés teljesítését elmulasztja vagy azokat nem megfelelően teljesíti, és a mulasztást a mulasztásról szóló - a Garantőrnek a forgalomban lévő Kötvények össznévértékének legalább 25%-ával rendelkező

Kötvénytulajdonosok által megküldött – írásbeli értesítés kézhezvételét követő 60 napon belül nem orvosolja; vagy (c)a Kibocsátó a 7. vagy 8. Kötvényfeltétel alapján fennálló bármely kötelezettség, feltétel vagy egyéb rendelkezés teljesítését elmulasztja vagy azokat nem megfelelően teljesíti, és a mulasztást a mulasztásról szóló – a Kibocsátónak a forgalomban lévő Kötvények össznévértékének legalább 25%-ával rendelkező Kötvénytulajdonosok által megküldött – írásbeli értesítés kézhezvételét követő 60 napon belül nem orvosolja; vagy (d)a hatáskörrel rendelkező bíróság a Kibocsátó ellen jogerősen csőd- vagy felszámolási eljárást rendel el; vagy (e)a Garantőr a hitelezőivel kötendő egyezség (accord amiable) iránti kérelmet nyújtott be vagy ilyen eljárást hatálya alatt áll; vagy írásban elismeri, hogy fizetésképtelen; vagy bírósági reorganizáció (concordat) vagy a teljes üzleti tevékenységének átruházására (cession totale de l'entreprise) iránti kérelmet nyújtott be, vagy ilyen kérelem benyújtását elhatározza vagy ilyen eljárást kezdeményeztek ellene és azt 60 napon belül nem utasítják el vagy nem vitatják; vagy egyébként csődeljárás (faillite), bírósági reorganizációs eljárás, végelszámolás, kényszertörlés, felszámolás, restrukturálás (assainissement), a csődeljárás felfüggesztésére vonatkozó eljárás (ajournement de la faillite), illetve egyéb hasonló eljárás megindítása iránti kérelmet nyújtott be vagy ilyen eljárás megindításáról döntött (vagy bármely ilyen a Garantőr ellen megindított eljárást 60 napon belül nem utasítanak el vagy nem vitatnak); vagy lényegében minden hitelezője javára egyoldalú vagyonátruházást valósít meg, vagy lényegében minden hitelezőjével egyezségi megállapodást köt; vagy (f)a Garantőrt végelszámolják vagy kényszertörlik vagy a Garanatör egyébként megszünteti tevékenységét, ide nem értve az egyesülést vagy egyéb olyan átalakulást, melynek folyamán a jogutód társaság kifejezetten vállalja a Garantőr Garanciából fakadó kötelezettségeit; vagy (g)a Garancia megszűnik a Garantőr jogszerű, érvényes, kötelező erejű és az abban foglaltaknak megfelelően végrehajthatató kötelezettsége lenni vagy a Garantőr vitatja vagy tagadja a Garancia érvényességét, akkor (I)a Kibocsátó a 14. Kötvényfeltételnek megfelelően értesíti a Kötvénytulajdonosokat; és (II)bármely Kötvénytulajdonos – a Kibocsátónak szóló, a Kibocsátó székhelyére a 14. Kötvényfeltételnek megfelelően eljuttatott és a Kibocsátó általi kézhezvétel napjától hatályos értesítéssel – lejárttá és esedékessé teheti a tulajdonában levő Kötvényekből eredő fizetési kötelezettséget annak a napnak hatályával, kivéve, ha addig a napig minden felmondási eseményt orvosolt a Kötvények vonatkozásában. A félreértések elkerülése érdekében az (I) bekezdés nem előfeltele a lejárttá és esedékessé tételének. A Kibocsátó köteles a lejárttá és esedékessé tett Kötvények Névértékét és a kifizetés napjáig felhalmozott kamatalt haladéktalanul, de legkésőbb 30 Munkanapon belül megfizetni a Kötvénytulajdonos részére, amely Kötvények tekintetében a Kötvénytulajdonos a Kibocsátó felé a Kötvénytulajdonosi minőségét megfelelően igazolta.
A 2021. május 20-ai Információs Dokumentumban foglalt Kötvényfeltételek a jelen Okirat részét képezik.
A Nestlé S.A. (CH-1800 Vevey, Nestlé Avenue 55., Switzerland, cégjegyzékszám: CHE-105.909.036, Vaud Kanton Cégnyilvántartása), mint Garantőr megerősíti a jelen Okirathoz csatolt Mellékletben tett nyilatkozatot.
Angolul: Nestlé S.A. (CH-1800 Vevey, Nestlé Avenue 55., Switzerland, company registration number: CHE-105.909.036, Commercial Registry of the Canton of Vaud) as Guarantor confirms the statement attached as Appendix to this Document.

_____
Lee Edwards
Cégjegyző/Authorized signatory
Nestlé S.A.

_____
Claudio Menghi
Meghatalmazott/Proxy
Nestlé S.A.

Jelen Okirat nem minősül értékpapírnak.

Az Okirat kiállításának helye: Magyarország

Az Okirat kiállításának napja: 2021.05.28.

.....
Noszek Péter
Ügyvezető
Nestlé Hungária Kft

Ezen dokumentum Kibocsátó cégszerű elektronikus aláírásával érvényes, ennek hiányában a nyomtatvány kinyomtatandó és cégszerűen aláírandó. A nyomtatvány papír alapú benyújtása esetén aláírási cimpéldány vagy aláírás minta csatolása kötelező a nyomtatványt aláíró személy(ek)vonatkozásában.

Annex 3.

THE ISSUER'S 2020 ANNUAL REPORT

10571086-1082-113-01
Statistical code

01-09-267926
Registration number

ANNUAL REPORT
Nestlé Hungária Kft.
01/01/2020 - 31/12/2020

Date and place: Budapest, 19/05/2021

Manager of the Company
(representative)

10571086-1082-113-01
Statistical code

01-09-267926
Registration number

Nestlé Hungária Kft.
ANNUAL REPORT
BALANCE SHEET - Assets

Data in thousand HUF

Number		Description	31/12/2019	Modifications to prior year(s)	31/12/2020
A		B	C	D	E
1	**A.**	**FIXED ASSETS (I.+II.+III. row)**	**49 943 782**	**0**	**59 167 026**
2	I.	INTANGIBLE ASSETS	1 793 058	0	1 793 978
3	1	Capitalised value of formation and transformation	0		0
4	2	Capitalised value of research and development	0		0
5	3	Rights and concessions	1 793 058		1 793 058
6	4	Intellectual property	0		920
7	5	Goodwill	0		0
8	6	Advances on intangible assets	0		0
9	7	Upwards revaluation of intangible assets	0		0
10	II.	TANGIBLE ASSETS	48 122 594	0	57 353 373
11	1	Land and buildings and related rights and concessions	19 112 386		19 608 105
12	2	Plant, equipment, machinery, vehicles	24 303 678		23 805 841
13	3	Other equipment, fittings, vehicles	3 415 574		3 943 377
14	4	Breeding animals	0		0
15	5	Assets under construction, renovations	1 273 506		4 626 368
16	6	Payments on account	17 450		5 369 682
17	7	Upwards revaluation of tangible assets	0		0
18	III.	INVESTMENTS	28 130	0	19 675
19	1	Long-term interests in related companies	0		0
20	2	Long-term loans to related companies	0		0
21	3	Long-term significant ownership interest	0		0
22	4	Long-term loans to companies related through significant ownership interest	0		0
23	5	Other long-term interests	1 850		1 850
24	6	Long-term loans to affiliated companies	0		0
25	7	Other long-term loans	26 280		17 825
26	8	Long-term debt securities	0		0
27	9	Upwards revaluation of investments	0		0
29	**B.**	**CURRENT ASSETS (I.+II.+III.+IV. row)**	**30 941 116**	**0**	**34 698 103**
30	I.	INVENTORIES	10 931 599	0	11 897 634
31	1	Raw materials and consumable goods	6 884 460		7 544 694
32	2	Work in progress and semi-finished goods	39 267		488 068
33	3	Young, fattened and other livestock	0		0
34	4	Finished goods	893 026		824 193
35	5	Goods	3 114 846		3 040 679
36	6	Advances on inventories	0		0
37	II.	RECEIVABLES	19 817 154	0	21 164 798
38	1	Trade receivables	5 406 441		4 771 115
39	2	Receivables from related companies	13 636 421		14 024 339
40	3	Receivables from companies related through significant ownership interest	0		0
41	4	Receivables from affiliated companies	0		0
42	5	Bills receivable	0		0
43	6	Other receivables	774 292		2 369 344
46	III.	SECURITIES	0	0	0
47	1	Interests in related companies	0		0
48	2	Significant ownership interest	0		0
49	3	Other interests	0		0
50	4	Treasury shares, business shares	0		0
51	5	Debt securities held for trading	0		0
53	IV.	LIQUID ASSETS	192 363	0	1 635 671
54	1	Petty cash, cheques	32 661		19 297
55	2	Bank deposits	159 702		1 616 374
56	**C.**	**DEFERRED EXPENSES AND ACCRUED INCOME**	**468 111**	**0**	**866 745**
57	1	Accrued income	200 805		471 427
58	2	Prepayments	267 306		395 318
59	3	Deferred expenses	0		0
60		**TOTAL ASSETS (A.+B.+C. row)**	**81 353 009**	**0**	**94 731 874**

Date and place: Budapest,19/05/2021

representative of the entity
(representative)

10571086-1082-113-01
Statistical code

01-09-267926
Registration number

Nestlé Hungária Kft.
ANNUAL REPORT
BALANCE SHEET - Equity and Liabilities

Data in thousand HUF

Number		Description	31/12/2019	Modifications to prior year(s)	31/12/2020
A		B	C	D	E
61	**D.**	**SHAREHOLDERS' EQUITY (rows I+II+III+IV+V+VI+VII/1. row)**	**12 754 822**	**0**	**7 750 336**
62	I.	Subscribed / Registered capital	6 000 000		6 000 000
63		*of which: repurchased ownership shares at face value*	0		0
64	II.	SUBSCRIBED / REGISTERED, BUT UNPAID CAPITAL (-)	0		0
65	III.	CAPITAL RESERVE	0		209 178
66	IV.	PROFIT RESERVE	437 439		-270 496
67	V.	NON-DISTRIBUTABLE RESERVE	0		0
68	VI.	VALUATION RESERVE	0	0	0
71	VII.	PROFIT/LOSS AFTER TAX	6 317 383	0	1 811 654
72	**E.**	**PROVISIONS**	**370 240**	**0**	**3 183 669**
73	1	Provisions for expected liabilities	370 240		3 183 669
74	2	Provisions for future costs	0		0
75	3	Other provisions	0		0
76	**F.**	**LIABILITIES (I.+II.+III. row)**	**63 518 023**	**0**	**78 812 012**
77	I.	SUBORDINATED LIABILITIES	**0**	**0**	**0**
78	1	Subordinated liabilities to related companies	0		0
79	2	Subordinated liabilities to companies related through significant ownership interest	0		0
80	3	Subordinated liabilities to affiliated companies	0		0
81	4	Subordinated liabilities to other entities	0		0
82	II.	LONG-TERM LIABILITIES	**38 000 000**	**0**	**33 000 000**
83	1	Long-term borrowings	0		0
84	2	Convertible and equity bonds	0		0
85	3	Debts on the issuance of bonds	0		0
86	4	Investment and development loans	0		0
87	5	Other long-term loans	18 000 000		33 000 000
88	6	Long-term liabilities to related companies	20 000 000		0
89	7	Long-term liabilities to companies related through significant ownership interest	0		0
90	8	Long-term liabilities to affiliated companies	0		0
91	9	Other long-term liabilities	0		0
92	III.	CURRENT LIABILITIES	**25 518 023**	**0**	**45 812 012**
93	1	Short-term borrowings	0		0
94		*- of which: convertible and equity bonds*	0		0
95	2	Short-term loans	0		0
96	3	Advances from customers	1 805		97 618
97	4	Trade creditors	15 077 232		18 383 462
98	5	Bills payable	0		0
99	6	Current liabilities to related companies	8 475 967		23 557 482
100	7	Current liabilities to companies related through significant ownership interest	0		0
101	8	Current liabilities to affiliated companies	0		0
102	9	Other current liabilities	1 963 019		3 773 450
105	**G.**	**ACCRUED EXPENSES AND DEFERRED INCOME**	**4 709 924**	**0**	**4 985 857**
106	1	Income accruing for future periods	32 030		0
107	2	Accrued expenses	4 649 216		4 967 205
108	3	Deferred income	28 678		18 652
109		**TOTAL EQUITY AND LIABILITIES (D.+E.+F.+G. row)**	**81 353 009**	**0**	**94 731 874**

Date and place: Budapest,19/05/2021

representative of the entity
(representative)

10571086-1082-113-01
Statistical code

01-09-267926
Registration number

Nestlé Hungária Kft.
ANNUAL REPORT
Income statement

Data in thousand HUF

Number		Description	01/01/2019 - 31/12/2019	Modifications to prior year(s)	01/01/2020 - 31/12/2020
A		B	C	D	E
1	1	Net domestic sales revenue	59 665 715		122 603 225
2	2	Net export sales revenue	94 814 667		41 583 018
3	**I.**	**Net sales revenue (01+02)**	**154 480 382**	**0**	**164 186 243**
4	3	Changes in self-manufactured inventories	-2 078 796		379 968
5	4	Capitalised value of self-manufactured assets	0		0
6	**II.**	**Own performance capitalised (±03+04)**	**-2 078 796**	**0**	**379 968**
7	**III.**	**Other income**	483 291		771 548
8		*of which: reversed impairment*	162 567		101 978
9	5	Material costs	71 175 824		74 601 754
10	6	Services used	24 713 099		24 767 534
11	7	Other services	175 564		235 510
12	8	Cost of goods sold	24 484 224		30 084 323
13	9	Services sold (mediated)	0		0
14	**IV.**	**Material-type expenses (05+06+07+08+09)**	**120 548 711**	**0**	**129 689 121**
15	10	Wage costs	10 256 498		11 874 911
16	11	Other staff benefits	3 414 034		4 133 590
17	12	Wage contributions	2 647 568		2 783 615
18	**V.**	**Staff costs (10+11+12)**	**16 318 100**	**0**	**18 792 116**
19	**VI.**	**Depreciation**	4 477 203		5 087 360
20	**VII.**	**Other expenses**	4 267 001		7 953 878
21		*of which: impairment*	124 055		121 965
22	**A.**	**OPERATING PROFIT/LOSS (I.±II.+III.-IV.-V.-VI.-VII.)**	**7 273 862**	**0**	**3 815 284**
23	13	Dividends and profit shares received (due)	83 000		0
24		*of which: from related companies*	0		0
25	14	Income from, exchange gains on interests	0		0
26		*of which: from related companies*	0		0
27	15	Income from, exchange gains on investments (securities, loans)	0		0
28		*of which: from related companies*	0		0
29	16	Other interest received (due) and similar income	141		14 832
30		*of which: from related companies*	0		14 832
31	17	Other income from financial transactions	1 714 197		3 263 919
32		*of which: revaluation difference*	0		0
33	**VIII.**	**Income from financial transactions (13+14+15+16+17)**	**1 797 338**	**0**	**3 278 751**
34	18	Expenses from exchange losses on interests	0		0
35		*of which: to related companies*	0		0
36	19	Expenses from exchange gains on investments (securities, loans)	0		0
37		*of which: to related companies*	0		0
38	20	Interest payable (paid) and similar expenses	288 548		664 818
39		*of which: to related companies*	0		387 317
40	21	Impairment on interests, securities, long-term loans, bank deposits	0		0
41	22	Other expenses on financial transactions	1 955 198		4 221 879
42		*of which: revaluation difference*	0		0
43	**IX.**	**Expenses on financial transactions (18+19+20+21+22)**	**2 243 746**	**0**	**4 886 697**
44	**B.**	**PROFIT OF FINANCIAL TRANSACTIONS (VIII.-IX.)**	**-446 408**	**0**	**-1 607 946**
45	**C.**	**PROFIT/LOSS BEFORE TAX (±A.±B.)**	**6 827 454**	**0**	**2 207 338**
46	X.	Tax payable	510 071		395 684
47	**D.**	**PROFIT/LOSS AFTER TAX (±C.-X.)**	**6 317 383**	**0**	**1 811 654**

Date and place: Budapest,19/05/2021

representative of the entity
Income statement

10571086-1082-113-01
Statistical code

01-09-267926
Registration number

Supplementary notes
Nestlé Hungária Kft.
01/01/2020 - 31/12/2020

Date and place: Budapest, 19/05/2021

SUPPLEMENT

A. GENERAL INFORMATION

1 Details of Company

Full name of Company:	Nestlé Hungária Korlátolt Felelősségű Társaság
Abbreviated name of Company:	Nestlé Hungária Kft.
hereinafter referred to as:	"Company"
Registration no.:	01-09-267926
Statistical code:	10571086-1082-113-01

2 Transformation, merger, demerger

Cereal Partners Hungária Kft. has been merged into Nestlé Hungária Kft. on October 31, 2019. At the time of the merger, the assets and liabilities were valued on market price, no special revaluation was necessary due to the transaction. Correction on the merge performed in current year are reflected in Appendix 1.

3 Registered office and sites

Registered office: 1095 Budapest, Lechner Ödön fasor 7.

The annual report of Company is also available on the website of Company.
Address of or link to the website: https://www.nestle.hu/

1061 Budapest, Andrássy street 27. Site
1117 Budapest, Október Huszonharmadika street 8-10. Site
1087 Budapest, Kerepesi street 9. Site
1123 Budapest, Alkotás street 53. Site
1024 Budapest, Lövőház street 2-6. Site
3900 Szerencs, Rákóczi street 124. Branch
3533 Miskolc, Fürdő street 4. Branch
9737 Bük, Darling street 1. Branch
9027 Győr, Budai út 1. Site

4 Activity of Company

A major activity of the Company is manufacturing and sale of quality food products applying Nestlé's professional background for local and international products.

5 Management of the Company

Person(s) authorised to sign the report

Name	Address	Signatory authority
Noszek Péter	1141 Budapest, Vezér utca 97.	single
Ivana Ljubicic	1053 Budapest, Henszlmann Imre u. 3.	joint
Megyesné Kenyó Ilona	2765 Farmos, Tó köz 8.	joint

6 Ownership structure

Owner				Level of influence of the owner
Name	Registered office	Voting right (%)	Amount of subscribed/ registered capital	
Société des Produits Nestlé S.A.	1800 Vevey, Av.Nestle 55., Svájc	100%	6 000 000	qualifying majority
Total		100%	6 000 000	

7 Preparation of consolidated annual report

7.1 Inclusion in the preparation of consolidated annual report

The following entity prepares the consolidated annual report for the largest unit in the Group in which Company is included as a subsidiary:

Name:	Société des Produits Nestlé S.A.
Registered office:	1800 Vevey, Av. Nestle 55., Svájc
Place or website where the report is available for inspection:	1800 Vevey, Av. Nestle 55., Svájc

The following entity prepares the consolidated annual report for the smallest unit in the Group in which Company is included as a subsidiary:

Name:	Société des Produits Nestlé S.A.
Registered office:	1800 Vevey, Av. Nestle 55., Svájc
Place or website where the report is available for inspection:	1800 Vevey, Av. Nestle 55., Svájc

8 Preparation of the report

Person responsible for directing and managing bookkeeping tasks and for the preparation of the report

Name:	Megyesné Kenyó Ilona
Address:	2765 Farmos, Tó köz 8.
Registration number:	171343

9 Audit

The report of Company was audited by an auditor.

Data of the entity and natural person performing the audit:

Name of company:	Ernst & Young Könyvvizsgáló Korlátolt Felelősségű Társaság
Address:	1132 Budapest, Váci út 20.
Registration number:	01-09-267553
Name of natural person:	Bartha Zsuzsanna Éva
Address:	5900 Orosháza, Rákóczi út 25.
Registration number:	005268

B. DESCRIPTION OF ACCOUNTING POLICIES

1 Compliance with laws and accounting principles

The procedures, measurement principles and accounting methods used by Company in the preparation of the annual report comply in all material respects with Act C of 2000 on Accounting (hereinafter referred to as: “Act on Accounting”) and its amendments.
Company prepared its accounting policies in accordance with the provisions of the Act on Accounting, and they do not deviate from the general accounting principles.

2 Financial year, reporting date, balance sheet preparation date

Financial year of Company:	Period from 01/01/2020 to 31/12/2020
Balance sheet preparation date:	31/03/2021

3 Bookkeping, balance sheet and income statement structure

Accounting records are prepared in accordance with the rules of double-entry bookkeeping.
The Act on Accounting provides the option to choose from the balance sheet and income statement templates with different structures included in its Appendix.

Type of chosen balance sheet template:	"A"
Chosen method of preparing the income statement:	total-cost method
Reporting and bookkeeping currency:	HUF

4 Significant errors

An error shall be construed as significant if, in the year when discovered, the absolute value of all errors discovered by audit (whether negative or positive) in the aggregate for the same year and the impacts thereof - increasing or decreasing the profit or loss or the equity - exceeds 2 per cent of the balance sheet total of the year audited, or HUF 1 million, if such 2 per cent of the balance sheet total does not exceed HUF 1 million.

5 Valuation of items and transactions in currencies other than the bookkeeping currency

Exchange rate used for revaluation of assets and liabilities denominated in other than presentation currency at the transaction date and at the year end
the official foreign exchange rate published by the Hungarian National Bank ("HNB")

Method used to determine the cost of FX and currency stocks: individual value

6 Exceptional items in terms of size

The Company deems an item exceptional in terms of size or occurrence if the amount exceeds 2% of the balance sheet total of the financial year, or HUF 1 million, if such 2 per cent of the balance sheet total does not exceed HUF 1 million.

7 Permanent and significant

Any difference that meets the following criteria is considered permanent and significant for the purposes of extraordinary depreciation, impairment and reversal thereof:

Permanent

Act on Accounting 45§(4): applying 53-56.§, the difference of netbookvalue and market value is permanent, if it is consist for more than 1 year based on the past facts or future expectations. The difference is permanent too, independently from its existence, if at the valuation the difference could be considered as definitive based on the current information.

Significant

It is significant, if the amount is higher than 2% of the balance sheet total, or HUF 1 million, if such 2% of the balance sheet total does not exceed HUF 1 million.

8 Valuation of receivables

The Company rates customers, debtors individually when determining impairment on receivables, and the impairment is accounted for based on the expected recoverable amount.

9 Valuation of inventories

Method used for the valuation of inventories

Description	Valuation method	Determination of direct prime cost
Raw materials and consumable goods	FIFO	-
Goods	FIFO	-
Self-manufactured inventories	weighted average cost	post-calculation

10 Depreciation of intangible and tangible assets

10.1 Depreciation method

Depreciation is accounted for using the straight-line method from the date of capitalisation.
Depreciation is accounted (frequency): monthly

Low-value assets are accounted for in one amount as ordinary depreciation upon first use.
Value limit for low-value assets: 200 eFt

10.2 Useful life, depreciation rate

Company specified the following useful lives and depreciation rates for the individual asset groups:

Balance sheet row	Asset group: useful life (years) or depreciation rate (%)
INTANGIBLE ASSETS	
Capitalised value of formation and transformation	20,00%
Capitalised value of research and development	Based on custom evaluation
Rights and concessions	Based on custom evaluation
Intellectual property	33,30%
Goodwill	10.00-20.00%
TANGIBLE ASSETS	
Land and buildings and related rights and concessions	2-5%
Plant, equipment, machinery, vehicles	4-10%;20%
Other equipment, fittings, vehicles	14,5-33%
Breeding animals	N/A

10.3 Residual value

The Company determines residual value for the self constructed offices (30%) and warehouses (20%).

