



Nestlé

Good food, Good life

Financial Statements 2023

**Consolidated Financial Statements
of the Nestlé Group 2023**

**157th Financial Statements
of Nestlé S.A.**

Consolidated Financial Statements of the Nestlé Group 2023

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Principal exchange rates

CHF per

| | | 2023 | 2022 | 2023 | 2022 |
|---------------------------|-----|----------------|--------|-------------------------------|--------|
| | | Year-end rates | | Weighted average annual rates | |
| 1 US Dollar | USD | 0.841 | 0.925 | 0.898 | 0.956 |
| 1 Euro | EUR | 0.931 | 0.985 | 0.971 | 1.004 |
| 100 Chinese Yuan Renminbi | CNY | 11.859 | 13.297 | 12.689 | 14.148 |
| 100 Brazilian Reais | BRL | 17.381 | 17.722 | 17.989 | 18.555 |
| 100 Mexican Pesos | MXN | 4.964 | 4.743 | 5.063 | 4.750 |
| 1 Pound Sterling | GBP | 1.072 | 1.116 | 1.116 | 1.175 |
| 100 Philippine Pesos | PHP | 1.519 | 1.660 | 1.614 | 1.752 |
| 1 Canadian Dollar | CAD | 0.636 | 0.682 | 0.665 | 0.735 |
| 100 Indian Rupee | INR | 1.012 | 1.117 | 1.088 | 1.216 |
| 1 Australian Dollar | AUD | 0.575 | 0.627 | 0.596 | 0.663 |
| 100 Chilean Pesos | CLP | 0.095 | 0.108 | 0.107 | 0.109 |

Consolidated income statement for the year ended December 31, 2023

| In millions of CHF | | | |
|---|-------|---------------|---------------|
| | Notes | 2023 | 2022 |
| Sales | 3 | 92 998 | 94 424 |
| Other revenue | | 353 | 356 |
| Cost of goods sold | | (50 328) | (51 745) |
| Distribution expenses | | (7 765) | (8 386) |
| Marketing and administration expenses | | (17 549) | (16 850) |
| Research and development costs | | (1 656) | (1 696) |
| Other trading income | 4 | 132 | 107 |
| Other trading expenses | 4 | (1 665) | (3 015) |
| Trading operating profit | 3 | 14 520 | 13 195 |
| Other operating income | 4 | 298 | 340 |
| Other operating expenses | 4 | (755) | (1 209) |
| Operating profit | | 14 063 | 12 326 |
| Financial income | 5 | 284 | 210 |
| Financial expense | 5 | (1 644) | (1 250) |
| Profit before taxes, associates and joint ventures | | 12 703 | 11 286 |
| Taxes | 13 | (2 314) | (2 730) |
| Income from associates and joint ventures | 14 | 1 120 | 1 040 |
| Profit for the year | | 11 509 | 9 596 |
| of which attributable to non-controlling interests | | 300 | 326 |
| of which attributable to shareholders of the parent (Net profit) | | 11 209 | 9 270 |
| As percentages of sales | | | |
| Trading operating profit | | 15.6% | 14.0% |
| Profit for the year attributable to shareholders of the parent (Net profit) | | 12.1% | 9.8% |
| Earnings per share (in CHF) | | | |
| Basic earnings per share | 15 | 4.24 | 3.42 |
| Diluted earnings per share | 15 | 4.23 | 3.42 |

Consolidated statement of comprehensive income for the year ended December 31, 2023

In millions of CHF

| | Notes | 2023 | 2022 |
|---|-------|----------------|----------------|
| Profit for the year recognized in the income statement | | 11 509 | 9 596 |
| Currency retranslations, net of taxes | 17 | (4 154) | (1 399) |
| Changes in cash flow hedge and cost of hedge reserves, net of taxes | | 194 | 214 |
| Share of other comprehensive income of associates and joint ventures | 14/17 | (197) | 167 |
| Items that are or may be reclassified subsequently to the income statement | | (4 157) | (1 018) |
| Remeasurement of defined benefit plans, net of taxes | 10/17 | (623) | (378) |
| Fair value changes of equity instruments, net of taxes | 17 | 163 | 167 |
| Share of other comprehensive income of associates and joint ventures | 14/17 | (40) | 95 |
| Items that will never be reclassified to the income statement | | (500) | (116) |
| Other comprehensive income for the year | 17 | (4 657) | (1 134) |
| Total comprehensive income for the year | | 6 852 | 8 462 |
| of which attributable to non-controlling interests | | 175 | 342 |
| of which attributable to shareholders of the parent | | 6 677 | 8 120 |