10.4 Other information relating to ordinary and extraordinary depreciation of intangible and tangible assets

The Company is calculating impairment for those assets, which value is decreasing significantly. The reason could be: the asset became obsolete due to the change of the activities or the asset is not serving its original purpose due to any damage or annihilation.

11 Derivative transactions

Our hedging structure type is net, so we have deals for the difference of the Buy and Sell positions in foreign currencies. The hedging currencies are EUR, USD and GBP. The BUY position covers our foreign vendor payments. There are ‘affiliate’ and ‘local’ hedge deals.

Based on Nestlé Hungary Treasury input, all deals are concluded by NTCE on behalf of Nestlé Hungary. Benchmark for Buying is 3 months, while Selling is 5 months.
The mentioned foreign currency buying and selling deals are derivative deals as the deal performance is finalized at the time of deal finishing (date of expiry), real delivery of the deal object and payment of defined price, in accordance with immediate buying and selling deals definition.

According to the Accounting law, deadlined delivery deals, not performed - not finalized - at the balance date, do not require selling tasks or impacted by this accounting tasks neither at the balance date nor at the time of balance preparation.

Above the mentioned before deals our company has foreign currency SWAP deals.
Open swap deals on the balance sheet’s preparations date are accounted as it is described in the Accounting Law under § 32 and 44.

12 Material changes in the accounting policies and quantitative effects thereof on profit/loss

The accounting policy defines the scope of material, significant, insignificant, insignificant information, revenues, costs and expenses of exceptional size or occurrence for accounting and valuation purposes.

C. NOTES TO THE BALANCE SHEET

1 Fixed assets

1.1 INTANGIBLE ASSETS

1.1.1 Changes to intangible assets in the reporting year

Changes to intangible assets in the reporting year are presented in the table included in Appendix 4.

1.2 TANGIBLE ASSETS

1.2.1 Changes to tangible assets in the reporting year

Changes to tangible assets in the reporting year are presented in the table included in Appendix 5.

1.2.2 Assets under construction, renovations and payments on account

Description	Assets under construction	Payments on account
Bük	3 428 688	5 369 682
Szerencs-Diósgyőr	1 033 002	-
Budapest	164 678	-
Assets under construction, renovations and payments on account	**4 626 368**	**5 369 682**

1.2.3 Other long-term interests

Data of interests in affiliated companies are included in Appendix 6.

2 Current assets

2.1 Inventories

2.1.1 Changes in impairment on inventories in the reporting year

Description	Opening	Reporting year impairment	Reversed impairment	Derecognition and other	Closing
Raw materials and consumable goods	15 706	29 621	(15 706)		29 621
Work in progress and semi-finished goods	-	2 064	-		2 064
Finished goods	12 627	7 166	(12 627)		7 166
Goods	2 691	48 207	(2 691)		48 207
Total	**31 024**	**87 059**	**(31 024)**	**-**	**87 059**

2.2 Receivables

2.2.1 Trade receivables

Description	Previous year	Reporting year	Change %
Domestic receivables	5 397 423	4 771 115	-12%
Foreign receivables	9 018	-	-100%
Totel trade receivables	**5 406 441**	**4 771 115**	**-12%**

2.2.2 Receivables from related companies

2.2.2.1 Receivables from related companies according to the nature of relationship

Description	Previous year	Reporting year	Change %
Joint venture or joint venture of a direct or indirect parent company	13 636 421	14 024 339	3%
Total receivables from related companies	**13 636 421**	**14 024 339**	**3%**

2.2.2.2 Receivables from related companies

Description	Previous year	Reporting year	Change %
Trade receivables	13 636 421	14 024 339	3%
Total receivables from related companies	**13 636 421**	**14 024 339**	**3%**

2.2.3 Other receivables

Description	Previous year	Reporting year	Change %
Advances given	28 283	15 616	-45%
Trade creditors with debts	50 843	67 241	32%
Receivables from employees	9 683	12 782	32%
Corporation tax	110 180	626 518	469%
Local business tax	283 959	-	-100%
Other taxes and similar payment obligations	216 973	10 068	-95%
Other	58 157	76 788	32%
Innovation Tax	16 214	-	-100%
Construction trustee	-	1 560 331	100%
Total other receivables	**774 292**	**2 369 344**	**206%**

2.2.4 Changes in impairment on receivables in the reporting year

Description	Cost	Opening	Reporting year impairment	Reversed impairment	Derecognition and other	Closing
Trade receivables	70 954	70 954	34 906	- 70 954		34 906
Total	**70 954**	**70 954**	**34 906**	**- 70 954**	**-**	**34 906**

3 Equity

3.1 Changes in the elements of equity in the reporting year

The table presenting the changes in the individual elements of equity by title is included in Appendix 1.

4 Provisions

4.1 Provisions for expected liabilities

4.1.1 Changes in provisions for expected liabilities in the reporting year by title

Description	Opening	Allocation in the reporting year	Use in the reporting year	Release in the reporting year	Closing
Other	370 240	3 183 669		- 370 240	3 183 669
Total	**370 240**	**3 183 669**	**-**	**- 370 240**	**3 183 669**

4.2 Other information on provisions

There is a one off tax provision set for the previous years and current year.

5 Long-term liabilities

5.1 Other long-term loans

Description	Previous year	Reporting year	Change %
Other long term liabilities	18 000 000	33 000 000	83%
Total other long-term loans	**18 000 000**	**33 000 000**	**83%**

5.2 Long-term liabilities to related companies

5.2.1 Long-term liabilities to related companies according to the nature of the relationship

Description	Previous year	Reporting year	Change %
Joint venture or joint venture of a direct or indirect parent company	20 000 000		-100%
Total long-term liabilities to related companies	**20 000 000**	**-**	**-100%**

5.2.2 Details of long-term liabilities to related companies

Description	Previous year	Reporting year	Change %
NFI loan	20 000 000	-	-100%
Total long-term liabilities to related companies	**20 000 000**	**-**	**-100%**

6 Current liabilities

6.1 Trade liabilities

Description	Previous year	Reporting year	Change %
Domestic trade payables	8 889 953	12 155 609	37%
Foreign trade payables	6 187 279	6 227 853	1%
Total trade liabilities	**15 077 232**	**18 383 462**	**22%**

6.2 Current liabilities to related companies

6.2.1 Current liabilities to related companies according to the nature of the relationship

Description	Previous year	Reporting year	Change %
Joint venture or joint venture of a direct or indirect parent company	8 475 967	23 557 482	178%
Total current liabilities to related companies	**8 475 967**	**23 557 482**	**178%**

6.2.2 Details of current liabilities to related companies

Description	Previous year	Reporting year	Change %
Trade payables	8 475 967	23 557 482	178%
Total current liabilities to related companies	**8 475 967**	**23 557 482**	**178%**

6.3 Other current liabilities

Description	Previous year	Reporting year	Change %
Trade debtors with receivables	9 725	4 490	-54%
Liabilities related to employees	51 631	1 288 049	2395%
Value added tax	530 222	925 288	75%
Other taxes and similar payment obligations	551 162	547 333	-1%
Other	202 686	2 384	-99%
Commercial expenses	617 593	699 399	13%
Local business tax	-	262 877	100%
Innovation tax	-	43 630	100%
Total other current liabilities	**1 963 019**	**3 773 450**	**92%**

7 Accrued expenses and deferred income

7.1 Accrued expenses

Description	Previous year	Reporting year	Change %
Public utility fees	337 481	191 841	-43%
Costs of other services	1 551 809	839 227	-46%
Interest	2 660	36 921	1288%
Commercial expenses	1 585 850	2 027 389	28%
Marketing expenses	110 101	455 471	314%
Staff costs	887 995	1 141 509	29%
Logistic expenses	173 320	198 828	15%
Cost of procurement services	-	76 019	100%
Total accrued expenses	**4 649 216**	**4 967 205**	**7%**

D. NOTES TO THE INCOME STATEMENT

1 Net sales revenue

1.1 Sales revenue from related companies

Description	Previous year	Reporting year	Change %
Joint venture or joint venture of a direct or indirect parent company	95 951 265	97 029 908	1%
Total net sales revenue from related companies	**95 951 265**	**97 029 908**	**1%**

1.2 Net sales revenue by activity

Description	Previous year	Reporting year	Change %
Net domestic sales revenue	59 370 179	122 249 956	106%
Domestic services	295 536	353 268	20%
Net export sales revenue	94 172 346	38 471 607	-59%
Export services	642 321	3 111 412	384%
Total net sales revenue	**154 480 382**	**164 186 243**	**6%**

The significant increase in domestic sales is due to a change in the business model of the Purina category, thereby reducing export sales.

1.3 Net export sales revenue

1.3.1 Net export sales revenue broken down by goods exports and services exports

Description	Previous year	Reporting year	Change %
Goods exports	94 172 346	38 471 606	-59%
Goods exports	**94 172 346**	**38 471 606**	**-59%**
Services exports	642 321	3 111 412	384%
Services exports	**642 321**	**3 111 412**	**384%**
Total net export sales revenue	**94 814 667**	**41 583 018**	**-56%**

The significant decrease in export sales was due to the change in Purina's business model, in line with the increase in domestic sales.

1.3.2 Export sales revenue by geographical region

Description	Previous year	Reporting year	Change %
European Union (EU)	77 554 892	29 477 058	-62%
Countries outside the EU	12 506 441	9 592 531	-23%
Other parts of the world	4 753 334	2 513 429	-47%
Total net export sales revenue	**94 814 667**	**41 583 018**	**-56%**

2 Other income and other expenses

2.1 Other expenses

Description	Previous year	Reporting year	Change %
Carrying amount of intangible and tangible assets sold	114 741	197 305	72%
Extraordinary depreciation of intangible and tangible assets	22 077	-	-100%
Allocation of provisions	370 240	3 183 669	760%
Impairment on inventories	31 024	87 059	181%
Impairment on receivables	70 954	34 906	-51%
Receivables considered bad debts which do not qualify as purchased receivables	28 263	25 384	-10%
Uninvoiced discounts given (payable) subsequently	456 497	640 187	40%
Other	26 508	197 549	645%
Other taxes and similar payment obligations	3 146 697	3 500 247	11%
Donations	-	87 572	100%
Total other expenses	**4 267 001**	**7 953 878**	**86%**

3 Material-type expenses

3.1 Material costs

Description	Previous year	Reporting year	Change %
Raw materials	22 135 170	25 637 803	16%
Packaging material	19 564 510	19 854 122	1%
Other	27 109 847	26 461 656	-2%
Other materials	823 877	988 633	20%
Public utility costs	1 542 420	1 659 540	8%
Total material costs	**71 175 824**	**74 601 754**	**5%**

3.2 Services used

Description	Previous year	Reporting year	Change %
Transportation, loading	429 028	191 848	-55%
Warehousing	1 198 127	1 373 796	15%
Lease	1 226 288	1 501 394	22%
Maintenance	1 602 046	1 407 596	-12%
Advertising	5 612 923	4 470 818	-20%
Other services used	3 768 685	5 396 064	43%
Royalties	3 512 521	2 341 719	-33%
Cost of sales	5 866 239	7 782 866	33%
Other, information technologies	758 663	110 004	-86%
Audit fees	47 750	21 500	-55%
Office costs	690 829	169 929	-75%
Total services used	**24 713 099**	**24 767 534**	**0%**

3.3 Cost of goods sold

Description	Previous year	Reporting year	Change %
Other	1 035 098	2 548 213	146%
Nespresso	4 845 997	5 261 175	9%
Maggi	2 525 687	2 818 653	12%
Nescafé, Dolce Gusto	5 112 282	6 683 682	31%
Chocolate	3 642 801	3 886 069	7%
Baby food	294 784	351 136	19%
Animal food	7 027 575	6 633 308	-6%
Cereals	-	1 902 087	100%
Total cost of goods sold	**24 484 224**	**30 084 323**	**23%**

4 Staff costs

4.1 Staff-related data

Wage costs and other staff benefits incurred in the reporting year and headcount:

Description	Wage earners	Salaried employees	Total
Wage costs	9 887 313	1 987 598	**11 874 911**
Other staff benefits	3 422 968	710 622	**4 133 590**
Total	**13 310 281**	**2 698 220**	**16 008 501**
Average number of staff	1 488	660	**2 148**

4.2 Wage contributions by title

Title	Amount
Health contribution, vocational training contribution	337 599
Wage contributions	2 216 843
Rehabilitation contribution	135 580
Other wage contributions	93 593
Total Wage contributions	**2 783 615**

5 Depreciation

5.1 Reporting year depreciation

Depreciation of intangible and tangible assets broken down by balance sheet row and depreciation method is presented in the tables included in Appendices 4. and 5.

6 Income from and expenses on financial transactions

6.1 Income from financial transactions

6.1.1 Other income from financial transactions

Description	Previous year	Reporting year	Change %
Realised exchange gains on foreign exchange and currency reserves, receivables, investments, securities and liabilities denominated in foreign currencies	1 577 565	2 876 692	82%
Aggregated unrealised exchange gains on foreign exchange and currency reserves, receivables, investments, securities and liabilities denominated in foreign currencies	136 632	387 227	183%
Total other income from financial transactions	**1 714 197**	**3 263 919**	**90%**

6.2 Expenses on financial transactions

6.2.1 Other expenses on financial transactions

Description	Previous year	Reporting year	Change %
Realised exchange losses on foreign exchange and currency reserves, receivables, investments, securities and liabilities denominated in foreign currencies	1 899 285	3 404 623	79%
Aggregated unrealised exchange losses on foreign exchange and currency reserves, receivables, investments, securities and liabilities denominated in foreign currencies	55 913	817 256	1362%
Total other expenses on financial transactions	**1 955 198**	**4 221 879**	**116%**

7 Proposal relating to the use of profit after tax (approval of dividend)

The 100% of the total profit after-tax of 2020, ie THUF 1,811,654 decreased by the negative profit reserve available for dividend payment, amounting to THUF -270,496 proposed to be paid to the owner as dividends, for a total amount of THUF 1,541,158.

8 Dividends

The Company decides on the use of the profit after the approval of the financial statements.

Dividends approved in the reporting year: 6 754 822 THUF

E. ADDITIONAL INFORMATION

1 Grants received

Grants received are described in Note 11.

2 Fees for services provided by the auditor

Description	Reporting year
Audit	21 500
Other assurance services	
Tax advisory services	
Other non-audit services	20 493
Total audit-related services	**41 993**

3 Import purchases

Value of import purchases broken down by import of goods and import of services and by geographical segments

Description	Previous year	Reporting year	Change %
Import of goods	73 968 245	93 863 051	27%
Total import of goods	**73 968 245**	**93 863 051**	**27%**
Royalties	3 512 521	2 341 179	-33%
Import of services	7 633 502	9 268 643	21%
Total import of services	**11 146 023**	**11 609 822**	**4%**
Total value of import purchases broken down by import of goods and import of services	**85 114 268**	**105 472 873**	**24%**
European Union (EU)	63 695 961	61 379 786	-4%
Countries outside the EU	13 001 774	35 687 069	174%
Other parts of the world	8 416 533	8 406 018	0%
Total value of import purchases broken down by geographical segments	**85 114 268**	**105 472 873**	**24%**

4 Derivative transactions

Derivative transaction are presented in Appendix 7.

5 Hazardous waste

Changes in hazardous waste is presented in Appendix 8.

6 Reconciling items

Calculation of the tax base is included in Appendix 9.

7 Remuneration of, advances and loans to senior executives, senior executives top management, members of the Supervisory Board

7.1 Remuneration

Senior executives, senior executives top management, did not receive remuneration, members of the Supervisory Board are entitled to receive remuneration in amount of HUF 110 000 /member/year.

7.2 Advances, loans and guarantees

The Company did not disburse advances to senior executives, senior executives top management, members of the Supervisory Board.

The Company did not disburse loans to senior executives, senior executives top management, members of the Supervisory Board.

The Company did not undertake guarantees for senior executives, senior executives top management, members of the Supervisory Board.

8 Material transactions with related parties

There were no material related party transactions not conducted on terms equivalent to those prevailing in arm's length transactions.

9 Assets, financial position, results of operations

Indicators relating to assets, financial position and results of operation are included in Appendix 10.

10 Other information

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the Company's 31 December 2020 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Company cannot reasonably estimate the impact these events will have on the Company's financial position, results of operations or cash flows in the future.

Based on the experience of the year 2020, the demand for food products normalized after the initial surplus consumption. The pet food export business is performing as planned during the pandemic, there were no significant decline, and to the best of our knowledge, there will be no decrease in turnover in the future, therefore Nestlé Hungária is committed to making further investments. The solvency of the Company's customers is not expected to change negatively. Based on the revised plans, the financing of the Company is secured, the principle of continuing the business is not questioned.

As one of the largest players in the Hungarian food industry, the Company's key strategic task is the continuous supply of food and pet food to the consumers. To this end, it works closely with its supply chain, distribution and retail partners.
Production is continuous in all three factories in Hungary, and all safety and health precautions have been taken for the Company's employees, who ensure the supply of consumers with Nestlé products.

The Company has introduced unique wage benefits in the event of a coronavirus emergency: in addition to an average wage supplement of 10% for its employees in the production and supply chain, including a wage guarantee, a corporate loan moratorium, free meals, sick pay and sick leave and provided an extra wage supplement.

F. Cash flow statement

The cash flow statement of the Company is included in Appendix 2.

Date and place: Budapest,19/05/2021

Manager (representative) of the Company

Appendix 1.

Equity movement schedule

		Subscribed / Registered capital	Subscribed / Registered, but unpaid capital	Capital reserve	Profit reserve	Non-distributable reserve	Valuation reserve	Profit/Loss after tax	TOTAL
Opening balance	**31/12/2019**	**6 000 000**	**0**	**0**	**437 439**	**0**	**0**	**6 317 383**	**12 754 822**
Increase in subscribed / registered capital						-	-	-	0
Decrease in subscribed / registered capital			-				-	-	0
Transformation				209 178	-270 495			-	-61 317
Additional payments		-	-	-			-	-	0
Additional payments for loss		-	-	-			-	-	0
Repayment of additional payments for loss			-	-		-	-	-	0
Offset negative profit reserve		-	-		0		-	-	0
Increase in non-distributable reserve		-	-			0	-	-	0
Decrease in non-distributable reserve		-	-			0	-	-	0
Assets obtained based on regulations		-	-			-	-	-	0
Assets given based on regulations		-	-			-	-	-	0
Amount transferred to replenish subscribed, but unpaid capital									
Approved dividends and profit shares		-	-	-	-6 754 823	-	-	-	-6 754 823
Amount released from liability for dividends									
Upwards revaluation		-	-	-	-	-	0	-	0
Transfer of profit/loss after tax		-	-	-	6 317 383	-	-	-6 317 383	0
Retained profit for the year		-	-	-	-	-	-	1 811 654	1 811 654
Closing balance	**31/12/2020**	**6 000 000**	**0**	**209 178**	**-270 496**	**0**	**0**	**1 811 654**	**7 750 336**

Appendix 2.

Cash-flow statement

		01/01/2019 - 31/12/2019	01/01/2020 - 31/12/2020
I.	**Variation in cash-flow from operations (Operating cash-flow) (Rows: 1-14)**	**5 034 185**	**5 260 518**
1a	Profit or loss before tax ±	6 827 454	2 207 338
	of which: grant received for operations, financially settled	0	
1b	Adjustments in profit/loss before tax ±	0	0
1	*Adjusted profit/loss before tax (1a+1b) ±*	6 827 454	2 207 338
2	Amortisation +	4 477 203	5 087 360
3	Impairment loss and reversal ±	-81 203	246 887
4	Difference between the creation and usage of provisions ±	235 578	2 813 429
5	Gain or loss on sale of fixed assets ±	72 851	-7 431
6	Change in trade payables ±	-322 688	3 422 271
6a	Adjustment in Change in trade payables ±	0	
7	Change in short-term liabilities ±	68 248	1 908 045
7a	Adjustment in Change in short-term liabilities ±	0	
8	Change in income accruing for future periods, accrued expenses and deferred income ±	-227 659	275 933
8a	Adjustment in Change in income accruing for future periods, accrued expenses and deferred income ±	0	
9	Change in trade receivables ±	-1 940 916	-527 052
9a	Adjustment in Change in trade receivables ±	0	
10	Change in current assets (excluding trade receivables and liquid assets) ±	1 260 694	-2 617 123
10a	Adjustment in Change in current assets (excluding trade receivables and liquid assets) ±	0	
11	Change in accrued income, prepayments and deferred expenses ±	-218 410	-398 634
11a	Adjustment in Change in accrued income, prepayments and deferred expenses ±	0	
12	Change in long-term liabilities ±	0	0
12a	Adjustment in Change in long-term liabilities ±	0	
13	Tax paid (on profit) -	-510 070	-395 684
14	Dividends and profit-sharing paid -	-4 606 898	-6 754 822
II.	**Variation in cash-flow from investments (Investment cash-flow) (Rows: 15-21)**	**-4 227 586**	**-14 775 186**
15	Purchase of fixed assets -	-4 826 898	-9 232 983
16	Sale of fixed assets +	41 888	72 069
17	Repayment of non-current loans and termination, withdrawal of bank deposits +	36 985	8 455
18	Long-term loans and bank deposits -	0	0
19	Dividends and profit-sharing received +	83 000	0
20	Given supplementary payment -	0	0
21	Refund of supplementary payment +	0	0
	Advance payment to investment suppliers	0	-5 352 231
	Correction of the merge of Cereal Partners Hungária Kft.	437 439	-270 496
III.	**Variation in cash-flow from financial transactions (Financial cash-flow) (Rows:22-31)**	**-778 963**	**10 957 976**
22	Proceeds from issuance of shares, capital increase +	0	0
23	Receipts from the issue of bonds and debt securities +	0	0
24	Receipt of loans +	0	15 000 000
25	Liquid assets received free of charge +	0	0
26	Cancellation of shares, disinvestment (capital reduction) -	0	0
27	Redemption of bonds and debt securities -	0	0
28	Redemption and repayment of loans -	0	-20 000 000
29	Liquid assets given free of charge -	0	0
30	Supplementary payment received +	0	0
31	Repayment of supplementary payment -	0	0
	Change on Capital reserves	-80 857	209 178
	Change of Cash-pool balance	-698 106	15 748 798
IV.	**Change in liquid assets (±I±II±III.) ±**	**27 636**	**1 443 308**
32	Revaluation of FX cash ±		**0**
V.	**Change in liquid assets at balance sheet (IV. + row: 32)**	**27 636**	**1 443 308**
	Opening balance of liquid assets	**164 727**	**192 363**
	Closing balance of liquid assets	**192 363**	**1 635 671**

Notes to the cash flow statement

1. Items within "1b. Adjustments in profit/loss before tax" by title

Title	Amount
Dividends, profit shares received (-)	
Gain or loss on assets transferred as contribution in kind (±)	
Non-repayable cash and cash equivalents received for development purposes (-)	
Non-repayable cash and cash equivalents transferred (+)	
Forgiven liabilities related to assets (-)	
Unrealised exchange difference as at the reporting date on investments, non-current liabilities (±)	
Unrealised exchange difference as at the reporting date on FX cash and cash equivalents (±)	
Valuation difference from fair value measurements (±)	
1b. Total adjustments in profit/loss before tax	**-**

2. Reason for differences between changes in the balance sheet item and changes according to operating cash flows

Title	Trade liabilities	Other current liabilities	Accrued expenses and deferred income	Trade receivables	Current assets (without trade receivables and cash and cash equivalents)	Deferred expenses and accrued income
Change in the balance sheet item*	**3 422 271**	**16 873 523**	**275 933**	**(537 716)**	**(1 777 768)**	**(398 634)**
Impairment, reversal of impairment (±)				10 664	(839 355)	
Missing, surplus inventory items (±)						
Damage (-)						
Bad debts (-)						
Dividends, profit shares received (-)						
Dividends, profit shares paid (+)						
Income tax paid (+)						
Non-repayable cash and cash equivalents received for development purposes (-)						
Forgiven liability related to assets (+)						
Purchase of fixed assets (-)						
Interest, insurance premium, other costs not paid and capitalised as part of the cost of fixed assets (-)						
Self-manufactured fixed assets (-)						
Sale of fixed assets (±)						
Carrying amount of treasury shares, business shares repurchased in previous years and withdrawn in the reporting year (-)						
Carrying amount of current assets transferred as contribution in kind, derecognised, if the interests received in exchange for them are recognised as fixed assets (-)						
Value of interests recognised as current assets that were received in exchange for fixed assets transferred as contribution in kind, derecognised (contribution in kind value) (+)						
Recorded value at initial recognition of current assets received as contribution in kind (contribution in kind value) (+)						
Issuance of shares, capital increase (±)						
Withdrawal of shares (capital decrease) (-)						
Additional capital contribution provided or received back other than in cash (±)						
Additional capital contribution received or returned other than in cash (±)						
Reclassifications between fixed assets and current assets (±)						
Reclassifications between non-current and current liabilities (±)						
Changes between balance sheet line items (±)						
Change of Cash-pool balance		(14 965 478)				
Change according to the cash flow statement (±)	**3 422 271**	**1 908 045**	**275 933**	**(527 052)**	**(2 617 123)**	**(398 634)**

*In the 'Change in the balance sheet item' column a positive (negative) amount represents an increase (decrease) for liability items and a decrease (increase) for asset items.

Appendix 3.

Transactions with related parties

Transaction type	Type of relationship	Transaction value	Other information necessary to evaluate the transaction
Net sales	other related party	94 213 277	
Cost of goods purchased	other related party	52 386 160	
Dividend - paid	other related party	6 754 823	
Royalties	other related party	2 341 719	
Interest - received	other related party	14 832	
Interest - paid	other related party	387 317	

Appendix 4.

Intangible assets

	Capitalised value of formation and transformation	Capitalised value of research and development	Rights and concessions	Intellectual property	Goodwill	Total
GROSS BOOK VALUE						
Opening balance	0	0	1 793 058	4 901 306	0	6 694 364
Increase				920		920
Decrease				-859		-859
Reclassification						0
Other						0
Closing balance	0	0	1 793 058	4 901 367	0	6 694 425
Accumulated amortization						
Opening balance	0	0	0	4 901 306	0	4 901 306
Amortization						0
Extraordinary amortization						0
Reversal of extraordinary amortization						0
Decrease				-859		-859
Reclassification						0
Other						0
Closing balance	0	0	0	4 900 447	0	4 900 447
Opening balance	**0**	**0**	**1 793 058**	**0**	**0**	**1 793 058**
Closing balance	**0**	**0**	**1 793 058**	**920**	**0**	**1 793 978**
ADVANCES ON INTANGIBLE ASSETS						
Opening balance						**0**
Closing balance						**0**
Opening balance	**0**	**0**	**1 793 058**	**0**	**0**	**1 793 058**
Closing balance	**0**	**0**	**1 793 058**	**920**	**0**	**1 793 978**

Appendix 5.

Tangible assets

	Land and buildings and related rights and concessions	Plant, equipment, machinery, vehicles	Other equipment, fittings, vehicles	Breeding animals	Assets under construction, renovations	Total
GROSS BOOK VALUE						
Opening balance	25 805 828	51 767 164	11 047 646	0	1 463 150	90 083 787
Capitalization	1 483 735	2 653 201	1 745 383		-5 882 318	0
Increase					9 232 063	9 232 063
Decrease	-164 010	-1 336 157	-981 627			-2 481 794
Reclassification	-19 650		16 533		-186 527	-189 644
Other						0
Closing balance	27 105 903	53 084 208	11 827 935	0	4 626 368	96 644 413
Accumulated amortization						
Opening balance	6 693 441	27 463 487	7 632 072	0	189 644	41 978 644
DEPRECIATION	868 992	3 017 565	1 200 803			5 087 360
Extraordinary amortization						0
Reversal of extraordinary amortization						0
Decrease	-64 636	-1 202 684	-948 317			-2 215 637
Reclassification					-189 644	-189 644
Other						0
Closing balance	7 497 797	29 278 367	7 884 558	0	0	44 660 722
Opening balance	**19 112 386**	**24 303 678**	**3 415 574**	**0**	**1 273 506**	**48 105 144**
Closing balance	**19 608 105**	**23 805 841**	**3 943 377**	**0**	**4 626 368**	**51 983 691**
PAYMENTS ON ACCOUNT						
Opening balance						**17 450**
Closing balance						**5 369 682**
Opening balance	**19 112 386**	**24 303 678**	**3 415 574**	**0**	**1 273 506**	**48 122 594**
Closing balance	**19 608 105**	**23 805 841**	**3 943 377**	**0**	**4 626 368**	**57 353 373**

Appendix 6.

Investments

1 **Affiliated companies**

Name of entity	Address	Interest (%)	Book value	
			Long-term interest	Current assets
Forum-Pro Industry Non-Profit Kft.	2184 Vácegres, Akácfa u. 16.	4%	1 850	
Total			**1 850**	**-**

Appendix 7.

Derivative transactions

1 **Details of derivative transactions that are still open at the reporting date**

Identifier	Subject matter of the transaction	Type of derivative deal	Hedge deal?	Clearing or derlivery purpose?	Stock exchange deal?	Maturity date	Contracted amount (strike price, rate)	Estimated impact on profit or loss (fair value)	Expected cash flow effect	Impact on profit or loss for the current year
7927524	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	2021.04.20	357	- 2 233 796		
7929589	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	2021.04.20	357	- 3 210 157		
7927518	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	2021.04.20	357	- 2 857 331		
7967219	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	2021.04.20	400	479 878		
7966996	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	2021.04.20	300	449 760		
7966482	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	2021.04.20	302	423 077		
7992109	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	2021.04.30	357	2 353 560		
7992467	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	2021.04.30	356	2 846 829		
7992271	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	2021.05.25	357	- 1 195 411		
7994456	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	2021.05.25	356	- 2 850 289		
8012591	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	2021.05.25	359	- 1 795 119		
7992583	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	2021.05.25	356	- 1 422 394		
8012069	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	2021.05.25	396	209 002		
7995335	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	2021.05.25	387	182 622		
8008859	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	2021.05.25	291	305 214		
7995350	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	2021.05.25	293	131 791		
7992578	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	2021.05.28	356	1 067 918		
7992589	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	2021.05.28	356	1 422 732		
Total								**- 5 692 115**	**-**	**-**

2 **Details of derivative transactions closed out by the reporting date**

Identifier	Subject matter of the transaction	Type of derivative deal	Hedge deal?	Clearing or derlivery purpose?	Stock exchange deal?	Gain or loss on the transaction	Cash flow effect
8036297	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	238 527	
8036294	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	455 426	
7728663	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	- 2 666 192	
7728649	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	- 2 943 334	
7728658	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	- 2 943 283	
7699506	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	190 935	
7728656	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	150 975	
7725258	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	116 690	
7699347	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	290 390	
7728650	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	438 069	
7921171	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	1 074 090	
7838339	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	1 081 888	
8036299	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	- 238 661	
8001337	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	222 994	
7838334	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	1 442 565	
7849004	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	1 443 690	
8036296	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	- 455 683	
7838343	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	- 1 461 654	
7896052	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	- 2 579 279	
7838336	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	- 2 526 399	
7838344	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	- 1 804 511	
7849005	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	- 1 806 048	
7901729	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	2 583 223	
7796099	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	388 922	
7785941	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	740 755	
7927520	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	2 247 705	
8002055	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	807 843	
7927514	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	2 852 300	
7918655	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	- 1 260 103	
7915091	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	- 759 912	
7901730	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	- 2 585 755	
7883956	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	- 1 832 382	
7895648	sell	Forward	hedge deal	delivery purpose	non-stock exchange deal	- 1 839 250	
7929283	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	478 800	
7929495	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	452 685	
7929591	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	2 352 949	
8011759	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	1 075 632	
8001338	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	1 109 057	
7929586	buy	Forward	hedge deal	delivery purpose	non-stock exchange deal	2 852 059	
Total						**- 2 614 274**	**-**

Appendix 8.

Hazardous waste

Nr	EWC code	Quantity (kg)	Vendor	Place
1	200133	12	ÉMK Kft - 100327813	Szerencs
2	200121	17	ÉMK Kft	Szerencs
3	80317	79	ÉMK Kft.	Szerencs
4	160506	511	ÉMK Kft.	Szerencs
5	150202	76	ÉMK Kft.	Szerencs
6	80409	5	ÉMK Kft.	Szerencs
7	150111	4	ÉMK Kft	Szerencs
8	150110	748	ÉMK Kft	Szerencs
9	180103	6	Meditrade Kft. - 100908764	Szerencs
10	130205	4	ÉMK Kft.	Diósgyőr
11	200121	13	ÉMK Kft.	Diósgyőr
12	150110	86	ÉMK Kft.	Diósgyőr
13	140603	113	ÉMK Kft.	Diósgyőr
14	150202	173	ÉMK Kft.	Diósgyőr
15	200133	7	ÉMK Kft.	Diósgyőr
16	180103	6	Meditrade Kft.	Diósgyőr
17	200135	2 595	Megoldás Kft	Bük
18	150202	3 074	Megoldás Kft	Bük
19	150202	15	Envirotrade Kft	Bük
20	150110	5 560	Megoldás Kft	Bük
21	200121	127	Megoldás Kft	Bük
22	60205	126	Megoldás Kft	Bük
23	60106	1 963	Megoldás Kft	Bük
24	150111	465	Megoldás Kft	Bük
25	80317	515	Megoldás Kft	Bük
26	130205	720	Envirotrade Kft	Bük
Total		**17 020**		

Appendix 9.

Corporate income tax calculation

1 **Income tax calculation**

Description	Corporate income tax
Profit or loss before tax	**2 207 338**
Tax base increasing items	
Provision made	3 183 668
Depreciation expense according to Hungarian Accounting Law, disposal of tangible assets and intangible assets	5 353 722
Costs and expenses not incurred in the interest of the business activity	338 580
Fine, expenses arising from sanctions prescribed by law	2 387
Debts cancelled, if the debts are not treated as irrecoverable	25 384
The amount accounted for as a reduction in income, capitalised value of own performance or as an increase in costs, expenses in the course of a tax audit or self-revision	224
Impairment on receivables	34 906
Tax base decreasing items	
Provision used, released	- 370 241
Depreciation deductible for corporate income tax purposes	- 6 274 729
Write-back of impairment on receivable	- 70 954
Grant to public benefit organization	- 33 797
Tax base	**4 396 488**
Tax rate	9%
Calculated tax	**395 684**
Tax calculated on the basis of minimum income	**-**
Tax liability for the current year	**395 684**

Profit or loss before tax	**2 207 338**
Total tax liability for the current year	**395 684**
Profit or loss after tax	**1 811 654**

Appendix 10.

Profitability, financial indicators, property and capital structure, expense structure

1 Profitability

Description	Calclulation method	Balance Sheet reference	Previous year	Current year
Return on sales	Trading profit / Net sales revenue	Er. A / Er. I.	4,71%	2,32%
Net equity effectiveness	Profit after tax / Equity	Er. F / D.	49,53%	23,38%
Net equipment effectiveness	Profit after tax / Total assets	Er. F / A+B+C	7,77%	1,91%

2 Financial indicators

Description	Calclulation method	Balance Sheet reference	Previous year	Current year
Liquidity ratio	Current assets / Current liabilities	B / F.III.	1,21	0,76
Liquidity quick ratio	Liquid assets + Securities + Receivables / Current liabilities	B.IV.+B.III.+B.II. / F.III.	0,78	0,50
Cash liquidity ratio	Liquid assets + Securities / Current liabilities	B.IV.+B.III. / F.III.	0,01	0,04
Net working capital	Current assets – Current liabilities	B – F.III.	5 423 093	-11 113 909
Receivables (in days)	Closing receivables / Daily average revenue	B.II.1. / Er.I./365	12,77	10,61
Inventories (goods) (in days)	Closing inventories (goods) / Daily average cost of goods sold	B.I.5. / Er.IV.8/365	46,43	36,89

3 Property and capital structure

Description	Calclulation method	Balance Sheet reference	Previous year	Current year
Capital structure ratio	Equity / Liabilities	D / F	0,20	0,10
Equity - Subscribed / Registered capital ratio	Equity / Subscribed / Registered capital	D / D.I.	2,13	1,29
Fixed assets coverage by equity	Fixed assets / Equity	A / D	3,92	7,63
Property structure	Fixed assets / Current assets	A / B	1,61	1,71
Fixed assets coverage	Fixed assets / Total assets	A / A+B+C	61,39%	62,46%

4 Cost structure

Description	Previous year		Current year	
	Amount	%	Amount	%
Net sales revenue	154 480 382	-	164 186 243	-
Changes in self-manufactured inventories	-2 078 796	-	379 968	-
Capitalised value of self-manufactured assets	0	-	0	-
Gross revenue	**152 401 586**	**-**	**164 566 211**	**-**
Other income	483 291	-	771 548	-
Total income	**152 884 877**	**100,00%**	**165 337 759**	**100,00%**
Material costs	71 175 824	46,56%	74 601 754	45,12%
Services used	24 713 099	16,16%	24 767 534	14,98%
Other services	175 564	0,11%	235 510	0,14%
Cost of goods sold	24 484 224	16,01%	30 084 323	18,20%
Services sold (mediated)	0	0,00%	0	0,00%
Material-type expenses	**120 548 711**	**78,85%**	**129 689 121**	**78,44%**
Wage costs	10 256 498	6,71%	11 874 911	7,18%
Other staff benefits	3 414 034	2,23%	4 133 590	2,50%
Wage contributions	2 647 568	1,73%	2 783 615	1,68%
Staff costs	**16 318 100**	**10,67%**	**18 792 116**	**11,37%**
Depreciation	4 477 203	2,93%	5 087 360	3,08%
Other expenses	4 267 001	2,79%	7 953 878	4,81%
Total expenses	**145 611 015**	**95,24%**	**161 522 475**	**97,69%**
Trading profit	**7 273 862**	**4,76%**	**3 815 284**	**2,31%**

Appendix 11.

Grants received

Description of the grant (identifier)		**25/2020. (VI. 22.) AM regulation**						
Nature of grant		**non-repayable grant received**						
Year (period)	**Amount received**	**Amount used detailed by title**						**Total amount used**
		Mitigating COVID-19' economic effects (HUF)						
2020	**215 241 176**	**215 241 176**						215 241 176
Total	**215 241 176**	**215 241 176**	**-**	**-**	**-**	**-**	**-**	**215 241 176**
Amount available								**-**

Annex 4.

THE GUARANTOR'S 2020 CONSOLIDATED FINANCIAL STATEMENTS

Nestlé Good food, Good life

Financial Statements 2020

Consolidated Financial Statements of the Nestlé Group 2020

154th Financial Statements of Nestlé S.A.

Consolidated Financial Statements of the Nestlé Group 2020

Principal exchange rates

CHF per		2020	2019	2020	2019
		Year ending rates		Weighted average annual rates	
1 US Dollar	USD	0.881	0.969	0.937	0.993
1 Euro	EUR	1.083	1.086	1.070	1.112
100 Chinese Yuan Renminbi	CNY	13.482	13.911	13.596	14.366
1 Pound Sterling	GBP	1.203	1.272	1.202	1.269
100 Brazilian Reais	BRL	16.951	24.042	18.175	25.118
100 Philippine Pesos	PHP	1.834	1.912	1.893	1.920
100 Mexican Pesos	MXN	4.430	5.124	4.395	5.159
1 Canadian Dollar	CAD	0.691	0.743	0.698	0.749
100 Japanese Yen	JPY	0.854	0.892	0.877	0.911
100 Indian Rupee	INR	1.206	1.359	1.267	1.410
100 Russian Rubles	RUB	1.178	1.563	1.292	1.537
1 Australian Dollar	AUD	0.679	0.679	0.646	0.692

Consolidated income statement for the year ended December 31, 2020

In millions of CHF

	Notes	2020	2019
Sales		**84 343**	**92 568**
Other revenue		338	297
Cost of goods sold		(42 971)	(46 647)
Distribution expenses		(7 861)	(8 496)
Marketing and administration expenses		(17 370)	(19 790)
Research and development costs		(1 576)	(1 672)
Other trading income		238	183
Other trading expenses		(908)	(2 749)
Trading operating profit		**14 233**	**13 674**
Other operating income		1 919	3 717
Other operating expenses		(1 356)	(1 313)
Operating profit		**14 796**	**16 078**
Financial income		109	200
Financial expense		(983)	(1 216)
Profit before taxes, associates and joint ventures		**13 922**	**15 062**
Taxes	11	(3 365)	(3 159)
Income from associates and joint ventures	14	1 815	1 001
Profit for the year		**12 372**	**12 904**
of which attributable to non-controlling interests		140	295
of which attributable to shareholders of the parent (Net profit)		12 232	12 609
As percentages of sales			
Trading operating profit		16.9%	14.8%
Profit for the year attributable to shareholders of the parent (Net profit)		14.5%	13.6%
Earnings per share (in CHF)			
Basic earnings per share	15	4.30	4.30
Diluted earnings per share	15	4.29	4.30

Consolidated statement of comprehensive income for the year ended December 31, 2020

In millions of CHF

	Note	2020	2019
Profit for the year recognized in the income statement		**12 372**	**12 904**
Currency retranslations, net of taxes	17	(2 931)	(1 050)
Changes in cash flow hedge and cost of hedge reserves, net of taxes		(54)	(56)
Share of other comprehensive income of associates and joint ventures	10/17	(265)	49
Items that are or may be reclassified subsequently to the income statement		(3 250)	(1 057)
Remeasurement of defined benefit plans, net of taxes	10/17	(166)	(320)
Fair value changes on equity instruments, net of taxes	17	124	14
Share of other comprehensive income of associates and joint ventures	10/17	(340)	337
Items that will never be reclassified to the income statement		(382)	13
Other comprehensive income for the year	17	**(3 632)**	**(1 054)**
Total comprehensive income for the year		**8 740**	**11 850**
of which attributable to non-controlling interests		76	317
of which attributable to shareholders of the parent		8 664	11 533

Consolidated balance sheet as at December 31, 2020

before appropriations

In millions of CHF	Notes	2020	2019
Assets			
Current assets			
Cash and cash equivalents	12/16	5 235	7 469
Short-term investments	12	3 374	2 794
Inventories	5	10 101	9 343
Trade and other receivables	7/12	10 746	11 786
Prepayments and accrued income		477	498
Derivative assets	12	310	254
Current income tax assets		708	768
Assets held for sale	2	3 117	2 771
Total current assets		**34 068**	**35 663**
Non-current assets			
Property, plant and equipment	6	25 840	28 762
Goodwill	9	27 620	28 896
Intangible assets	9	20 148	17 824
Investments in associates and joint ventures	14	12 005	11 505
Financial assets	12	2 594	2 611
Employee benefits assets	10	468	518
Current income tax assets		—	55
Deferred tax assets	13	1 285	2 114
Total non-current assets		**89 960**	**92 277**
Total assets		**124 028**	**127 940**

In millions of CHF	Note	2020	2019
Liabilities and equity			
Current liabilities			
Financial debt	11	12 019	14 832
Trade and other payables	15	18 515	18 803
Accruals and deferred income		4 917	4 492
Provisions	11	508	802
Derivative liabilities	11	254	420
Current income tax liabilities		2 661	2 673
Liabilities directly associated with assets held for sale	2	848	393
Total current liabilities		**39 722**	**41 615**
Non-current liabilities			
Financial debt	11	27 928	23 132
Employee benefits liabilities	10	5 118	6 151
Provisions	11	1 029	1 162
Deferred tax liabilities	13	2 636	2 589
Other payables	15	1 081	429
Total non-current liabilities		**37 792**	**33 463**
Total liabilities		**77 514**	**75 078**
Equity	12		
Share capital		288	299
Treasury shares		(6 643)	(9 752)
Translation reserve		(24 397)	(21 526)
Other reserves		(365)	(45)
Retained earnings		76 812	83 860
Total equity attributable to shareholders of the parent		**45 695**	**52 035**
Non-controlling interests		819	827
Total equity		**46 514**	**52 862**
Total liabilities and equity		**124 028**	**127 940**

Consolidated cash flow statement for the year ended December 31, 2020

In millions of CHF

	Notes	2020	2019
Operating activities			
Operating profit	16	14 796	16 078
Depreciation and amortization	16	3 465	3 713
Impairment		711	2 336
Net result on disposal of businesses	3	(1 678)	(3 416)
Other non-cash items of income and expense	16	248	(28)
Cash flow before changes in operating assets and liabilities		**17 542**	**18 683**
Decrease/(increase) in working capital	16	314	349
Variation of other operating assets and liabilities	16	(699)	(94)
Cash generated from operations		**17 157**	**18 938**
Interest paid		(815)	(1 028)
Interest and dividend received		76	162
Taxes paid		(2 645)	(2 854)
Dividends and interest from associates and joint ventures	14	604	632
Operating cash flow		**14 377**	**15 850**
Investing activities			
Capital expenditure	7	(4 076)	(3 695)
Expenditure on intangible assets	8	(288)	(516)
Acquisition of businesses, net of cash acquired	3	(4 520)	(126)
Disposal of businesses, net of cash disposed of	3	3 916	9 959
Investments (net of divestments) in associates and joint ventures	14	(182)	(540)
Inflows/(outflows) from treasury investments		(749)	2 978
Other investing activities		232	296
Investing cash flow		**(5 667)**	**8 356**
Financing activities			
Dividend paid to shareholders of the parent	11	(7 700)	(7 230)
Dividends paid to non-controlling interests		(268)	(463)
Acquisition (net of disposal) of non-controlling interests		(1)	(16)
Purchase (net of sale) of treasury shares [1]		(6 814)	(9 773)
Inflows from bonds and other non-current financial debt	12	10 330	57
Outflows from bonds and current portion of other non-current financial debt	12	(3 182)	(3 287)
Inflows/(outflows) from current financial debt	12	(2 747)	(444)
Financing cash flow		**(10 382)**	**(21 156)**
Currency retranslations		(562)	(221)
Increase/(decrease) in cash and cash equivalents		**(2 234)**	**2 829**
Cash and cash equivalents at beginning of year		7 469	4 640
Cash and cash equivalents at end of year	15	**5 235**	**7 469**

[1] Net of sales [illegible]

Consolidated statement of changes in equity for the year ended December 31, 2020

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, 2019	306	(6 948)	(20 432)	(183)	84 620	57 363	1 040	58 403
Profit for the year	—	—	—	—	12 609	**12 609**	295	**12 904**
Other comprehensive income for the year	—	—	(1 094)	(7)	25	**(1 076)**	22	**(1 054)**
Total comprehensive income for the year	—	—	(1 094)	(7)	12 634	**11 533**	317	**11 850**
Dividends	—	—	—	—	(7 230)	**(7 230)**	(463)	**(7 693)**
Movement of treasury shares	—	(9 946)	—	—	175	**(9 771)**	—	**(9 771)**
Equity compensation plans	—	280	—	—	(142)	**138**	(1)	**137**
Changes in non-controlling interests	—	—	—	—	4	**4**	(68)	**(64)**
Reduction in share capital [a]	(8)	6 862	—	—	(6 854)	**—**	—	**—**
Total transactions with owners	(8)	(2 804)	—	—	(14 047)	**(16 859)**	(532)	**(17 391)**
Other movements [b]	—	—	—	145	(147)	**(2)**	2	**—**
Equity as at December 31, 2019	298	(9 752)	(21 526)	(45)	83 060	52 035	827	52 862
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 [c]	—	—	—	—	(394)	**(394)**	186	**(208)**
Reduction in share capital [a]	(10)	9 660	—	—	(9 650)	**—**	—	**—**
Total transactions with owners	(10)	3 109	—	—	(17 964)	**(14 865)**	(85)	**(14 950)**
Other movements [b]	—	—	—	1	(140)	**(139)**	1	**(138)**
Equity as at December 31, 2020	288	(6 643)	(24 397)	(365)	76 812	45 695	819	46 514

(a) [illegible]
(b) [illegible]
(c) [illegible]

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 2020 were approved for issue by the Board of Directors on February 17, 2021, and are subject to approval by the Annual General Meeting on April 15, 2021.

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

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

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 described in Note 21.

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
In May 2020, the IASB issued COVID-19-Related Rent Concessions (Amendments to IFRS 16), which provides a practical expedient to not assess whether specific types of rent concessions related to COVID-19 are lease modifications. The Group has applied this amendment in these Consolidated Financial Statements as from January 1, 2020 (see Note 21.4). There was no impact on the prior period comparative figures.

A number of other standards have been modified on miscellaneous points with effect from January 1, 2020, which have no material impact on the Group's Financial Statements. These include Definition of a Business (Amendments to IFRS 3), Definition of Material (Amendments to IAS 1 and IAS 8) and Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

Changes in IFRS that may affect the Group after December 31, 2020
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.

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

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 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.

There were no significant acquisitions in 2019.

Disposals

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.

In 2019, there were several disposals but only one was significant:

- Nestlé Skin Health, worldwide – science-based skincare solutions (Nutrition and Health Science) – 100%, beginning of October.

2.2 Acquisitions of businesses

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

In millions of CHF

					2020	2019
	Aimmune	Zenpep	Freshly	Other	**Total**	**Total**
Property, plant and equipment	34	—	71	86	**191**	**131**
Intangible assets [a]	1 828	1 143	551	668	**4 190**	**31**
Inventories and other assets	250	40	66	176	**532**	**17**
Financial debt	(135)	—	(88)	(109)	**(330)**	**(134)**
Deferred taxes	(187)	—	(109)	(20)	**(316)**	**—**
Other liabilities	(43)	(6)	(47)	(78)	**(174)**	**(53)**
Fair value of identifiable net assets/(liabilities)	**1 747**	**1 177**	**446**	**723**	**4 093**	**(8)**

[a] Mainly intangible assets, customer lists and customer relationships, amounts of CHF 1 63 bln (2019: CHF 0.03 bln) of trademarks, CHF 0.01 bln of non-amortized trademarks (2019: CHF nil) and of CHF 1 92 bln (2019: CHF nil) of software and other intangible assets.

The goodwill arising on acquisitions and the cash outflow are:

In millions of CHF

					2020	2019
	Aimmune	Zenpep	Freshly	Other	**Total**	**Total**
Fair value of consideration transferred	1 869	1 302	947	991	**5 109**	**102**
Non-controlling interests	—	—	35	146	**181**	**—**
Fair value of pre-existing interests [a]	565	—	201	—	**766**	**—**
Subtotal	2 434	1 302	1 183	1 137	**6 056**	**102**
Fair value of identifiable net (assets)/liabilities	(1 747)	(1 177)	(446)	(723)	**(4 093)**	**8**
Goodwill	**687**	**125**	**737**	**414**	**1 963**	**110**

[a] Fair value of pre-existing equity of CHF [illegible] in 2020 (also already held in Aimmune and the Zenpep JV) or CHF 150 million in 2019 (since acquisition of Freshly, see Note 4).

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

In millions of CHF

					2020	2019
	Aimmune	Zenpep	Freshly	Other	**Total**	**Total**
Fair value of consideration transferred	1 869	1 302	947	991	**5 109**	**102**
Cash and cash equivalents acquired	(227)	—	(48)	(10)	**(285)**	**—**
Consideration payable	—	—	(287)	(38)	**(325)**	**(8)**
Payment of consideration payable on prior years acquisitions	—	—	—	21	**21**	**31**
Cash outflow on acquisitions	**1 642**	**1 302**	**612**	**964**	**4 520**	**125**

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

With regards to Freshly, the consideration payable includes 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 based on the achievement of sales and EBITDA in 2021, 2022 and 2023 and will be settled in cash to Freshly's former shareholders. The fair value (categorised within Level 3 of the fair value hierarchy) at acquisition was determined using a scenario-based approach which best reflects the characteristics of the earn-out. At 100% achievement of the business plan, the maximum undiscounted consideration over the 3 years would amount to CHF 372 million. However, the earn-out has an upside with a potential incremental payout of 1% each year for every increase of 1% of sales and profit above the business plan. Any future change of the fair value of the consideration will be recorded in Other operating income or expenses under Miscellaneous operating expenses or income.

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.

Impacts of Aimmune, Zenpep and Freshly on the sales and profit for the year
Amounts included in the 2020 Consolidated Financial Statements from the acquired businesses were:

In millions of CHF

	Sales	Profit
Aimmune	—	(58)
Zenpep	182	38
Freshly	71	(3)

The Group's total sales and profit for the year would have respectively amounted to CHF 84.8 billion and CHF 12.1 billion if the acquisitions have been effective January 1, 2020.

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 45 million (2019: CHF 11 million).

2.3 Disposals of businesses

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 in Other.

In 2019, the gain on disposals of businesses is mainly composed of the disposal of the Nestlé Skin Health business.

In millions of CHF

	2020			2019		
	US Ice Cream	Other	**Total**	Nestlé Skin Health	Other	**Total**
Property, plant and equipment	453	498	**951**	435	177	**612**
Goodwill and intangible assets	1 673	211	**1 884**	6 754	19	**6 773**
Cash, cash equivalents and short-term investments	1	114	**115**	376	25	**401**
Inventories	189	162	**351**	247	23	**270**
Trade and other receivables, prepayments, accrued income and other assets	37	193	**230**	774	117	**891**
Deferred tax assets	—	—	**—**	267	8	**275**
Financial liabilities	(22)	(229)	**(251)**	(88)	(37)	**(125)**
Employee benefits and provisions	(1)	(100)	**(101)**	(336)	(9)	**(345)**
Other liabilities	(11)	(557)	**(568)**	(1 177)	(92)	**(1 269)**
Deferred tax liabilities	(85)	(40)	**(125)**	(729)	(3)	**(732)**
Non-controlling interests	—	—	**—**	(70)	—	**(70)**
Net assets disposed of or impaired after classification as held for sale	**2 234**	**252**	**2 486**	**6 453**	**228**	**6 681**
Cumulative other comprehensive income items, net, reclassified to income statement	612	86	**698**	132	—	**132**
Profit/(loss) on disposals, net of disposal costs and impairments of assets held for sale	1 080	598	**1 678**	3 452	(36)	**3 416**
Total disposal consideration, net of disposal costs	**3 926**	**936**	**4 862**	**10 037**	**192**	**10 229**
Cash and cash equivalents disposed of	(1)	(93)	**(94)**	(376)	(25)	**(401)**
Disposal costs not yet paid	14	57	**71**	113	15	**128**
Loan granted to Froneri [a]	(582)	—	**(582)**	—	—	**—**
Shares in Herta associate [a]	—	(273)	**(273)**	—	—	**—**
Consideration receivable	—	(63)	**(63)**	—	(21)	**(21)**
Receipt of consideration receivable on prior years' disposals	—	(5)	**(5)**	—	24	**24**
Cash inflow on disposals, net of disposal costs	**3 357**	**559**	**3 916**	**9 774**	**185**	**9 959**

(a) See Note 14 "Associates and joint ventures"

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, 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 is part of the Zone AMS operating segment. This business was classified as held for sale following the decision of the Group to sharpen water focus on international, premium mineral and functional brands. The sale agreement has been signed on February 16, 2021 with a closing expected in the first semester of 2021. The estimated gain on disposal of CHF 1.1 billion, less recycling of about CHF 1.1 billion of cumulative currency translation losses currently recognized in other comprehensive income, would lead to a result close to nil being recognized under the heading Other operating income in the income statement in 2021. This estimate is based on the USD exchange rate at December 31, 2020 and the net assets held for sale of CHF 2.2 billion.

As of December 31, 2019, assets held for sale and liabilities directly associated with assets held for sale were mainly composed of the US Ice Cream business and the Herta charcuterie business. US Ice Cream and Herta charcuterie businesses have been disposed of in 2020.

The composition of assets held for sale and liabilities directly associated with assets held for sale at the end of 2020 and of 2019 are the following:

In millions of CHF

	2020			2019		
	Nestlé Waters North America	Other	**Total**	US Ice Cream	Other	**Total**
Property, plant and equipment	1 837	66	**1 903**	442	301	**743**
Goodwill and intangible assets	756	3	**759**	1 570	—	**1 570**
Inventories	114	10	**124**	162	33	**195**
Deferred taxes	—	3	**3**	—	12	**12**
Trade and other receivables, prepayments, accrued income and other assets	319	9	**328**	36	115	**151**
Assets held for sale	**3 026**	**91**	**3 117**	**2 310**	**461**	**2 771**
Financial liabilities	(348)	—	**(348)**	(21)	(17)	**(38)**
Deferred taxes	(98)	—	**(98)**	(100)	(26)	**(126)**
Employee benefits and provisions	(222)	(5)	**(227)**	—	(42)	**(42)**
Trade and other payables, accruals and deferred income	(96)	(12)	**(108)**	(11)	(172)	**(183)**
Other liabilities	(56)	(11)	**(67)**	—	(4)	**(4)**
Liabilities directly associated with assets held for sale	**(820)**	**(28)**	**(848)**	**(132)**	**(261)**	**(393)**
Net assets held for sale	**2 206**	**63**	**2 269**	**2 178**	**200**	**2 378**

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.

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, prepared dishes and cooking aids, confectionery and petcare. Nestlé also manufactures and distributes nutritional science products through its globally managed business Nestlé Health Science, and science-based solutions that contribute to the health of skin, hair and nails through Nestlé Skin Health (until beginning of October 2019). The Group has factories in 81 countries and sales in 186 countries and employs around 273 000 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 GMB 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 segment. Therefore, the Group's reportable operating segments are:

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

Other business activities and operating segments, including GMB that do not meet the thresholds, like Nespresso, Nestlé Health Science and Nestlé Skin Health (until it was disposed of at the beginning of October 2019), are combined and presented in Other businesses. Following a change of business structure, effective as from January 1, 2020, Nestlé Waters has been managed as a Regionally Managed Business instead of a Globally Managed Business and consequently reported as part of Zone EMENA, Zone AMS and Zone AOA whereas it had previously been a reportable segment.

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 and accrued income, less trade payables and some other payables, liabilities directly associated with assets held for sale, non-current other payables as well as accruals and deferred income.

Goodwill and intangible assets are not included in invested capital since the amounts 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

							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)
Other businesses [d]	9 377	1 841	1 796	(45)	(28)	(4)	(530)
Unallocated items [e]	—	(2 278)	(2 328)	(50)	(23)	(1)	(272)
Total	**84 343**	**14 903**	**14 233**	**(670)**	**(302)**	**(220)**	**(3 465)**

In millions of CHF

							2019 *
	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	21 464	3 878	3 662	(216)	(39)	(173)	(879)
Zone AMS	37 828	7 608	6 646	(962)	(217)	(250)	(1 326)
Zone AOA	22 119	4 977	3 724	(1 253)	(518)	(80)	(773)
Other businesses [d]	11 157	2 089	2 026	(63)	7	(18)	(527)
Unallocated items [e]	—	(2 292)	(2 384)	(92)	(16)	(32)	(208)
Total	**92 568**	**16 260**	**13 674**	**(2 586)**	**(783)**	**(553)**	**(3 713)**

* 2019 restated following a change of business structure. Effective as from January 1, 2020, Nestlé Waters comprises management's Regional Managed Business, instead of in Other Managed Businesses, consumer brands that are part of Zone EMENA, Zone AMS and Zone AOA.

(a) Intersegment sales are not significant.
(b) Trading operating profit before Net other trading income/(expenses).
(c) Included in Trading operating profit.
(d) Nestlé Nutrition, Nestlé Health Science and, in addition, Nestlé Waters comprises of 2020 consumer brands of Zone EMENA.
(e) Refer to the Alternative performance measures section for the definition of unallocated items.

Invested capital and other information

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
Other businesses [a]	1 690	9 476	(377)	(1)	5 154
Unallocated items [b] and inter-segment eliminations	1 442	649	—	—	278
Total	**26 040**	**48 527**	**(408)**	**(1)**	**11 367**

In millions of CHF

					2019 *
	Invested capital	Goodwill and intangible assets	Impairment of goodwill and non-commercialized intangible assets [c]	Impairment of intangible assets [d]	Capital additions
Zone EMENA	8 390	5 545	(140)	—	1 340
Zone AMS	12 320	34 122	(64)	(189)	2 367
Zone AOA	4 189	12 061	(575)	(565)	888
Other businesses [a]	1 781	5 949	—	(5)	606
Unallocated items [b] and inter-segment eliminations	1 604	713	—	(15)	281
Total	**28 284**	**48 390**	**(779)**	**(774)**	**5 482**

* 2019 adjusted following a change of business in Zone EMENA as from January 1, 2020. Nestlé Health Science managed as a Regionally Managed Business, mainly of a Globally Managed Business and consequently reported in part of Zone EMENA, Zone AMS and Zone AOA.

(a) Mainly Nespresso, Nestlé Health Science and the address Waters Client. Results in 2019 until the beginning of October 2019.
(b) Refer to note Segment reporting, showing assets, liabilities and income taxes.
(c) Included in Operating profit.
(d) Included in Trading operating profit.

3.2 Products

Revenue and results

In millions of CHF

						2020
	Sales	Underlying Trading operating profit [1]	Trading operating profit	Net other trading income/(expenses) [2]	of which impairment of property, plant and equipment	of which restructuring costs
Powdered and Liquid Beverages	22 256	5 008	4 824	(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 [3]	—	(2 278)	(2 328)	(50)	(23)	(1)
Total	**84 343**	**14 903**	**14 233**	**(670)**	**(302)**	**(220)**

In millions of CHF

						2019 *
	Sales	Underlying Trading operating profit [1]	Trading operating profit	Net other trading income/(expenses) [2]	of which impairment of property, plant and equipment	of which restructuring costs
Powdered and Liquid Beverages	23 221	5 197	4 701	(496)	(180)	(63)
Water	7 391	914	748	(166)	(21)	(73)
Milk products and Ice cream	13 268	2 706	1 678	(1 028)	(415)	(106)
Nutrition and Health Science	14 990	3 314	3 092	(222)	(32)	(70)
Prepared dishes and cooking aids	12 188	2 170	1 857	(313)	(187)	(124)
Confectionery	7 888	1 332	1 241	(91)	(18)	(47)
PetCare	13 622	2 919	2 741	(178)	6	(38)
Unallocated items [3]	—	(2 292)	(2 384)	(92)	(16)	(32)
Total	**92 568**	**16 260**	**13 674**	**(2 586)**	**(783)**	**(553)**

* 2019: Adjusted following a change of Coffee products, effective as from January 1, 2020. Nestlé Waters activities in Greater Asia and Nestlé Waters activities in Greater Europe, instead of the former Nestlé Waters activities in Greater Europe and Greater EMENA, Zone AMS and Zone AOA.

[1] Trading operating profit before other trading income/(expenses).

[2] Expenses in relation with restructuring.

[3] Refers to the Nestlé Research and Technology activities, goodwill impairment tests, the elimination of unrealized profits.

Invested capital and other information

In millions of CHF

				2020
	Invested capital	Goodwill and intangible assets	Impairment of goodwill and non-commercialized intangible assets (a)	Impairment of intangible assets (b)
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 (c) and intra-group eliminations	1 781	1 975	—	—
Total	**27 585**	**47 163**	**(408)**	**(1)**

In millions of CHF

				2019 *
	Invested capital	Goodwill and intangible assets	Impairment of goodwill and non-commercialized intangible assets (a)	Impairment of intangible assets (b)
Powdered and Liquid Beverages	6 223	8 300	(34)	(182)
Water	3 351	1 464	(102)	(34)
Milk products and Ice cream	3 295	2 818	(33)	(394)
Nutrition and Health Science	5 445	23 960	—	—
Prepared dishes and cooking aids	3 258	5 345	(10)	(4)
Confectionery	2 693	1 242	(595)	—
PetCare	4 244	10 202	—	(145)
Unallocated items (c) and intra-group eliminations	1 670	2 015	(5)	(15)
Total	**30 179**	**55 346**	**(779)**	**(774)**

* [illegible]

(a) [illegible]
(b) [illegible]
(c) [illegible]

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

In millions of CHF

	2020	2019
Underlying Trading operating profit [a] as per Note 3.1	**14 903**	**16 260**
Net other trading income/(expenses)	(670)	(2 586)
Trading operating profit	**14 233**	**13 674**
Impairment of goodwill and non-commercialized intangible assets	(408)	(779)
Net other operating income/(expenses) excluding impairment of goodwill and non-commercialized intangible assets	971	3 183
Operating profit	**14 796**	**16 078**
Net financial income/(expense)	(874)	(1 016)
Profit before taxes, associates and joint ventures	**13 922**	**15 062**

[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

	2020	2019
Invested capital as per Note 3.1	26 040	28 284
Liabilities included in invested capital	23 123	23 364
Subtotal	49 163	51 648
Intangible assets and goodwill as per Note 3.1 [a]	48 527	48 390
Other assets	26 338	27 902
Total assets	**124 028**	**127 940**

[a] Excludes [illegible] goodwill and intangible assets [illegible] [illegible] (2019: [illegible]) [illegible] see Note 3.4

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

	2020	2019
EMENA	**24 541**	**26 499**
France	3 946	4 423
United Kingdom	2 883	2 917
Germany	2 445	2 632
Russia	1 555	1 703
Italy	1 508	1 674
Spain	1 409	1 512
Switzerland	1 134	1 164
Rest of EMENA	9 661	10 474
AMS	**37 728**	**42 281**
United States	26 014	28 831
Brazil	2 790	3 647
Mexico	2 564	2 934
Canada	2 122	2 182
Rest of AMS	4 238	4 687
AOA	**22 074**	**23 788**
Greater China Region	5 986	6 913
Philippines	2 769	2 643
Japan	1 607	1 816
India	1 605	1 667
Australia	1 394	1 469
Rest of AOA	8 713	9 281
Total sales	**84 343**	**92 568**
of which developed markets	49 379	53 722
of which emerging markets	34 964	38 846

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

	2020		2019	
	Sales	Non-current assets	Sales	Non-current assets
United States	26 014	27 376	28 831	30 344
Switzerland	1 134	18 360	1 164	15 251
Rest of the world	57 195	27 872	62 573	29 887
Total	**84 343**	**73 608**	**92 568**	**75 482**

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 and expropriation of assets.

4.1 Net other trading income/(expenses)

In millions of CHF

	Notes	2020	2019
Other trading income		**238**	**163**
Restructuring costs		(220)	(553)
Impairment of property, plant and equipment and intangible assets [a]	9.3	(303)	(1 557)
Litigations and onerous contracts		(239)	(483)
Miscellaneous trading expenses		(146)	(156)
Other trading expenses		**(908)**	**(2 749)**
Total net other trading income/(expenses)		**(670)**	**(2 586)**

(a) excluding goodwill and intangible assets

In 2019, other trading expenses were mainly composed of:
- CHF 1024 million of impairment of property, plant and equipment and intangible assets related to the Yinlu cash generating unit (see Note 9); and
- CHF 461 million of one-off costs representing impairment charges related to property, plant, restructuring costs, and onerous contracts and other expenses related to the exit in 2019 of the Direct-Store-Delivery (DSD) network in the USA for Frozen Pizza and Ice Cream.

4.2 Net other operating income/(expenses)

In millions of CHF

	Notes	2020	2019
Profit on disposal of businesses		1 804	3 591
Miscellaneous operating income		115	126
Other operating income		**1 919**	**3 717**
Loss on disposal of businesses		(126)	(175)
Impairment of goodwill and non-commercialized intangible assets	9	(408)	(779)
Miscellaneous operating expenses [a]		(822)	(359)
Other operating expenses		**(1 356)**	**(1 313)**
Total net other operating income/(expenses)		**563**	**2 404**

(a) In 2020, [illegible] goodwill and [illegible] impairment of financial assets, [illegible] businesses and costs related to COVID-19 (see Note 2.1.1)

In 2020, profit on disposal of businesses mainly relates to the result of disposal of the US Ice Cream business of CHF 1080 million and in 2019 to the result of disposal of the Nestlé Skin Health business of CHF 3452 million (see Note 2.3).

In 2019, impairment of goodwill and non-commercialized intangible assets mainly included a goodwill impairment of the Hsu Fu Chi cash generating unit of CHF 502 million (see Note 9).

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	2020	2019
Interest income		77	161
Interest expense		(831)	(1 026)
Net financing cost of net financial debt		**(754)**	**(865)**
Interest income on defined benefit plans		29	39
Interest expense on defined benefit plans		(152)	(188)
Net interest income/(expense) on defined benefit plans	10	**(123)**	**(149)**
Other financial income/(expense)		3	(2)
Net financial income/(expense)		**(874)**	**(1 016)**

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	2020	2019
Raw materials, work in progress and sundry supplies	4 521	4 116
Finished goods	5 822	5 472
Allowance for write-down to net realizable value	(242)	(245)
	10 101	**9 343**

Inventories amounting to CHF 283 million (2019: CHF 278 million) are pledged as security for financial liabilities.

Inventories amounting to CHF 41 443 million (2019: CHF 45 108 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

	2020			2019		
	Gross carrying amount	Expected credit loss allowance	**Total**	Gross carrying amount	Expected credit loss allowance	**Total**
Trade receivables (not credit impaired)	8 146	(59)	**8 087**	9 463	(55)	**9 408**
Other receivables (not credit impaired)	2 682	(34)	**2 648**	2 375	(34)	**2 341**
Credit impaired trade and other receivables	224	(213)	**11**	238	(221)	**17**
Total	**11 052**	**(306)**	**10 746**	**12 076**	**(310)**	**11 766**

The five major customers represent 13% (2019: 13%) of trade and other receivables, none of them individually exceeding 7% (2019: 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

	2020	2019
Due within one year		
Trade payables	13 802	14 017
Social security and sundry taxes and levies	1 946	1 900
Other payables	2 767	2 886
	18 515	**18 803**

8. Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

In millions of CHF

	Note	2020	2019
Property, plant and equipment – owned	8.1	23 230	25 552
Right-of-use assets – leased	8.2	2 610	3 210
		25 840	**28 762**

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 the technology and competitive pressures that may lead to technical obsolescence.

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

Borrowing costs incurred during the course of construction are 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	**Total**
Net carrying amount					
At January 1, 2020	10 895	12 427	2 091	139	**25 552**
Capital expenditure [a]	1 124	2 217	700	27	**4 068**
Acquisitions through business combinations	52	54	10	1	**117**
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	(894)	(841)	(52)	(16)	**(1 803)**
At December 31, 2020	**9 756**	**11 556**	**1 827**	**91**	**23 230**
Gross value	15 500	27 745	6 623	316	**50 184**
Accumulated depreciation and impairments	(5 744)	(16 189)	(4 796)	(225)	**(26 954)**
Net carrying amount					
At January 1, 2019	11 469	12 959	2 248	161	**26 837**
Capital expenditure [a]	1 066	1 929	654	43	**3 692**
Acquisitions through business combinations	—	(5)	1	1	**(3)**
Depreciation	(433)	(1 585)	(736)	(58)	**(2 732)**
Impairments [b]	(358)	(265)	(36)	(1)	**(660)**
Disposals	(67)	(47)	(28)	(9)	**(151)**
Classification (to)/from held for sale and disposals of businesses	(371)	(361)	(54)	3	**(783)**
Currency retranslations	(411)	(278)	42	(11)	**(648)**
At December 31, 2019	**10 895**	**12 427**	**2 091**	**139**	**25 552**
Gross value	17 395	30 904	7 352	427	**56 078**
Accumulated depreciation and impairments	(6 500)	(18 477)	(5 261)	(288)	**(30 526)**

a) Including borrowing costs
b) This includes CHF 450 million linked to the Free CGU (see Note 4.1 and 4.1.1)

At December 31, 2020, property, plant and equipment include CHF 3285 million of assets under construction (2019: CHF 1988 million). Net property, plant and equipment of CHF 150 million are pledged as security for financial liabilities (2019: CHF 163 million).

At December 31, 2020, the Group was committed to expenditure amounting to CHF 2182 million (2019: CHF 695 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 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 0.7 billion (undiscounted) at December 31, 2020.

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, 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**
Net carrying amount				
At January 1, 2019	2 523	428	168	**3 119**
Additions	710	176	116	**1 002**
Depreciation	(535)	(142)	(79)	**(756)**
Impairments	(21)	(102)	—	**(123)**
Classification (to)/from held for sale and change of scope of consolidation, net	91	(66)	(8)	**17**
Currency retranslations and others	(41)	(3)	(5)	**(49)**
At December 31, 2019	**2 727**	**291**	**192**	**3 210**

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 79 million (2019: CHF 98 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 961 million (2019: CHF 1141 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 triggered. 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, 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 (a)	**(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)
Net carrying amount						
At January 1, 2019	**31 702**	12 195	5 349	1 090	**18 634**	913
Expenditure	**—**	50	112	354	**516**	321
Acquisitions through business combinations	**110**	3	27	1	**31**	—
Amortization	**—**	(2)	(44)	(179)	**(225)**	(141)
Impairments (c)	**(779)**	(705)	(14)	(55)	**(774)**	(54)
Disposals	**—**	(3)	(13)	(1)	**(17)**	(1)
Classification (to)/from held for sale and disposals of businesses	**(1 713)**	(40)	3	(13)	**(50)**	(7)
Currency retranslations	**(424)**	(192)	(92)	(7)	**(291)**	49
At December 31, 2019	**28 896**	**11 306**	**5 328**	**1 190**	**17 824**	**1 080**
of which indefinite useful life (b)	**—**	11 276	4 690	—	**15 966**	—
of which non-commercialized intangible assets	**—**	25	187	—	**212**	—
At December 31, 2019						
Gross value	**33 596**	12 109	5 717	5 301	**23 127**	4 972
Accumulated amortization and impairments	**(4 700)**	(803)	(389)	(4 111)	**(5 303)**	(3 892)

(a) Of which CHF 5 million of non-commercialized intangible assets.
(b) Of which CHF 436 million (2019: CHF 637 million) are mainly rights to market, sell and distribute confectionery products, beverages, coffee products under the Nestlé brand, breakfast cereals and frozen products.
(c) Total impairment of goodwill of CHF 779 million (2019: CHF 642 million) related to Nestlé Pro Chile (Core ASM Reporting Unit).
Total impairment of brands and intellectual property rights of CHF 705 million (2019: CHF 585 million) related to the Vitaflo Group (see Note 4.1 and 9.1.1).

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 non-commercialized intangible assets (see accounting policy in Note 9 – Intangible assets).

As of December 31, 2020, the Group's committed payments (undiscounted and not risk-adjusted) and their estimated timing are:

In millions of CHF

	2020			2019		
	Unconditional commitments	Potential milestone payments	**Total**	Unconditional commitments	Potential milestone payments	**Total**
Within one year	—	80	**80**	—	74	**74**
In the second year	—	85	**85**	—	33	**33**
In the third and fourth year	—	222	**222**	—	91	**91**
Thereafter	—	870	**870**	—	557	**557**
Total	—	**1 257**	**1 257**	—	**755**	**755**
of which related parties	—	48	**48**	—	487	**487**

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 CGU for goodwill impairment testing based on the way that it monitors and derives economic benefits from the acquired goodwill. In 2020, the Group reviewed the CGUs identified for testing goodwill to re-align them with the way in which management monitors goodwill and manages the operations. This as a result of the change in business organization and operating segments related to Nestlé Waters described in Note 3 which was announced in mid-October 2019 and took effect on January 1, 2020, and similar changes to formerly Globally Managed Businesses (GMB) over the past several years. As a consequence of this review, with effect from January 1, 2020, 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. The number of CGUs identified for testing goodwill declined from more than 50 in 2019 to more than 30 in 2020.

For indefinite life intangible assets, the Group defines its CGU as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Finally, the CGU for impairment testing of non-commercialized intangible assets is defined at the level of the intangible asset itself.

The impairment tests are performed by comparing the carrying value of the assets of these CGU 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

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 (see Note 21.2).

The 2019 impairment charge mainly related to Zone AOA and more specifically the Yinlu (peanut milk and canned rice porridge) business in China for which an impairment of CHF 1024 million was recognized under the heading Other trading expenses in the income statement (see Note 4.1).

Other 2019 impairment charge related to various non-significant impairments of goodwill (mainly in Zone AOA) and intangible assets (mainly in Zone AMS).

9.1.2 Annual impairment tests

Impairment reviews have been conducted for more than 30 Cash Generating Units (CGU).

The following table sets out the key assumptions for those CGUs that have significant Goodwill or Intangible assets with an indefinite useful life allocated to them.

	Carrying amount	Period of cash flow projections	Average annual sales growth	Annual margin evolution	Terminal growth rate	Discount rate [1]
2020						
Goodwill CGU						
PetCare Zone AMS	7 042	5 years	5.1%	Declining	1.5%	6.0%
Nutrition Zone ADA	5 501	5 years	0.4%	Stable	2.8%	8.0%
Food Zone AMS	3 233	5 years	5.6%	Stable	1.8%	5.7%
Nestlé Health Science	3 050	5 years	10.4%	Improvement	2.5%	5.9%
Subtotal	18 826					
Other CGUs	8 794					
Total Goodwill	**27 620**					
Intangible assets with indefinite useful life CGU						
Nestlé Nutrition Worldwide	5 307	5 years	1.3%	Stable	2.3%	8.3%
Nestlé Starbucks North America	3 823	5 years	4.0%	Improvement	1.4%	5.8%
Subtotal	9 130					
Other CGUs	7 362					
Total Intangible assets with indefinite useful life	**16 492**					
2019						
Goodwill CGU						
PetCare Zone AMS	7 749	5 years	6.3%	Declining	2.7%	8.4%
Nutrition Zone ADA	5 886	5 years	4.9%	Stable	3.8%	9.9%
Subtotal	13 635					
Other CGUs	15 261					
Total Goodwill	**28 896**					
Intangible assets with indefinite useful life CGU						
Nestlé Nutrition Worldwide	5 593	5 years	4.0%	Improvement	3.4%	10.3%
Nestlé Starbucks North America	4 251	5 years	5.0%	Improvement	2.3%	7.5%
Subtotal	9 844					
Other CGUs	6 122					
Total Intangible assets with indefinite useful life	**15 966**					

[1] Cash flows are discounted at a post-tax rate except [illegible] 2020 and at a pre-tax weighted average rate in 2019.

For each significant CGU the recoverable amount is higher than its carrying amount. In 2020, the recoverable amount has been determined based upon a fair value less costs of disposal calculation (2019: value in use 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 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.
- 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 the carrying value of the CGUs.

10. Employee benefits

10.1 Employee remuneration

The Group's salaries of CHF 10 880 million (2019: CHF 11 811 million) and welfare expenses of CHF 3618 million (2019: CHF 3983 million) represent a total of CHF 14 498 million (2019: CHF 15 794 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 269 million (2019: CHF 307 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. All pension plans comply with local tax and legal restrictions in their respective country, including funding obligations.

The Group manages its pension plans by geographic area and the major plans, classified as defined benefit plans under IAS 19, are located in EMENA (Switzerland, 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.

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 155 million had been contributed as at December 31, 2020, and CHF 168 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 GBP 87.5 million has been paid by Nestlé UK Ltd during the year in accordance with the agreed schedule of contributions dated from 2018. The next schedule of contributions is expected to be agreed during the first

half of 2021 with an anticipated estimated payment of GBP 259 million being made upon agreement in addition to GBP 86 million paid already in January 2021. No further funding shortfall payments will be due after that date. The next triennial valuation is planned as at December 31, 2021, and is due to be completed by the end March 2023.

Nestlé's pension plan in Germany is a cash balance plan, where members benefit from a guarantee on their savings accounts. Contributions to the plan are expressed as a percentage of the pensionable salary. Increases to pensions in payment are granted in accordance with legal requirements. There is also a heritage plan, based on final pensionable salary, which has been closed to new entrants since 2006. In 2020, in order to lower the local pension discount rate, an extraordinary contribution of EUR 289 million has been 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 2020.

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 negative related past service costs (income) of CHF 8 million (2019: CHF 121 million).

Asset-liability management and funding arrangement

Plan trustees or General Assemblies are responsible for determining the mix of asset classes and target allocations of the Nestlé's plans with the support of investment advisors. 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. 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

	2020			2019		
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	**Total**	Defined benefit retirement plans	Post-employment medical benefits and other benefits	**Total**
Present value of funded obligations	26 018	70	**26 088**	26 176	66	**26 242**
Fair value of plan assets	(24 775)	(37)	**(24 812)**	(24 498)	(32)	**(24 530)**
Excess of liabilities/(assets) over funded obligations	1 243	33	**1 276**	1 678	34	**1 712**
Present value of unfunded obligations	845	1 726	**2 571**	772	2 078	**2 850**
Unrecognized assets	18	—	**18**	30	—	**30**
Net defined benefit liabilities/(assets)	**2 106**	**1 759**	**3 865**	**2 480**	**2 112**	**4 592**
Other employee benefit liabilities			**785**			**1 049**
Net liabilities			**4 650**			**5 641**
Reflected in the balance sheet as follows:						
Employee benefit assets			**(468)**			**(510)**
Employee benefit liabilities			**5 118**			**6 151**
Net liabilities			**4 650**			**5 641**

10.2b Funding situation by geographic area of defined benefit plans

In millions of CHF

				2020				2019
	EMENA	AMS	AOA	**Total**	EMENA	AMS	AOA	**Total**
Present value of funded obligations	20 264	4 619	1 205	**26 088**	19 899	5 091	1 252	**26 242**
Fair value of plan assets	(19 094)	(4 659)	(1 059)	**(24 812)**	(18 024)	(5 356)	(1 150)	**(24 530)**
Excess of liabilities/(assets) over funded obligations	1 170	(40)	146	**1 276**	1 875	(265)	102	**1 712**
Present value of unfunded obligations	361	1 842	368	**2 571**	376	2 099	375	**2 850**

10.2c Movement in the present value of defined benefit obligations

In millions of CHF

			2020			2019
	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	26 948	2 144	**29 092**	25 101	1 932	**27 033**
of which funded defined benefit plans	26 176	66	**26 242**	24 364	58	**24 422**
of which unfunded defined benefit plans	772	2 078	**2 850**	737	1 874	**2 611**
Currency retranslations	(1 116)	(337)	**(1 453)**	(185)	(73)	**(258)**
Service cost	496	36	**532**	408	26	**434**
of which current service cost	499	41	**540**	385	30	**555**
of which past service cost and (gains)/losses arising from settlements	(3)	(5)	**(8)**	(97)	(24)	**(121)**
Interest expense	442	78	**520**	622	104	**726**
Actuarial (gains)/losses	1 463	94	**1 557**	2 778	316	**3 094**
Employees' contributions	115	—	**115**	126	—	**126**
Benefits paid on funded defined benefit plans	(1 527)	(5)	**(1 532)**	(1 424)	(10)	**(1 434)**
Benefits paid on unfunded defined benefit plans	(52)	(101)	**(153)**	(63)	(136)	**(199)**
Classification (to)/from held for sale and change of scope of consolidation, net	15	(25)	**(10)**	(85)	(12)	**(97)**
Reclassification from other benefits to defined benefit retirement plans	84	(84)	**—**	—	—	**—**
Transfer from/(to) defined contribution plans	(5)	(4)	**(9)**	(330)	(3)	**(333)**
At December 31	**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**

10.2d Movement in fair value of defined benefit plan assets

In millions of CHF

	2020			2019		
	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	(24 498)	(32)	**(24 530)**	(22 625)	(33)	**(22 658)**
Currency retranslations	1 016	—	**1 016**	127	—	**127**
Interest income	(399)	—	**(399)**	(577)	(1)	**(578)**
Actual return on plan assets, excluding interest income	(1 542)	(3)	**(1 545)**	(2 635)	(1)	**(2 636)**
Employees' contributions	(115)	—	**(115)**	(126)	—	**(126)**
Employer contributions	(786)	(7)	**(793)**	(476)	(7)	**(483)**
Benefits paid on funded defined benefit plans	1 527	5	**1 532**	1 424	10	**1 434**
Administration expenses	22	—	**22**	24	—	**24**
Classification (to)/from held for sale and change of scope of consolidation, net	—	—	**—**	41	—	**41**
Transfer (from)/to defined contribution plans	—	—	**—**	325	—	**325**
At December 31	**(24 775)**	**(37)**	**(24 812)**	**(24 498)**	**(32)**	**(24 530)**

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

	2020	2019
Equities [a]	24%	25%
of which US equities	8%	6%
of which European equities	14%	14%
of which other equities	4%	5%
Debts	50%	49%
of which government debts [a]	35%	35%
of which corporate debts [b]	15%	14%
Real estate [b]	11%	11%
Alternative investments [b]	7%	7%
of which hedge funds	4%	5%
of which private equities	3%	2%
Cash/Deposits	8%	8%

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

Equities and government debts represent 59% (2019: 60%) of the plan assets. Almost all of them are quoted in an active market. Corporate debts, real estate, hedge funds and private equities represent 33% (2019: 32%) 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 8 million (2019: CHF 22 million). Furthermore, funded defined benefit plans may invest in Nestlé S.A. (or related) shares. There was no direct investment at end of 2020 and 2019. 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 420 million to its funded defined benefit plans in 2021.

10.2e Expenses recognized in the income statement

In millions of CHF

	2020			2019		
	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	496	36	**532**	408	26	**434**
Net interest (income)/expense	45	78	**123**	46	103	**149**
Administration expenses	22	—	**22**	24	—	**24**
Defined benefit expenses	**563**	**114**	**677**	**478**	**129**	**607**
Defined contribution expenses			**294**			**330**
Total			**971**			**937**

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

In millions of CHF

	2020			2019		
	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	1 542	3	**1 545**	2 635	1	**2 636**
Experience adjustments on plan liabilities	(101)	(40)	**(141)**	(49)	(29)	**(78)**
Change in demographic assumptions on plan liabilities	187	(1)	**186**	82	47	**129**
Change in financial assumptions on plan liabilities	(1 549)	(53)	**(1 602)**	(2 811)	(334)	**(3 145)**
Transfer from/(to) unrecognized assets and other	9	—	**9**	(1)	1	**—**
Remeasurement of defined benefit plans	**88**	**(91)**	**(3)**	**(144)**	**(314)**	**(458)**

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.

				2020				2019
	EMENA	AMS	AOA	**Total**	EMENA	AMS	AOA	**Total**
Discount rates	0.7%	3.2%	4.2%	**1.5%**	1.0%	4.0%	4.4%	**1.9%**
Expected rates of salary increases	2.0%	3.1%	5.2%	**2.5%**	1.9%	2.7%	5.5%	**2.3%**
Expected rates of pension adjustments	1.2%	0.3%	1.6%	**1.0%**	1.2%	0.4%	1.7%	**1.0%**
Medical cost trend rates [a]		6.2%		**6.2%**		6.7%		**6.7%**

a) Medical cost trend rates represent the expected medical cost inflation rates for next year. For plans in USA and Canada medical cost inflation is assumed to decrease to 4.5% by 2028 and remain at 4.5% by 2040. Some supplemental medical plans in EMENA and AOA have cost sharing provisions 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

		2020	2019	2020	2019
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	21.6	23.4	23.6
United Kingdom	S3NA	21.2	21.2	23.6	23.4
Germany	Heubeck Richtlinien 2018	21.0	20.6	23.4	24.1
AMS					
USA	Pri-2012	20.8	20.7	22.9	22.7

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

	2020				2019			
	EMENA	AMS	AOA	**Total**	EMENA	AMS	AOA	**Total**
As reported	20 625	6 461	1 573	**28 659**	20 275	7 190	1 627	**29 092**
Discount rates								
Increase of 50 basis points	19 101	6 061	1 490	**26 652**	18 777	6 770	1 544	**27 091**
Decrease of 50 basis points	22 356	6 904	1 666	**30 926**	21 977	7 685	1 732	**31 374**
Expected rates of salary increases								
Increase of 50 basis points	20 765	6 534	1 606	**28 905**	20 420	7 242	1 661	**29 323**
Decrease of 50 basis points	20 492	6 439	1 543	**28 474**	20 144	7 138	1 597	**28 879**
Expected rates of pension adjustments								
Increase of 50 basis points	21 712	6 485	1 623	**29 820**	21 405	7 225	1 688	**30 318**
Decrease of 50 basis points	20 015	6 450	1 549	**28 014**	19 211	7 180	1 604	**27 995**
Medical cost trend rates								
Increase of 50 basis points	20 626	6 514	1 579	**28 719**	20 376	7 286	1 628	**29 170**
Decrease of 50 basis points	20 624	6 412	1 572	**28 608**	20 374	7 121	1 625	**29 020**
Mortality assumption								
Setting forward the tables by 1 year	19 840	6 357	1 542	**27 739**	19 574	7 023	1 594	**28 191**
Setting back the tables by 1 year	21 405	6 638	1 603	**29 646**	20 989	7 357	1 667	**30 013**

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

	2020				2019			
	EMENA	AMS	AOA	**Total**	EMENA	AMS	AOA	**Total**
At December 31	16.0	13.4	11.5	**15.2**	15.9	13.1	11.2	**15.0**

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, 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**
At January 1, 2019	835	29	573	376	**1 813**
Currency retranslations	(17)	(1)	(24)	(7)	**(49)**
Provisions made during the year [a]	596	5	347	230	**1 178**
Amounts used	(586)	(3)	(195)	(165)	**(949)**
Reversal of unused amounts	(88)	—	(102)	(83)	**(273)**
Classification (to)/from held for sale	71	—	(1)	12	**82**
Modification of the scope of consolidation	5	—	98	59	**162**
At December 31, 2019	**816**	**30**	**696**	**422**	**1 964**
of which expected to be settled within 12 months					**802**

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 potential payment of CHF 1443 million (2019: CHF 1352 million) representing potential litigations of CHF 1373 million (2019: CHF 1256 million) and other items of CHF 70 million (2019: CHF 96 million). Potential litigations relate mainly to labor, civil and tax litigations in Latin America.

Contingent assets for litigation claim in favor of the Group amount to a maximum potential recoverable amount of CHF 289 million (2019: CHF 534 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 categorization, 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

	2020				2019			
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	2 139	—	—	**2 139**	2 884	—	—	**2 884**
Commercial paper	3 271	—	—	**3 271**	4 999	—	—	**4 999**
Time deposits	687	—	—	**687**	1 951	—	—	**1 951**
Bonds and debt funds	87	3 078	2	**3 167**	104	1 070	2	**1 176**
Equity and equity funds	—	347	347	**694**	—	458	71	**529**
Other financial assets	569	676	—	**1 245**	602	733	—	**1 335**
Liquid assets [b] and non-current financial assets	6 753	4 101	349	**11 203**	10 540	2 261	73	**12 874**
Trade and other receivables	10 746	—	—	**10 746**	11 766	—	—	**11 766**
Derivative assets [c]	—	310	—	**310**	—	254	—	**254**
Total financial assets	**17 499**	**4 411**	**349**	**22 259**	**22 306**	**2 515**	**73**	**24 894**
Trade and other payables	(19 319)	(277)	—	**(19 596)**	(19 232)	—	—	**(19 232)**
Financial debt	(39 947)	—	—	**(39 947)**	(37 164)	—	—	**(37 164)**
Derivative liabilities [c]	—	(254)	—	**(254)**	—	(420)	—	**(420)**
Total financial liabilities	**(59 266)**	**(531)**	**—**	**(59 797)**	**(56 396)**	**(420)**	**—**	**(56 816)**
Net financial position	**(41 767)**	**3 880**	**349**	**(37 538)**	**(34 090)**	**2 095**	**73**	**(31 922)**
of which at fair value	—	3 880	349	**4 229**	—	2 095	73	**2 168**

[a] Carrying amount of financial assets is a reasonable approximation of their fair value. For more details on financial debt, see Note 12.4h.

[b] Liquid assets are composed of cash and cash equivalents and short-term investments.

[c] Fair value hierarchy of financial instruments and their measurement is presented in accordance with IFRS 13 and IFRS 7, 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	2020	2019
Derivative assets	119	135
Bonds and debt funds	2 558	573
Equity and equity funds	339	211
Other financial assets	62	3
Derivative liabilities	(4)	(22)
Prices quoted in active markets (Level 1)	**3 074**	**900**
Derivative assets	191	119
Bonds and debt funds	509	488
Equity and equity funds	296	248
Other financial assets	597	720
Derivative liabilities	(250)	(398)
Valuation techniques based on observable market data (Level 2)	**1 343**	**1 177**
Financial assets	89	91
Financial liabilities (a)	(277)	—
Valuation techniques based on unobservable input (Level 3)	**(188)**	**91**
Total financial instruments at fair value	**4 229**	**2 168**

(a) [illegible] Note 4.2 [illegible]

There have been no significant transfers between the different hierarchy levels in 2020 and in 2019.

12.1c Changes in liabilities arising from financing activities

In millions of CHF

	2020	2019
At January 1	(37 401)	(40 630)
Currency retranslations and exchange differences	2 351	767
Changes in fair values	(80)	67
Changes arising from acquisition and disposal of businesses	(81)	(109)
(Inflows)/outflows on interest derivatives	(12)	(153)
Increase in lease liabilities	(660)	(1 006)
Inflows from bonds and other non-current financial debt	(10 330)	(67)
Outflows from bonds and current portion of other non-current financial debt	3 182	3 287
(Inflows)/outflows from current financial debt	2 747	444
Classification to liabilities held for sale	342	(11)
At December 31	**(39 942)**	**(37 401)**
of which current financial debt	(12 019)	(14 032)
of which non-current financial debt	(27 928)	(23 132)
of which derivatives hedging financial debt	5	(237)

12.1d Bonds

In millions of CHF

Issuer		Face value in millions	Coupon	Effective interest rate	Year of issue/ maturity	Comments	2020	2019
Nestlé S.A., Switzerland	CHF	600	0.75%	0.69%	2018–2028		603	603
	CHF	900	0.25%	0.26%	2018–2024		900	900
Nestlé Holdings, Inc., USA	USD	650	2.13%	2.27%	2014–2020		—	630
	AUD	250	4.25%	4.43%	2014–2020		—	169
	AUD	175	3.63%	3.77%	2014–2020		—	121
	NOK	1 000	2.75%	2.85%	2014–2020		—	110
	GBP	500	1.75%	1.79%	2015–2020		—	637
	USD	550	1.88%	2.03%	2016–2021		484	532
	USD	600	1.38%	1.52%	2016–2021		528	580
	GBP	500	1.00%	1.17%	2017–2021	(a)	601	635
	USD	800	2.38%	2.55%	2017–2022		702	771
	USD	650	2.38%	2.50%	2017–2022		572	628
	USD	300	2.25%	2.35%	2017–2022		264	290
	EUR	850	0.88%	0.92%	2017–2025	(a)	919	921
	CHF	550	0.25%	0.24%	2017–2027	(a)	550	551
	CHF	150	0.55%	0.54%	2017–2032	(a)	150	150
	USD	600	3.13%	3.28%	2018–2023		527	579
	USD	1 000	3.10%	3.17%	2018–2021	(b)	880	968
	USD	1 500	3.35%	3.41%	2018–2023	(b)	1 319	1 451
	USD	900	3.50%	3.59%	2018–2025	(b)	790	868
	USD	1 250	3.63%	3.72%	2018–2028	(b)	1 094	1 203
	USD	1 250	3.90%	4.01%	2018–2038	(b)	1 085	1 193
	USD	2 100	4.00%	4.11%	2018–2048	(b)	1 815	1 996
	USD	1 150	0.38%	0.49%	2020–2024	(b)	1 009	—
	USD	750	0.63%	0.77%	2020–2026	(b)	656	—
	USD	1 100	1.00%	1.06%	2020–2027	(b)	965	—
	USD	1 000	1.25%	1.37%	2020–2030	(b)	872	—
Subtotal							17 285	16 486

In millions of CHF

Issuer		Face value in millions	Coupon	Effective interest rate	Year of issue/ maturity	Comments	2020	2019
Subtotal from previous page							17 285	16 486
Nestlé Finance International Ltd., Luxembourg	EUR	500	1.25%	1.30%	2013–2020		—	543
	EUR	500	2.13%	2.20%	2013–2021		541	542
	EUR	500	0.75%	0.90%	2014–2021		541	541
	EUR	850	1.75%	1.89%	2012–2022		919	920
	GBP	400	2.25%	2.34%	2012–2023	(a)	505	527
	EUR	500	0.75%	0.92%	2015–2023	(b)	549	551
	EUR	500	0.38%	0.54%	2017–2024		539	539
	EUR	750	1.25%	1.32%	2017–2029		808	809
	EUR	750	1.75%	1.83%	2017–2037		804	805
	EUR	1 000	1.13%	1.27%	2020–2026		1 075	—
	EUR	1 000	1.50%	1.63%	2020–2030		1 071	—
	EUR	850	0.13%	0.25%	2020–2027		913	—
	EUR	650	0.00%	0.05%	2020–2024		703	—
	EUR	1 000	0.38%	0.56%	2020–2032		1 062	—
	EUR	500	0.00%	(0.26%)	2020–2025		549	—
	EUR	500	0.00%	0.16%	2020–2033		531	—
	EUR	500	0.38%	0.40%	2020–2040		539	—
Other bonds							216	242
Total carrying amount (1)							**29 150**	**22 505**
of which due within one year							3 632	2 210
of which due after one year							25 518	20 295
Fair value (1) **of bonds, based on prices quoted (level 2)**							31 532	23 941

(1) Consolidated cost and fair value of bonds include 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 71 million (2019: CHF 33 million) and under derivative liabilities for CHF 2 million (2019: CHF 264 million).

(a) Subject to a cross-currency and interest rate swap that covers a relevant fixed-rate loan in the currency of the issuer.
(b) Sold in the United States only to qualified institutional buyers and outside the United States in non-US transactions.
(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

	2020	2019
Investment grade A– and above	8 836	10 165
Investment grade BBB+, BBB and BBB–	986	984
Non-investment grade (BB+ and below)	778	1 002
Not rated [a]	913	977
	11 513	**13 128**

a) [illegible]

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 2020 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 2021. 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 2025.

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
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
2019						
Trade and other payables	**(18 803)**	**(154)**	**(248)**	**(32)**	**(19 237)**	**(19 232)**
Commercial paper [a]	(8 072)	—	—	—	(8 072)	(8 053)
Bonds [a]	(2 726)	(4 336)	(7 342)	(13 223)	(27 627)	(22 505)
Lease liabilities	(709)	(618)	(1 101)	(1 376)	(3 796)	(3 375)
Other financial debt	(3 167)	(101)	(30)	(13)	(3 311)	(3 231)
Total financial debt	**(14 674)**	**(5 047)**	**(8 473)**	**(14 612)**	**(42 806)**	**(37 164)**
Financial liabilities (excluding derivatives)	**(33 477)**	**(5 201)**	**(8 721)**	**(14 644)**	**(62 043)**	**(56 396)**
Non-currency derivative assets	145	10	14	—	169	169
Non-currency derivative liabilities	(37)	(5)	—	—	(42)	(42)
Gross amount receivable from currency derivatives	14 830	653	30	1 842	17 155	17 127
Gross amount payable from currency derivatives	(15 118)	(701)	(147)	(1 755)	(17 721)	(17 420)
Net derivatives	**(180)**	**(43)**	**(103)**	**(113)**	**(439)**	**(166)**
of which derivatives under cash flow hedges [b]	58	(5)	—	—	53	53

[a] Commercial paper of CHF 5[illegible] million (2019: CHF [illegible] million) and bonds of CHF 67[illegible] million (2019: CHF 1[illegible] million) have maturities of less than one year.

[b] The amount is [illegible] cash flow hedges [illegible] [illegible] Consolidated Financial Statements.

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 126 million in 2020 (2019: loss of CHF 81 million). They are allocated to the appropriate headings of expenses by function.

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

Value at Risk (VaR) based on historic data for a 250-day period and a confidence level of 95% results in a potential one-day loss for currency risk of less than CHF 15 million in 2020 and 2019.

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 67% (2019: 60%).

Based on the structure of net debt at year end, an increase of interest rates of 100 basis points would cause an additional expense in Net financing cost of net debt of CHF 20 million (2019: CHF 44 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 was 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 acquired in the frame of approved risk management policies.

Derivatives by hedged risks

In millions of CHF

	2020			2019		
	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	9 271	96	83	8 045	57	278
Cash flow hedges						
Foreign currency risk on future purchases or sales	7 052	71	155	8 009	47	88
Commodity price risk on future purchases	917	124	3	1 798	135	26
Interest rate risk on net financial debt	440	—	7	872	—	15
Designated in a hedging relationship	17 680	291	248	18 724	239	407
Undesignated derivatives		19	6		15	13
		310	**254**		**254**	**420**
Conditional offsets [b]						
Derivative assets and liabilities		(40)	(40)		(35)	(35)
Use of cash collateral received or deposited		(36)	—		(33)	(122)
Balances after conditional offsets		234	214		186	263

[a] The carrying amount of the hedged item including cumulative amount of fair value adjustments accounted for as part of the hedging relationship.
[b] Represent amounts that would be offset under a legally enforceable master netting agreement or similar agreement.

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 presented in Net financing cost.

In millions of CHF

	2020	2019
on hedged items	24	(47)
on hedging instruments	(24)	49

Ineffective portion of gains/(losses) of cash flow hedges and net investment 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, 2020, the ratio was 45.9% (2019: 58.4%). 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

	2020	2019
Current taxes [a]	(2 814)	(3 084)
Deferred taxes	(661)	35
Taxes reclassified to other comprehensive income	140	(134)
Taxes reclassified to equity	(30)	24
Total taxes	**(3 365)**	**(3 159)**

[a] Current taxes paid to discovery include a tax income of CHF 85 million (2019: tax income of CHF 5 million).

13.2 Reconciliation of taxes recognized in the income statement

In millions of CHF

		2020		2019
Profit before taxes		**13 922**		**15 062**
Expected tax expense at weighted average applicable tax rate [a]	19.8%	(2 760)	16.8%	(2 525)
Tax effect of permanent differences on disposal of businesses	1.3%	(180)	(1.9%)	288
Tax effect of permanent differences on impairment of goodwill	0.7%	(97)	0.6%	(94)
Tax effect of other permanent differences	0.8%	(103)	(0.4%)	57
Prior years' taxes [b]	(4.3%)	592	0.6%	(84)
Transfers to unrecognized deferred tax assets	1.9%	(262)	1.9%	(292)
Transfers from unrecognized deferred tax assets	(0.2%)	22	(0.8%)	123
Changes in tax rate on deferred taxes	0.2%	(23)	0.4%	(60)
Withholding taxes on transfers of income	4.1%	(563)	2.5%	(371)
Other	(0.1%)	9	1.3%	(201)
Tax expense at effective tax rate	**24.2%**	**(3 365)**	**21.0%**	**(3 159)**

[a] The weighted average applicable tax rate in 2020 increased compared to 2019 as a result of the swiss tax reform in 2020 and a change in the geographical mix of profits mainly caused by the disposal of Nestlé Skin Health in 2019.
[b] In 2020, the prior years' tax income result from a reversal of prior year tax provisions due to changes in circumstances and in accordance with tax treatment of transfer pricing transactions with group companies in various 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, 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	—	—	(153)	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)**
At January 1, 2019	(1 362)	(1 951)	1 372	901	316	**(724)**
Currency retranslations	53	51	(35)	(55)	(12)	**2**
(Expense)/income in income statement	(174)	(256)	(15)	412	1	**(32)**
(Expense)/income in other comprehensive income and equity	—	—	138	(71)	—	**67**
Classification (to)/from held for sale	84	82	(2)	19	17	**200**
Modification of the scope of consolidation	(1)	—	—	13	—	**12**
At December 31, 2019	**(1 400)**	**(2 074)**	**1 458**	**1 219**	**322**	**(475)**

In millions of CHF

	2020	2019
Reflected in the balance sheet as follows:		
Deferred tax assets	1 285	2 114
Deferred tax liabilities	(2 636)	(2 589)
Net assets/(liabilities)	**(1 351)**	**(475)**

13.4 Unrecognized deferred taxes

At December 31, 2020, the unrecognized deferred tax assets amount to CHF 1001 million (2019: CHF 587 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

	2020	2019
Within one year	79	111
Between one and five years	376	396
More than five years	3 294	2 229
	3 749	**2 736**

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 may be obtained when the Group has 20% or more of the voting rights in the investee or has obtained a seat on the Board of Directors or otherwise participates in the policy-making process of the investee.

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

Associates and joint ventures are accounted for using the equity method. The 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

	2020				2019			
	L'Oréal	Other associates	Joint ventures	**Total**	L'Oréal	Other associates	Joint ventures	**Total**
At January 1	8 791	1 584	1 130	**11 505**	8 459	1 183	1 150	**10 792**
Currency retranslations	(25)	(37)	(77)	**(139)**	(318)	(87)	(30)	**(435)**
Investments	—	520	765	**1 285**	—	563	—	**563**
Divestments and reclassifications	—	(345)	(46)	**(391)**	—	(4)	(23)	**(27)**
Share of results	886	126	149	**1 161**	968	(31)	68	**1 005**
Impairment	—	(4)	(16)	**(20)**	—	—	—	**—**
Share of other comprehensive income	(523)	2	(84)	**(605)**	399	(9)	(4)	**386**
Dividends and interest received	(534)	(80)	(37)	**(651)**	(571)	(31)	(30)	**(632)**
Other (a)	45	(9)	(176)	**(140)**	(146)	—	(1)	**(147)**
At December 31	**8 640**	**1 757**	**1 608**	**12 005**	**8 791**	**1 584**	**1 130**	**11 505**

(a) [illegible]

Investments in Other associates in 2020 mainly relate 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 2019, it mainly related to the acquisition of a 20% stake in IVC Evidensia (see Note 14.2).

Investments in Joint ventures in 2020 mainly relate 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).

Divestments under Other associates in 2020 mainly relate 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 investment, loans granted by the Group to Joint ventures amount to CHF 1481 million at December 31, 2020 (2019: CHF 958 million).

Income from associates and joint ventures

In millions of CHF

	2020	2019
Share of results	1 161	1 005
Impairment	(20)	—
Gain on disposals	222	—
Loss on disposals	—	(4)
Revaluation gain [illegible]	452	—
	1 815	**1 001**

[illegible]

14.1 Associate – L'Oréal

The Group holds 129 881 021 shares in L'Oréal (whose ultimate parent company is domiciled in France), the world leader in cosmetics, representing a 23.2% participation in its equity after elimination of its treasury shares (2019: 129 881 021 shares representing a 23.3% participation).

At December 31, 2020, the market value of the shares held amounts to CHF 43.7 billion (2019: CHF 37.2 billion).

Summarized financial information of L'Oréal

In billions of CHF	2020	2019
Total current assets	15.8	15.1
Total non-current assets	31.4	32.5
Total assets	**47.2**	**47.6**
Total current liabilities	12.0	11.8
Total non-current liabilities	3.8	3.8
Total liabilities	**15.8**	**15.6**
Total equity	**31.4**	**32.0**
Total sales	**30.0**	33.2
Profit from continuing operations	3.8	4.2
Other comprehensive income	(2.3)	1.7
Total comprehensive income	**1.5**	**5.9**

Reconciliation of the carrying amount

In billions of CHF	2020	2019
Share held by the Group in the equity of L'Oréal	7.3	7.4
Goodwill and other adjustments	1.3	1.4
Carrying amount of L'Oréal	**8.6**	**8.8**

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), an associate acquired in 2019, 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 225 million (2019: CHF 134 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

	2020	2019
Basic earnings per share (in CHF)	4.30	4.30
Net profit (in millions of CHF)	12 232	12 609
Weighted average number of shares outstanding (in millions of units)	2 845	2 929
Diluted earnings per share (in CHF)	4.29	4.30
Net profit, net of effects of dilutive potential ordinary shares (in millions of CHF)	12 232	12 609
Weighted average number of shares outstanding, net of effects of dilutive potential ordinary shares (in millions of units)	2 849	2 934
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	2 845	2 929
Adjustment for share-based payment schemes, where dilutive	4	5
Weighted average number of shares outstanding used to calculate diluted earnings per share	2 849	2 934

16. Cash flow statement

16.1 Operating profit

In millions of CHF	2020	2019
Profit for the year	12 372	12 904
Income from associates and joint ventures	(1 815)	(1 001)
Taxes	3 365	3 159
Financial income	(109)	(200)
Financial expense	983	1 216
	14 796	**16 078**

16.2 Non-cash items of income and expense

In millions of CHF	2020	2019
Depreciation of property, plant and equipment	3 127	3 488
Impairment of property, plant and equipment	302	783
Impairment of goodwill	402	779
Amortization of intangible assets	338	225
Impairment of intangible assets	7	774
Net result on disposal of businesses	(1 678)	(3 416)
Net result on disposal of assets	(85)	2
Non-cash items in financial assets and liabilities	202	(150)
Equity compensation plans	123	124
Other	8	(4)
	2 746	**2 605**

16.3 Decrease/(increase) in working capital

In millions of CHF	2020	2019
Inventories	(1 740)	(712)
Trade and other receivables	36	(1 028)
Prepayments and accrued income	(4)	(47)
Trade and other payables	1 193	1 661
Accruals and deferred income	829	475
	314	**349**

16.4 Variation of other operating assets and liabilities

In millions of CHF	2020	2019
Variation of employee benefits assets and liabilities	(460)	(100)
Variation of provisions	(248)	(42)
Other	9	48
	(699)	**(94)**

16.5 Reconciliation of free cash flow and net financial debt

In millions of CHF	2020	2019
Operating cash flow	14 377	15 850
Capital expenditure	(4 076)	(3 695)
Expenditure on intangible assets	(288)	(516)
Other investing activities	232	295
Free cash flow	**10 245**	**11 934**
Acquisition of businesses	(4 520)	(125)
Financial liabilities and short-term investments acquired in business combinations	(310)	(134)
Disposal of businesses	3 916	9 959
Financial liabilities and short-term investments transferred on disposal of businesses	229	25
Acquisition (net of disposal) of non-controlling interests	(1)	(16)
Investments (net of divestments) in associates and joint ventures	(182)	(540)
Dividend paid to shareholders of the parent	(7 700)	(7 230)
Dividends paid to non-controlling interests	(268)	(463)
Purchase (net of sale) of treasury shares	(6 814)	(9 773)
Increase in lease liabilities	(660)	(1 006)
Currency retranslations and exchange differences	1 574	513
Other movements	310	48
(Increase)/decrease of net financial debt	**(4 181)**	**3 192**
Net financial debt at beginning of year	(27 138)	(30 330)
Net financial debt at end of year	**(31 319)**	**(27 138)**
of which		
Current financial debt	(12 019)	(14 032)
Non-current financial debt	(27 928)	(23 132)
Cash and cash equivalents	5 235	7 469
Short-term investments	3 374	2 794
Derivatives (a)	19	(237)

(a) Related to Net debt and included in Derivative assets and Derivative liabilities captions 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	2020	2019
Cash at bank and in hand	2 139	2 884
Time deposits	676	1 935
Commercial paper	2 420	2 650
	5 235	**7 469**

17. Equity

17.1 Share capital issued

The ordinary share capital of Nestlé S.A. issued and fully paid is composed of 2 881 000 000 registered shares with a nominal value of CHF 0.10 each (2019: 2 976 000 000 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 2020 and 2019 as a consequence of the share buyback program launched in July 2017 and completed in 2019 and the ongoing share buyback program launched in January 2020. The cancellation of shares was approved at the Annual General Meetings on April 23, 2020 and April 11, 2019. The share capital was reduced by 95 000 000 shares from CHF 298 million to CHF 288 million in 2020 and by 87 000 000 shares from CHF 306 million to CHF 298 million in 2019.

The Group started a share buyback program of up to CHF 20 billion in January 2020 which is expected to be completed by the end of December 2022. 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	2020	2019
Purpose of holding		
Share buyback program	59.7	88.9
Long-Term Incentive Plans	4.8	7.1
	64.5	**96.0**

At December 31, 2020, the treasury shares held by the Group represent 2.2% of the share capital (2019: 3.2%). Their market value amounts to CHF 6729 million (2019: CHF 10 054 million).

17.4 Number of shares outstanding

Number of shares in millions of units	Shares issued	Treasury shares	**Outstanding shares**
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 options exercised	—	—	**—**
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**
At January 1, 2019	3 063.0	(88.5)	**2 974.5**
Purchase of treasury shares	—	(97.7)	**(97.7)**
Treasury shares delivered in respect of options exercised	—	0.2	**0.2**
Treasury shares delivered in respect of equity compensation plans	—	3.0	**3.0**
Treasury shares cancelled	(87.0)	87.0	**—**
At December 31, 2019	**2 976.0**	**(96.0)**	**2 880.0**

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

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)**

In millions of CHF

2019	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	(1 217)	4	3	—	**(1 210)**	37	**(1 173)**
– Reclassified to income statement	129	—	—	—	**129**	—	**129**
– Taxes	(6)	—	—	—	**(6)**	—	**(6)**
	(1 094)	4	3	—	**(1 087)**	37	**(1 050)**
Fair value changes on equity instruments							
– Recognized	—	—	—	(4)	**(4)**	—	**(4)**
– Taxes	—	—	—	—	**—**	—	**—**
	—	—	—	(4)	**(4)**	—	**(4)**
Changes in cash flow hedge and cost of hedge reserves							
– Recognized	—	(90)	—	—	**(90)**	(2)	**(92)**
– Reclassified to income statement	—	27	—	—	**27**	(2)	**25**
– Taxes	—	—	—	—	**—**	1	**1**
	—	(63)	—	—	**(63)**	(3)	**(66)**
Remeasurement of defined benefit plans							
– Recognized	—	—	—	(443)	**(443)**	(15)	**(458)**
– Taxes	—	—	—	135	**135**	3	**138**
	—	—	—	(308)	**(308)**	(12)	**(320)**
Share of other comprehensive income of associates and joint ventures							
– Recognized	—	—	49	337	**386**	—	**386**
	—	—	49	337	**386**	—	**386**
Other comprehensive income for the year	(1 094)	(59)	52	25	**(1 076)**	22	**(1 054)**

17.9 Reconciliation of the other reserves

In millions of CHF

	Hedging reserves	Reserves of associates and joint ventures	Total
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)**
At January 1, 2019	(11)	(166)	(183)
Other comprehensive income for the year	(59)	52	(7)
Other movements	145	—	145
At December 31, 2019	**69**	**(114)**	**(45)**

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 2019 was paid on April 29, 2020, in accordance with the decision taken at the Annual General Meeting on April 23, 2020. Shareholders approved the proposed dividend of CHF 2.70 per share, resulting in a total dividend of CHF 7700 million.

Dividend payable is not accounted for until it has been ratified at the Annual General Meeting. At the Annual General Meeting on April 15, 2021, a dividend of CHF 2.75 per share will be proposed, resulting in an estimated total dividend of CHF 7923 million. For further details, refer to the Financial Statements of Nestlé S.A.

The Consolidated Financial Statements for the year ended December 31, 2020, do not reflect this proposed distribution, which will be treated as an appropriation of profit in the year ending December 31, 2021.

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 as well as members of the Nomination and 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	2020	2019
Chair's compensation	3	3
Other Board members		
Remuneration – cash	3	3
Shares	3	3
Total [a]	**9**	**9**

[a] [illegible]

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

	2020	2019
Remuneration – cash	13	13
Bonus – cash	11	9
Bonus – shares	5	7
Equity compensation plans (a)	12	11
Pension	3	2
Total (b)	**44**	**42**

(a) [illegible]

(b) [illegible]

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, 2020 and December 31, 2019, the Group has no significant guarantees given to third parties.

20. Effects of hyperinflation

The 2020 and 2019 figures include the following countries considered as hyperinflationary economies:
- Argentina;
- Iran;
- Venezuela;
- Zimbabwe; and
- Lebanon and Syria since 2020.

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

21. Impacts of COVID-19

On March 11, 2020, the World Health Organization designated a new coronavirus disease ("COVID-19") as a global pandemic. Governments around the world have implemented public health and social measures to slow the transmission of the virus. These include physical and social distancing measures (cancellation of events and limitations on mass gatherings, orders to stay at or work from home, closure of schools), movement measures (significant restrictions on domestic and international travel, implementing quarantines or isolation of arriving travelers). These measures have had a significant impact on certain businesses (particularly tourism, retail and restaurants), leading to economic fallout and uncertainty.

The Group has assessed the consequences of the COVID-19 pandemic on the Consolidated Financial Statements, specifically considering the impacts on key judgements and significant estimates as detailed in Note 1. The Group will continue to monitor these areas of increased risk for material changes.

21.1 Liquidity and financing

The Group had sufficient liquidity and access to committed credit facilities to meet all short-term financial obligations. Several measures have been taken to secure further liquidity such as issuing Eurobonds in April, May and December 2020 totaling EUR 6 billion and 144A/Reg-S bonds in September 2020 totaling USD 4 billion, extending debt maturities and reducing the weight of commercial papers. Counterparty and foreign exchange risk continue to be actively managed, in line with the Group's normal risk management approach as described in Note 12.2.

21.2 Impairment of Goodwill, intangible assets and property, plant and equipment

Impairment tests have been performed using forecasted cash flows which take into account the foreseeable impacts of the COVID-19 related measures and economic outlook. This particularly relates to scenarios where out-of-home and on-the-go consumption does not return to former levels in a sustained manner and where government agencies periodically re-impose physical and social distancing measures. This impacts notably our businesses in out-of-home channels.

Partially as a result of taking COVID-19 into consideration in these revised forecasts, an impairment charge related to goodwill has been recognized in Other operating expenses (see Notes 3, 4.2 and 9.1).

21.3 Inventories, supply chain and customers creditworthiness

During 2020 the Group has increased the levels of raw and packaging material inventories to ensure that production and sales continued despite potential disruptions.

Customer receivables balances are reviewed closely and changes in creditworthiness, including those related to COVID-19, are integrated into the assessment of credit risk and expected credit losses. Forward-looking information about the expected economic effects of the pandemic have been considered. At the end of December 2020, this has particularly affected customers in the out-of-home channel, where the impact of public health and social measures have been severe. The resulting impact in allowances for bad debts is not significant and has been reflected in the trade and other receivables (see Note 7.1).

21.4 Impact on Operating Profit

Due to the pervasive effects of COVID-19 it is not possible to precisely identify and quantify all impacts on the Operating Profit of the Group. The main COVID-19 related incremental costs affecting the results are estimated at CHF 420 million, as follows:

In millions of CHF

Type of cost	Approximate amount
Wage premiums and bonuses for front line workers, safety related costs (gloves, masks, cleaning and sanitizing, screening), meals, allowances and benefits	370
Donations to governments and charities	90
Unsaleable inventories and other incremental expenses	50
COVID-19-related assistance and rent relief [a]	(90)
Incremental costs	**420**
Approximate allocation by function:	
Cost of goods sold	130
Distribution expenses	10
Marketing and administration expenses	120
Other operating expenses	160
Incremental costs	**420**

a) [illegible]

In addition, the Group absorbed around CHF 120 million of salaries of staff made idle and depreciation of around CHF 50 million related to boutiques and other facilities/sites closed due to public health and social measures imposed by government authorities.

COVID-19 related measures also led to reductions of travel, training and meeting expenses, among others. In addition, many markets could not implement in-store activations during COVID-19 related lockdowns.

22. 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 17, 2021, 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 estimated result on disposal of the Nestlé Waters North America business mentioned in Note 2.4 Assets held for sale.

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

Lausanne, 17 February 2021

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 2020 and for the year then ended.

In our opinion, the consolidated financial statements (pages 68 to 151) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 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 many estimates related to trade spend arrangements.

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.

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. Due to Nestlé's broad customer base across different countries, there are varied contractual arrangements. 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 possible changes in buying patterns resulting from COVID-19. There is a

risk that discounts, allowances and promotional rebates are not properly measured or classified at the reporting date, resulting in a risk of misstatement of sales.

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 IT application controls.
- We tested selected internal controls in selected locations 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 with reference 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 based on our understanding of the average lead time for settlement. 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 27.6 billion of goodwill and CHF 16.5 billion of indefinite life intangibles assets, the sum of which represents 36% of total assets and 95% 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 2020, impairment charges have been recorded of CHF 0.4 billion, primarily related to goodwill.

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.

Our audit response

Our audit procedures included the following:

Process and controls: We gained an understanding of the impairment process, including the allocation of assets to CGUs, and tested selected controls. We assessed whether the determination of CGUs, and whether the allocation of assets to CGUs, are appropriate.

Historical comparisons and current context: We obtained an understanding of the current macro-economic context, the impact of COVID-19 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.

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.

Sensitivity analysis: Using data analytics, we performed sensitivity analyses 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 assessed the existence of controls in the process.

Historical comparisons and current context: We obtained an understanding of the current macro-economic context which 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 outcome compared to amounts recognized.

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

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

Key assumptions: In reviewing the calculations, we identified the key assumptions of identified risk provision, whether recognized or unrecognized, and tested the validity of these assumptions with our tax specialists. The key assumptions included, 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.

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Other Matter
The consolidated financial statements of Nestlé S.A. for the year ended 31 December 2019 were audited by another statutory auditor who expressed an unmodified opinion on those consolidated financial statements on 12 February 2020.

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

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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
Licensed audit expert
(Auditor in charge)

André Schaub
Licensed audit expert

Financial information – 5 year review

In millions of CHF (except for data per share and employees)	2020	2019
Results		
Sales	84 343	92 568
Underlying Trading operating profit [a]	14 903	16 260
as % of sales	17.7%	17.6%
Trading operating profit [a]	14 233	13 674
as % of sales	16.9%	14.8%
Taxes	3 365	3 159
Profit for the year attributable to shareholders of the parent (Net profit)	12 232	12 889
as % of sales	14.5%	13.9%
Total amount of dividend	7 923 [c]	7 700
Depreciation of property, plant and equipment [d]	3 127	3 488
Balance sheet and Cash flow statement		
Current assets	34 068	35 663
Non-current assets	89 960	92 277
Total assets	124 028	127 940
Current liabilities	39 722	41 615
Non-current liabilities	37 792	33 463
Equity attributable to shareholders of the parent	45 695	52 035
Non-controlling interests	819	827
Net financial debt [b]	31 319	27 138
Ratio of net financial debt to equity (gearing)	68.5%	52.2%
Operating cash flow	14 377	15 850
as % of net financial debt	45.9%	58.4%
Free cash flow [e]	10 245	11 934
Capital additions [d]	11 367	5 482
as % of sales	13.5%	5.9%
Data per share		
Weighted average number of shares outstanding (in millions of units)	2 845	2 929
Basic earnings per share	4.30	4.30
Underlying earnings per share [a]	4.21	4.41
Dividend	2.75 [c]	2.70
Pay-out ratio based on basic earnings per share	64.0% [c]	62.8%
Stock prices (high)	112.62	113.20
Stock prices (low)	83.37	79.86
Yield [b]	2.4/3.3 [c]	2.4/3.4
Market capitalization	**293 644**	**301 772**
Number of employees (in thousands)	**273**	**291**

[a] Certain financial information, including Trading operating profit, is presented in order to provide a better understanding of the underlying performance of the Group. The reconciliation from Consolidated income statement to Underlying Trading operating profit is available on www.nestle.com/investors/annual-reports-financial-statements/financial-information.
[b] Calculation of the data of the dividend for the year concerned, starting part of the following year and of net financial debt as at 31 December.
[c] As proposed by the Board of Directors of Nestlé S.A.
[d] Excluding assets held for sale (IFRS 5) and IFRS 16 Leases (2019).

2018	2017	2016	
			Results
91 439	89 590	89 469	Sales
15 521	14 771	14 307	Underlying Trading operating profit [a]
17.0%	16.5%	16.0%	as % of sales
13 759	13 277	13 683	Trading operating profit [a]
15.1%	14.8%	15.3%	as % of sales
3 439	2 773	4 413	Taxes
10 135	7 156	8 531	Profit for the year attributable to shareholders of the parent (Net profit)
11.1%	8.0%	9.5%	as % of sales
7 230	7 124	7 126	Total amount of dividend
3 604	3 560	2 795	Depreciation of property, plant and equipment [d]
			Balance sheet and Cash flow statement
41 003	31 884	32 042	Current assets
96 012	101 326	99 859	Non-current assets
137 015	133 210	131 901	Total assets
43 030	38 189	37 517	Current liabilities
35 582	32 792	28 403	Non-current liabilities
57 363	60 956	64 590	Equity attributable to shareholders of the parent
1 040	1 273	1 391	Non-controlling interests
30 330	21 369	13 913	Net financial debt [e]
52.9%	35.1%	21.5%	Ratio of net financial debt to equity (gearing)
15 398	14 199	15 582	Operating cash flow
50.8%	66.4%	112.0%	as % of net financial debt
10 766	9 358	10 108	Free cash flow [a]
14 711	6 569	5 462	Capital additions [d]
16.1%	7.3%	6.1%	as % of sales
			Data per share
3 014	3 092	3 091	Weighted average number of shares outstanding (in millions of units)
3.36	2.31	2.76	Basic earnings per share
4.02	3.55	3.40	Underlying earnings per share [a]
2.45	2.35	2.30	Dividend
72.9%	101.7%	83.3%	Pay-out ratio based on basic earnings per share
86.50	86.40	80.05	Stock prices (high)
72.92	71.45	67.00	Stock prices (low)
2.8/3.4	2.7/3.3	2.9/3.4	Yield [b]
237 363	**256 223**	**226 310**	**Market capitalization**
308	**323**	**328**	**Number of employees** (in thousands)

Companies of the Nestlé Group, joint arrangements and associates

In the context of the SIX Swiss Exchange Directive on Information relating to Corporate Governance, the disclosure criteria of the principal affiliated companies are as follows:
- operating companies are disclosed if their sales exceed CHF 10 million or equivalent;
- financial companies are disclosed if either their equity exceeds CHF 10 million or equivalent and/or the total balance sheet is higher than CHF 50 million or equivalent;
- joint ventures and associates are disclosed if the share held by the Group in their profit exceeds CHF 10 million or equivalent and/or the Group's investment in them exceeds CHF 50 million or equivalent.

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

All companies listed below are fully consolidated except for:
1) Joint ventures accounted for using the equity method;
2) Joint operations accounted for in proportion to the Nestlé contractual specified share (usually 50%);
3) Associates accounted for using the equity method.

Countries within the continents are listed according to the alphabetical order of the country names.
Percentage of capital shareholding corresponds to voting powers unless stated otherwise.
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 Catering Services N.V.		Bruxelles		100%	EUR	14 035 500
Nestlé Waters Benelux S.A.		Etalle		100%	EUR	5 601 257
Bosnia and Herzegovina						
Nestlé Adriatic BH d.o.o.		Sarajevo	9.4%	100%	BAM	21 359
Bulgaria						
Nestlé Bulgaria A.D.		Sofia		100%	BGN	10 234 933

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Croatia						
Nestlé Adriatic d.o.o.		Zagreb		100%	HRK	14 685 500
Czech Republic						
Mucos Pharma CZ, s.r.o.		Pruhonice		100%	CZK	160 000
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
Nestlé Professional Food A/S		Faxe		100%	DKK	12 000 000
Finland						
Puljonki Oy		Juuka		100%	EUR	85 000
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
Laboratoires Guigoz S.A.S.		Issy-les-Moulineaux		100%	EUR	132 595
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 France M.G. S.A.S.		Issy-les-Moulineaux		100%	EUR	50 000
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 France S.A.S.		Issy-les-Moulineaux		100%	EUR	21 091 872
Nestlé Purina PetCare Commercial Operations France S.A.S.		Issy-les-Moulineaux		100%	EUR	48 666 450
Nestlé Waters S.A.S.	◊	Issy-les-Moulineaux		100%	EUR	254 825 042
Nestlé Waters EMENA S.A.S.	◊	Issy-les-Moulineaux		100%	EUR	44 856 149
Nestlé Waters Management & Technology S.A.S.		Issy-les-Moulineaux		100%	EUR	38 113
Nestlé Waters Marketing & Distribution S.A.S.		Issy-les-Moulineaux		100%	EUR	26 740 940
Nestlé Waters 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 Immobilière de Noisiel S.A.	◊	Noisiel		100%	EUR	22 753 550
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	23.2%	23.2%	EUR	111 974 316
Listed on the Paris stock exchange, market capitalization EUR 174.0 billion, quotation code (ISIN) FR0000120321						
Lactalis Nestlé Produits Frais S.A.S.	3)	Laval		40%	EUR	69 208 832

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Georgia						
Nestlé Georgia LLC		Tbilisi		100%	CHF	700 000
Germany						
Atrium Deutschland Holding GmbH	2	München		100%	EUR	25 000
Bodymed AG		Saarbrücken		100%	EUR	60 000
Mucos Emulsionsgesellschaft mbH Chemisch-Pharmazeutische Betriebe		Berlin		100%	EUR	102 258
Mucos Pharma GmbH & Co. KG		Berlin		100%	EUR	127 823
Nestlé Deutschland AG		Frankfurt am Main		100%	EUR	216 266 628
Nestlé Product Technology Centre Lebensmittelforschung GmbH		Freiburg i. Br.		100%	EUR	52 000
Nestlé Unternehmungen Deutschland GmbH	2	Frankfurt am Main	15%	100%	EUR	60 000 000
Nestlé Waters Deutschland GmbH		Frankfurt am Main		100%	EUR	10 566 000
Tera Canis GmbH		München		80%	EUR	60 336
E.P.D. Cereal Partners Deutschland GmbH & Co. OHG	1)	Frankfurt am Main		50%	EUR	511 292
Trinks GmbH	3	Braunschweig		25%	EUR	2 360 000
Trinks Süd GmbH	3	München		25%	EUR	260 000
Greece						
Nespresso Hellas Single Member SA Coffee Systems and Products		Maroussi		100%	EUR	500 000
Nestlé Hellas Single Member SA		Maroussi		100%	EUR	5 269 765
E.P.W. Hellas Breakfast Cereals SA	1	Maroussi		50%	EUR	201 070
Hungary						
Nestlé Hungária Kft.		Budapest		100%	HUF	6 000 000 000
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	58 742 146
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.	2	Luxembourg		100%	EUR	105 200 000
Nespresso Luxembourg Sàrl		Luxembourg		100%	EUR	12 525
Nestlé Finance International Ltd	2	Luxembourg	100%	100%	EUR	440 000

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Luxembourg (continued)						
Nestlé Treasury International S.A.	1	Luxembourg	100%	100%	EUR	1 000 000
NTC-Europe S.A.	1	Luxembourg	100%	100%	EUR	3 565 000
Froneri Lux TopCo Sarl [1]	0	Luxembourg	47.1%	47.1%	EUR	97 648
IVC New TopHolding S.A.	0	Luxembourg		21.4%	GBP	16 170 000
Macedonia						
Nestlé Adriatik Makedonija d.o.o.e.l.		Skopje-Karpos		100%	MKD	31 060 400
Malta						
Nestlé Malta Ltd		Lija		100%	EUR	116 470
Moldova						
LLC Nestlé		Chisinau	100%	100%	USD	1 000
Netherlands						
East Springs International N.V.	1	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
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 Wrocławska		100%	PLN	495 923 700
Cereal Partners Poland Toruń-Pacific Sp. Z o.o.	0	Toruń		50%	PLN	14 572 838
Portugal						
Nestlé Business Services Lisbon, S.A.		Deiras		100%	EUR	50 000
Nestlé Portugal, Unipessoal, Lda.		Deiras		100%	EUR	30 000 000
Cereal Associados Portugal A.E.I.E.	0	Deiras		50%	EUR	39 760
Republic of Ireland						
Nestlé (Ireland) Ltd		Dublin		100%	EUR	1 270
Wyeth Nutritionals Ireland Ltd		Askealon		100%	USD	18 000 000
Republic of Serbia						
Nestlé Adriatic S d.o.o., Beograd-Surcin		Beograd-Surcin		100%	RSD	12 222 327 814
Romania						
Nestlé Romania S.R.L.		Bucharest		100%	RON	132 906 800

[1] Mandatory Convertible Notes (MCN)

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Russia						
LLC Alcium Innovations Rus		Moscow		100%	RUB	6 000 000
Nestlé Kuban LLC		Timashevsk		100%	RUB	21 041 793
Nestlé Rossiya LLC		Moscow		100%	RUB	880 154 115
Cereal Partners Rus. LLC	1)	Moscow		50%	RUB	39 730 860
Slovak Republic						
Nestlé Slovensko s.r.o.		Prievidza		100%	EUR	13 277 568
Slovenia						
Nestlé Adriatic Trgovina d.o.o.		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
Nestlé Purina PetCare España S.A.		Castellbisbal		100%	EUR	12 000 000
Cereal Partners España A.E.I.E.	1)	Esplugues de Llobregat		50%	EUR	120 202
Herta Foods, S.L.	3)	Gurb		40%	EUR	489 113 988
Sweden						
Nestlé Sverige AB		Helsingborg		100%	SEK	20 000 000
Switzerland						
Entreprises Maggi S.A.	2)	Cham	100%	100%	CHF	100 000
Intercona Re AG	2)	Châtel-St-Denis		100%	CHF	35 000 000
Nestlé Enterprises SA		Vevey		100%	CHF	3 514 000
Nestlé Finance S.A.	2)	Cham		100%	CHF	30 000 000
Nestlé Nespresso S.A.		Lausanne		100%	CHF	2 000 000
Nestlé Operational Services Worldwide S.A.		Bussigny-près-Lausanne		100%	CHF	100 000
Nestlé 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	2)	Vevey	100%	100%	CHF	100 000
Société des Produits Nestlé S.A.		Vevey	100%	100%	CHF	8 900 000
Sofinol S.A.		Manno		100%	CHF	3 000 000
CPW Operations Sàrl	1)	Prilly	50%	50%	CHF	40 000
CPW S.A.	1)	Prilly		50%	CHF	10 000 000
Eckes-Granini (Suisse) S.A.	1)	Henniez		49%	CHF	2 000 000
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
Cereal Partners Gida Ticaret Limited Sirketi	1)	Istanbul		50%	TRY	88 080 000

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Ukraine						
LLC Nestlé Ukraine		Kyiv		100%	UAH	799 965
LLC Technocom		Kharviv	100%	100%	UAH	119 658 066
JSC "Lviv Confectionery Factory" "Svitoch"		Lviv		100%	UAH	88 111 060
PJSC Volynholding		Torchyn		100%	UAH	100 000
United Kingdom						
Lily's Kitchen Ltd		London		100%	GBP	1 164
Nespresso UK Ltd		Gatwick		100%	GBP	275 000
Nestec York Ltd		Gatwick		100%	GBP	500 000
Nestlé Holdings (UK) PLC	◊	Gatwick		100%	GBP	77 940 000
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 Waters UK Ltd		Gatwick		100%	GBP	640
Nestlé VP LLP		London		70%	GBP	0
Osem UK Ltd		London		100%	GBP	2 000
Princes Gate Water Ltd		Pembrokeshire		90%	GBP	199 630
Tailsco Ltd		London		83%	GBP	16
Vitaflo (International) Ltd		Liverpool		100%	GBP	625 379
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
Nestlé Waters Algérie SpA	Blida		49%	DZD	377 606 250
Angola					
Nestlé Angola Lda	Luanda		100%	AOA	1 791 870 000
TOFA – Produtos Alimentares de Confeitaria Lda	Luanda		90%	AOA	4 500 000
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. ○	Abidjan	6.5%	88.1%	XOF	5 517 600 000
Listed on the Abidjan stock exchange, market capitalization XOF 71 billion, quotation code ISIN CI0003400729					
Egypt					
Nestlé Egypt S.A.E.	Giza	100%	100%	EGP	80 722 000
Nestlé Waters Egypt S.A.E.	Cairo		63.8%	EGP	90 140 000
Gabon					
Nestlé Gabon, S.A.	Libreville		90%	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	2 507 242 000
Nestlé Kenya Ltd	Nairobi		100%	KES	226 100 400
Mauritius					
Nestle's Products (Mauritius) Ltd	Port Louis		100%	MUR	2 488 071
Morocco					
Nestlé Maroc S.A.	El Jadida		94.6%	MAD	156 933 000
Nigeria					
Nestlé Nigeria Plc ○	Ilupeju	66.5%	66.5%	NGN	396 328 126
Listed on the Nigerian Stock Exchange, market capitalization NGN 1 152.9 billion, quotation code ISIN NGNESTLE0005					

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
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
Clover Waters Proprietary Limited	3)	Johannesburg		30%	ZAR	56 021 890
Tunisia						
Nestlé Tunisie S.A.		Tunis		99.5%	TND	8 438 280
Nestlé Tunisie Distribution S.A.		Tunis		100%	TND	100 000
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	92 524 286
Enzimas S.A.		Buenos Aires	99.9%	100%	ARS	9 000 000
Nestlé Argentina S.A.		Buenos Aires	96.6%	100%	ARS	7 042 195 000
Bolivia						
Industrias Alimenticias Fagal S.R.L.		Santa Cruz	1.5%	100%	BOB	175 556 000
Nestlé Bolivia S.A.		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	463 707 038
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
BPW Brasil Ltda	1	Caçapava		50%	BRL	7 885 520
Canada						
Atrium Innovations Inc.		Westmount (Québec)		99.9%	CAD	219 486 374
Nestlé Canada Inc.		Toronto (Ontario)		100%	CAD	47 165 540
Nestlé Capital Canada Ltd	2	Toronto (Ontario)		100%	CAD	1 010
Cayman Islands						
Hsu Fu Chi International Limited	2	Grand Cayman		60%	SGD	7 950 000
Chile						
Nespresso Chile S.A.		Santiago de Chile		99.8%	CLP	1 000 000
Nestlé Chile S.A.		Santiago de Chile	99.7%	99.8%	CLP	11 832 926 000
Cereales CPW Chile Ltda	1	Santiago de Chile		50%	CLP	3 026 156 114
Aguas CCU – Nestlé Chile S.A.	3	Santiago de Chile		49.8%	CLP	49 799 375 321
Colombia						
Comestibles La Rosa S.A.		Bogotá	52.4%	100%	COP	126 397 400
Dairy Partners Americas Manufacturing Colombia Ltda		Bogotá	99.8%	100%	COP	200 000 000
Nestlé de Colombia S.A.		Bogotá	94.9%	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

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Cuba						
Coralac S.A.		La Habana		60%	USD	6 350 000
Los Portales S.A.		La Habana		50%	USD	24 110 000
Nescor, S.A.		Artemisa		50.9%	USD	32 200 000
Dominican Republic						
Nestlé Dominicana S.A.		Santo Domingo	98.5%	99.9%	DOP	1 657 445 000
Silsa Dominicana S.A.		Santo Domingo		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
Terrafertil S.A.		Tabacundo		60%	USD	525 800
El Salvador						
Nestlé El Salvador, S.A. de C.V.		San Salvador	<0.1%	100%	USD	4 457 200
Guatemala						
Malher, S.A.		Guatemala City	<0.1%	100%	GTQ	100 075 000
Nestlé Guatemala S.A.		Guatemala City	<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. [b]		México, D.F.		40%	MXN	1 035 827 492
Marcas Nestlé, S.A. de C.V.		México, D.F.		100%	MXN	500 050 000
Nescalin, S.A. de C.V.	◊	México, D.F.		100%	MXN	445 826 740
Nespresso México, S.A. de C.V.		México, D.F.		100%	MXN	10 050 000
Nestlé México, S.A. de C.V.		México, D.F.		100%	MXN	4 407 532 730
Nestlé Servicios Corporativos, S.A. de C.V.		México, D.F.		100%	MXN	170 100 000
Nestlé Servicios Industriales, S.A. de C.V.		México, D.F.		100%	MXN	1 050 000
Productos Gerber, S.A. de C.V.		Queretaro		100%	MXN	50 000
Ralston Purina México, S.A. de C.V.		México, D.F.		100%	MXN	9 257 112
Terrafertil México S.A.P.I. de C.V.		Tultitlán		60%	MXN	15 040 320
Waters Partners Services México, S.A.P.I. de C.V. [b]		México, D.F.		40%	MXN	620 000
Cereal Partners México, S.A. de C.V.	1)	México, D.F.		50%	MXN	500 000
CPW México, S. de R.L. de C.V.	1)	México, D.F.		50%	MXN	708 138 000

[b] Voting powers amount to 51%

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Nicaragua						
Compañia 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.		Panamá City		100%	USD	1 000 000
Nestlé Panamá, S.A.		Panamá City		100%	PAB	17 500 000
Unilac, Inc.	◊	Panamá City		100%	USD	750 000
Paraguay						
Nestlé Business Services Latam S.A.		Asunción		100%	PYG	100 000 000
Nestlé Paraguay S.A.		Asunción		100%	PYG	100 000 000
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						
Nestlé Puerto Rico, Inc.		Bayamon		100%	USD	500 000
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						
Aimmune Therapeutics, Inc.		Wilmington (Delaware)		100%	USD	1
Blue Bottle Coffee, Inc.		Wilmington (Delaware)		68.4%	USD	0
Chameleon Cold Brew, LLC		Wilmington (Delaware)		100%	USD	0
Checkerboard Holding Company, Inc.	◊	Wilmington (Delaware)		100%	USD	1 001
Foundry Foods, Inc.		Wilmington (Delaware)		100%	USD	1
Freshly Inc. (c)		Dover (Delaware)		92.2%	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	—
Malher, Inc.		Stafford (Texas)		100%	USD	1 000
Merrick Pet Care Holdings Corporation	◊	Wilmington (Delaware)		100%	USD	100
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 Health Science US Holdings, Inc.	◊	Wilmington (Delaware)		100%	USD	1
Nestlé HealthCare Nutrition, Inc.		Wilmington (Delaware)		100%	USD	50 000
Nestlé Holdings, Inc.	◊	Wilmington (Delaware)		100%	USD	100 000
Nestlé Insurance Holdings, Inc.	◊	Wilmington (Delaware)		100%	USD	10

(c) Voting powers amount to 97.9%

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
United States (continued)						
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 Transportation Company		Wilmington (Delaware)		100%	USD	100
Nestlé US Holdco, Inc.	◊	Wilmington (Delaware)		100%	USD	1
Nestlé USA, Inc.		Wilmington (Delaware)		100%	USD	1 000
Nestlé Waters North America Holdings, Inc.	◊	Wilmington (Delaware)		100%	USD	10 000 000
Nestlé Waters North America, Inc.		Wilmington (Delaware)		100%	USD	10 700 000
NiMCo US, Inc.	◊	Wilmington (Delaware)		100%	USD	10
Osem USA Inc.		New York (New York)		100%	USD	30 000
Pure Encapsulations, LLC		Wilmington (Delaware)		100%	USD	—
Red Maple Insurance Company	◊	Williston (Vermont)		100%	USD	1 200 000
Sweet Earth Inc.		Wilmington (Delaware)		100%	USD	0
The Stouffer Corporation	◊	Cleveland (Ohio)		100%	USD	0
TSC Holdings, Inc.	◊	Wilmington (Delaware)		100%	USD	100 000
Vital Proteins LLC	◊	Wilmington (Delaware)		70%	USD	0
Vitality Foodservice, Inc.		Dover (Delaware)		100%	USD	1 240
Vitaminpacks Inc.		Wilmington (Delaware)		90.4%	USD	0
Waggin' Train LLC		Wilmington (Delaware)		100%	USD	—
Zuke's LLC		Wilmington (Delaware)		100%	USD	0
Before Brands, Inc.	3)	Wilmington (Delaware)		32.5%	USD	4 715
Cerecin Inc.	3)	Wilmington (Delaware)		35%	USD	62 642
Flagship Ventures Fund V, L.P.	3)	Wilmington (Delaware)		5.7%	USD	337 050 000
Nutritional Health Disruptive Innovation Fund, L.P.	3)	Wilmington (Delaware)		98.9%	USD	85 181 818
Nutritional Health LTP Fund, L.P.	3)	Wilmington (Delaware)		100%	USD	75 000 000
Uruguay						
Nestlé del Uruguay S.A.		Montevideo		100%	UYU	9 495 189
Venezuela						
Nestlé Cadipro, S.A.		Caracas		100%	VES	506
Nestlé Venezuela, S.A.		Caracas	100%	100%	VES	5

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						
Al Manhal Water Factory (Bahrain) WLL		Manama		63%	BHD	300 000
Nestlé Bahrain Trading WLL		Manama	49%	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
Henan Hsu Fu Chi Foods Co., Limited		Zhumadian		60%	CNY	224 000 000
Hsu Fu Chi International Holdings Limited	◊	Hong Kong		60%	USD	100 000
Nestlé (China) Limited		Beijing	100%	100%	CNY	250 000 000
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	40 000 000
Nestlé Qingdao Limited		Laixi		100%	CNY	930 000 000
Nestlé R&D (China) Limited		Beijing		100%	CNY	40 000 000
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	△	New Delhi	34.3%	62.8%	INR	964 157 160
Listed on the Bombay Stock Exchange, market capitalization INR 1773.1 billion, quotation code (ISIN) INE239A01016						
Indonesia						
P.T. Nestlé Indonesia		Jakarta		90.2%	IDR	152 753 440 000
P.T. Nestlé Trading Indonesia		Jakarta		90.3%	IDR	60 000 000 000
P.T. Wyeth Nutrition Sduaenam		Jakarta		90%	IDR	2 500 000 000

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Iran						
Nestlé Iran (Private Joint Stock Company)		Tehran	95.9%	95.9%	IRR	358 538 000 000
Nestlé Parsian (Private Joint Stock Company)		Tehran	60%	60%	IRR	1 000 000 000
Nestlé Waters Iranian (Private Joint Stock Company)		Tehran		100%	IRR	35 300 000 000
Israel						
Assamim Gift Parcels Ltd		Shoam		73.8%	ILS	103
Beit HaShita-Asis Limited Partnership		Kibbutz Beit HaShita		100%	ILS	1 000
Matema Industries Limited Partnership		Kibbutz Maabarot		100%	ILS	10 000
Migdanot Habait Ltd		Shoam		100%	ILS	4 014
Nespresso Israel Ltd		Tel Aviv		100%	ILS	1 000
OSEM Food Industries Ltd		Shoam		100%	ILS	176
OSEM Group Commerce Limited Partnership		Shoam		100%	ILS	100
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		68.4%	JPY	10 000 000
Nestlé Japan Ltd		Kobe		100%	JPY	4 000 000 000
Nestlé Nespresso K.K.		Kobe		100%	JPY	10 000 000
Jordan						
Ghadeer Mineral Water Co. WLL		Amman		75%	JOD	1 785 000
Nestlé Jordan Trading Company Ltd		Amman	50%	77.8%	JOD	410 000
Kuwait						
Nestlé Kuwait General Trading Company WLL		Safat	49%	49%	KWD	300 000
Lebanon						
Société des Eaux Minérales Libanaises S.A.L.		Hazmieh		100%	LBP	1 610 000 000
Société pour l'Exportation des Produits Nestlé S.A.		Baabda	100%	100%	CHF	1 750 000
SOHAT Distribution S.A.L.		Hazmieh		100%	LBP	160 000 000
Malaysia						
Nestlé (Malaysia) Bhd.	Δ◊	Petaling Jaya	72.6%	72.6%	MYR	267 500 000
Listed on the Kuala Lumpur stock exchange, market capitalization MYR 32.6 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
Purina PetCare (Malaysia) Sdn. Bhd.		Petaling Jaya		100%	MYR	1 100 000
Wyeth Nutrition (Malaysia) Sdn. Bhd.		Petaling Jaya		100%	MYR	1 969 505
Cereal Partners (Malaysia) Sdn. Bhd.	1)	Petaling Jaya		50%	MYR	2 500 000

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Myanmar						
Nestlé Myanmar Limited		Yangon		95%	USD	9 469 600
Nestlé Myanmar (Trading) Limited		Yangon		100%	USD	100
Oman						
Nestlé Oman Trading LLC		Muscat	49%	49%	OMR	300 000
Pakistan						
Nestlé Pakistan Ltd	○	Lahore		59%	PKR	453 495 840
Listed on the Pakistan Stock Exchange; market capitalization PKR 303.3 billion; quotation code ISIN: PK0025101012						
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
Penpro, Inc. (1)	○	Makati City		88,5%	PHP	630 000 000
Wyeth Philippines, Inc.		Makati City	100%	100%	PHP	743 134 900
CPW Philippines, Inc.	○	Makati City	50%	50%	PHP	7 500 000
Qatar						
Al Manhal Water Factory Co. Ltd WLL		Doha		51%	QAR	5 500 000
Nestlé Qatar Trading LLC		Doha	49%	49%	QAR	1 680 000
Republic of Korea						
Nestlé Korea Yuhan Chaegim Hoesa		Seoul		100%	KRW	15 594 500 000
Pulmuone Waters Co., Ltd		Gyeonggi-Do		51%	KRW	5 778 760 000
LOTTE-Nestlé (Korea) Co., Ltd	○	Cheongju		50%	KRW	52 783 120 000
Saudi Arabia						
Al Anhar Water Factory Co. Ltd		Jeddah		64%	SAR	7 500 000
Al Manhal Water Factory Co. Ltd		Riyadh		64%	SAR	7 000 000
Nestlé Saudi Arabia LLC		Jeddah		75%	SAR	27 000 000
Nestlé Water Factory Co. Ltd		Riyadh		64%	SAR	15 000 000
Pure Water Factory Co. Ltd		Madinah		64%	SAR	5 000 000
SHAS Company for Water Services Ltd		Riyadh		64%	SAR	13 500 000
Springs Water Factory Co. Ltd		Dammam		64%	SAR	5 000 000
Singapore						
Nestlé R&D Center (Pte) Ltd		Singapore		100%	SGD	20 000 000
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	280 506 420

(1) Voting powers unchanged to 50%

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Sri Lanka						
Nestlé Lanka PLC	Δ	Colombo	90.8%	90.8%	LKR	537 254 630
Listed on the Colombo stock exchange, market capitalization LKR 68.5 billion, quotation code (ISIN) LK0128N00005						
Syria						
Nestlé Syria S.A.		Damascus	100%	100%	SYP	800 000 000
Thailand						
Nestlé (Thai) Ltd		Bangkok		100%	THB	880 000 000
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%	49%	AED	300 000
Nestlé Middle East FZE		Dubai		100%	AED	3 000 000
Nestlé Middle East Manufacturing LLC	"	Dubai	49%	49%	AED	300 000
Nestlé Treasury Centre-Middle East & Africa Ltd	◊	Dubai		100%	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
CP Middle East FZCO	1)	Dubai		50%	AED	600 000
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%	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.		Papeete		100%	XPF	5 000 000
New Caledonia						
Nestlé Nouvelle-Calédonie S.A.S.		Nouméa		100%	XPF	64 000 000
New Zealand						
Nestlé New Zealand Limited		Auckland		100%	NZD	300 000
BPW New Zealand	1	Auckland		50%	NZD	—
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	
Republic of Ireland						
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	

154th Financial Statements of Nestlé S.A.

Income statement
for the year ended December 31, 2020

In millions of CHF

	Notes	2020	2019
Income from Group companies	2	2 096	12 109
Profit on disposal and revaluation of assets	3	3 070	8 368
Other income		—	118
Financial income	4	132	302
Total income		**5 298**	**20 897**
Expenses recharged from Group companies	5	—	(2 509)
Personnel expenses		(108)	(158)
Other expenses		(53)	(367)
Write-downs and amortization	3	(324)	(3 882)
Financial expenses	4	(241)	(68)
Taxes	6	(69)	(478)
Total expenses		**(795)**	**(6 662)**
Profit for the year		**4 503**	**14 235**

Balance sheet
as at December 31, 2020

before appropriations

In millions of CHF	Notes	2020	2019
Assets			
Current assets			
Cash and cash equivalents	9	330	531
Other current receivables	10	354	1 376
Prepayments and accrued income		109	87
Total current assets		**793**	**2 094**
Non-current assets			
Financial assets	11	14 455	13 353
Shareholdings	12	13 349	20 775
Property, plant and equipment		1	1
Total non-current assets		**27 805**	**34 129**
Total assets		**28 598**	**36 223**
Liabilities			
Current liabilities			
Interest-bearing liabilities	13	1 149	1 657
Other current liabilities	14	4 089	1 180
Accruals and deferred income		92	17
Provisions	15	215	385
Total current liabilities		**5 545**	**3 239**
Non-current liabilities			
Interest-bearing liabilities	13	1 503	1 503
Provisions	15	500	547
Total non-current liabilities		**2 003**	**2 050**
Total liabilities		**7 548**	**5 289**
Equity			
Share capital	16/17	288	298
Legal retained earnings			
– General legal reserve	17	1 947	1 937
Voluntary retained earnings			
– Special reserve	17	2 859	12 519
– Profit brought forward	17	17 971	11 436
– Profit for the year	17	4 503	14 235
Treasury shares	17/18	(6 518)	(9 481)
Total equity		**21 050**	**30 934**
Total liabilities and equity		**28 598**	**36 223**

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

2. Income from Group companies

This represents dividends and other income from Group companies.

3. Profit on disposal and revaluation of assets

This represents mainly the net gains realized on the sale of financial assets previously written down. In 2020, the net gain of CHF 2616 million on the sale of participations to Société des Produits Nestlé S.A. is included. In 2019, the net gains of CHF 1603 million on the sale of participations to Société des Produits Nestlé S.A. and CHF 4135 million on the sale of Nestlé Skin Health S.A. were included. In addition, a reversal of prior period valuation adjustments resulted in a net gain on participations amounting to CHF 2435 million.

4. Financial income

In millions of CHF

	2020	2019
Income on loans to Group companies	21	234
Other financial income	111	68
	132	**302**

5. Expenses recharged from Group companies

In 2019, expenses of several central service companies recharged to Nestlé S.A. were included.

6. Write-downs and amortization

In millions of CHF

	2020	2019
Shareholdings and loans	324	2 758
Trademarks and other industrial property rights	—	324
	324	**3 082**

7. Financial expenses

In millions of CHF

	2020	2019
Expenses related to loans from Group companies	1	25
Other financial expenses	240	43
	241	**68**

8. Taxes

In millions of CHF

	2020	2019
Direct taxes	47	262
Prior years adjustments	(61)	(130)
Withholding taxes on income from foreign sources	83	346
	69	**478**

9. Cash and cash equivalents

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

10. Other current receivables

In millions of CHF

	2020	2019
Amounts owed by Group companies (current accounts)	211	1 325
Other receivables	143	51
	354	**1 376**

11. Financial assets

In millions of CHF

	2020	2019
Loans to Group companies	14 427	13 329
Other investments	28	24
	14 455	**13 353**

12. Shareholdings

In millions of CHF

	2020	2019
At January 1	20 775	28 693
Net increase/(decrease)	(7 317)	(5 978)
Write-downs	(109)	(1 940)
At December 31	**13 349**	**20 775**

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 2020, Nestlé S.A. has sold or contributed shareholdings with a net book value of CHF 10 117 million to its subsidiary Société des Produits Nestlé S.A. (also see Note 3).

13. 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	2020	2019
Nestlé S.A., Switzerland	CHF	600	0.75%	0.69%	2018–2028	603	603
	CHF	900	0.25%	0.26%	2018–2024	900	900
Total carrying amount						**1 503**	**1 503**

14. Other current liabilities

In millions of CHF

	2020	2019
Amounts owed to Group companies	3 798	993
Other liabilities	291	187
	4 089	**1 180**

15. Provisions

In millions of CHF

				2020	2019
	Uninsured risks	Swiss and foreign taxes	Other	**Total**	**Total**
At January 1	475	279	178	**932**	1 092
Provisions made in the period	—	46	23	**69**	350
Amounts used	—	(218)	(34)	**(252)**	(236)
Unused amounts reversed	—	5	(39)	**(34)**	(274)
At December 31	**475**	**112**	**128**	**715**	932
of which expected to be settled within 12 months				**215**	385

16. Share capital

	2020	2019
Number of registered shares of nominal value CHF 0.10 each	2 881 000 000	2 976 000 000
In millions of CHF	288	298

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.

17. Changes in equity

In millions of CHF

	Share capital	General legal reserve	Special reserve	Retained earnings	Treasury shares	Total
At January 1, 2020	298	1 937	12 519	25 671	(9 491)	30 934
Cancellation of 95 000 000 shares (ex-share buyback program)	(10)	10	(9 660)	—	9 660	—
Profit for the year	—	—	—	4 503	—	4 503
Dividend for 2019	—	—	—	(7 700)	—	(7 700)
Movement of treasury shares	—	—	—	—	(6 687)	(6 687)
At December 31, 2020	**288**	**1 947**	**2 859**	**22 474**	**(6 518)**	**21 050**

18. Treasury shares

In millions of CHF

	2020		2019	
	Number	Amount	Number	Amount
Share buyback programs	59 694 659	6 137	88 858 659	9 009
Long-term incentive plans	4 849 627	381	7 091 899	482
	64 544 286	**6 518**	**95 950 558**	**9 491**

The share capital has been reduced by 95 000 000 shares from CHF 298 million to CHF 288 million through the cancellation of shares purchased as part of the share buyback program. The purchase value of those cancelled shares amounts to CHF 9 660 million.

During the year, 65 836 000 shares were purchased as part of the share buyback program for CHF 6 788 million.

The Company held 4 849 627 shares to cover long-term incentive plans. During the year, 3 619 963 shares were delivered as part of the Nestlé Group remuneration plans for a total value of CHF 246 million. All treasury shares are valued at acquisition cost.

The total of own shares of 64 544 286 held by Nestlé S.A. at December 31, 2020, represents 2.2% of the Nestlé S.A. share capital (95 950 558 own shares held at December 31, 2019, by Nestlé S.A. representing 3.2% of the Nestlé S.A. share capital).

19. Contingencies

At December 31, 2020, 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 83 768 million (2019: CHF 60 272 million).

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

In millions of CHF

	2020		2019	
	Number	Amount	Number	Amount
Performance Share Units, Restricted Stock Units and Phantom Shares granted to Nestlé S.A. employees [a]	168 378	18	205 850	19
Share plan for short-term bonus Executive Board [b]	66 911	7	83 855	7
Share plan for Board members [c]	—	5	57 552	5
	235 289	**30**	**347 257**	**31**

(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 2020 annual results (for the Grant in March) and of the last ten trading days of September (for the Grant in October), corresponding to CHF 107.10 (grant in March 2020) and CHF 109.14 (grant in October 2020). The 2019 amounts have been restated from the fair value to market value. Includes 127 583 Performance Share Units granted to Executive Board (2019: 157 960). The Phantom Shares are valued at CHF 111.33 per Unit in 2020.

(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 2021.

(c) As from 2020, the Board is paid in arrears (25% in October 2020 and 75% in April 2021). The Nestlé S.A. shares equivalent to 50% of the annual remuneration will be delivered at the end of the Board year in April 2021. They will be valued at the closing price of the share on the SIX Swiss Exchange on the ex-dividend date 2021. The actual number of shares delivered will be published in the NSA 2021 Financial Statements.

21. 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.

22. 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.

23. Shares

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

	2020	2019
	Number of shares held [a]	Number of shares held [a]
Paul Bulcke, Chairman	1 421 941	1 421 941
Henri de Castries, Vice Chairman, Lead Independent Director	27 698	27 698
Renato Fassbind	30 480	30 480
Ann M. Veneman	21 160	21 160
Eva Cheng	5 399	18 168
Patrick Aebischer	8 814	6 514
Ursula M. Burns	6 214	6 214
Kasper B. Rorsted	3 360	3 360
Pablo Isla	3 731	3 731
Kimberly A. Ross	4 559	4 559
Dick Boer	2 984	2 984
Dinesh Paliwal	1 484	1 484
Hanne Jimenez de Mora	2 520	—
Members who retired from the Board during the year	—	48 988
Total as at December 31	**1 540 344**	**1 597 281**

(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

	2020	2019
	Number of shares held [a]	Number of shares held [a]
Ulf Mark Schneider, CEO	484 616	300 957
Laurent Freixe	73 438	50 333
Chris Johnson	136 798	110 806
Patrice Bula	253 428	214 842
Marco Settembri	94 750	59 700
François-Xavier Roger	72 138	62 080
Magdi Batato	41 508	23 791
Stefan Palzer	9 883	6 186
Béatrice Guillaume-Grabisch	23 211	11 902
Leanne Geale	—	—
Gregory Behar	21 247	11 924
Sanjay Bahadur	51 846	—
Members who retired from the Executive Board during the year	—	23 361
Total as at December 31	**1 182 863**	**876 482**

(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.

Proposed appropriation of profit

In CHF	2020	2019
Retained earnings		
Profit brought forward	17 875 863 039	11 436 254 726
Dividends on own shares not distributed [a]	95 416 026	—
Profit for the year	4 503 477 145	14 234 889 934
	22 474 756 210	**25 671 144 660**
We propose the following appropriation:		
Dividend for 2020, CHF 2.75 per share on 2 881 000 000 shares [b] (2019: CHF 2.70 on 2 887 141 341 shares)	7 922 750 000	7 795 281 621
	7 922 750 000	**7 795 281 621**
Profit to be carried forward	**14 552 006 210**	**17 875 863 039**

(a) The amount of CHF 7 795 281 621 proposed to be distributed as dividend for 2019 was reduced by CHF 95 416 026 due to an increase of 35 339 269 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 16, 2021). 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 2.75 per share, representing a net amount of CHF 1.7875 per share after payment of the Swiss withholding tax of 35%. The last trading day with entitlement to receive the dividend is April 16, 2021. The shares will be traded ex-dividend as of April 19, 2021. The net dividend will be payable as from April 21, 2021.

The Board of Directors

Cham and Vevey, February 17, 2021

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

Lausanne, 17 February 2021

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 balance sheet, income statement and notes (pages 185 to 195), as at 31 December 2020 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.

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Opinion
In our opinion, the financial statements for the year ended 31 December 2020 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.

Other matter
The financial statements of Nestlé S.A. for the year ended 31 December 2019 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 12 February 2020.

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
Licensed audit expert
(Auditor in charge)

André Schaub
Licensed audit expert

Notes