Consolidated balance sheet as at December 31, 2023

before appropriations

| In millions of CHF | Notes | 2023 | 2022 |
|---|-------|----------------|----------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 12/16 | 4 816 | 5 511 |
| Short-term investments | 12 | 1 035 | 1 176 |
| Inventories | 6 | 11 896 | 15 019 |
| Trade and other receivables | 7/12 | 10 995 | 11 116 |
| Prepayments | | 521 | 549 |
| Derivative assets | 12 | 278 | 309 |
| Current income tax assets | | 1 284 | 1 285 |
| Assets held for sale | | 32 | 97 |
| Total current assets | | 30 857 | 35 062 |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 30 467 | 30 141 |
| Goodwill | 9 | 28 693 | 31 262 |
| Intangible assets | 9 | 18 225 | 20 237 |
| Investments in associates and joint ventures | 14 | 13 088 | 13 023 |
| Financial assets | 12 | 2 947 | 3 253 |
| Derivative assets | 12 | 130 | — |
| Employee benefits assets and reimbursement rights | 10 | 962 | 1 161 |
| Deferred tax assets | 13 | 1 181 | 1 043 |
| Total non-current assets | | 95 693 | 100 120 |
| Total assets | | 126 550 | 135 182 |

| In millions of CHF | | | |
|--|-------|----------------|----------------|
| | Notes | 2023 | 2022 |
| Liabilities and equity | | | |
| Current liabilities | | | |
| Financial debt | 12 | 9 416 | 10 892 |
| Derivative liabilities | 12 | 317 | 352 |
| Trade and other payables | 7/12 | 19 204 | 20 523 |
| Accruals | | 5 112 | 5 114 |
| Provisions | 11 | 675 | 620 |
| Current income tax liabilities | | 2 360 | 2 447 |
| Liabilities directly associated with assets held for sale | | — | 28 |
| Total current liabilities | | 37 084 | 39 976 |
| Non-current liabilities | | | |
| Financial debt | 12 | 45 825 | 43 420 |
| Derivative liabilities | 12 | 239 | 470 |
| Employee benefits liabilities | 10 | 2 718 | 2 884 |
| Provisions | 11 | 1 303 | 1 113 |
| Deferred tax liabilities | 13 | 2 886 | 3 671 |
| Other payables | 12 | 108 | 856 |
| Total non-current liabilities | | 53 079 | 52 414 |
| Total liabilities | | 90 163 | 92 390 |
| Equity | 17 | | |
| Share capital | | 267 | 275 |
| Treasury shares | | (5 155) | (9 303) |
| Translation reserve | | (27 581) | (23 559) |
| Other reserves | | (50) | (63) |
| Retained earnings | | 68 261 | 74 632 |
| Total equity attributable to shareholders of the parent | | 35 742 | 41 982 |
| Non-controlling interests | | 645 | 810 |
| Total equity | | 36 387 | 42 792 |
| Total liabilities and equity | | 126 550 | 135 182 |

Consolidated cash flow statement for the year ended December 31, 2023

| In millions of CHF | | | 2023 | 2022 |
|---|-------|--|----------------|-----------------|
| | Notes | | | |
| Operating activities | | | | |
| Operating profit | 16 | | 14 063 | 12 326 |
| Depreciation and amortization | 16 | | 3 458 | 3 541 |
| Impairment | 16 | | 647 | 2 726 |
| Net result on disposal of businesses | 4 | | 221 | 79 |
| Other non-cash items of income and expense | 16 | | 82 | 216 |
| Cash flow before changes in operating assets and liabilities | | | 18 471 | 18 888 |
| Decrease/(increase) in working capital | 16 | | 1 134 | (3 133) |
| Variation of other operating assets and liabilities | 16 | | (425) | (514) |
| Cash generated from operations | | | 19 180 | 15 241 |
| Interest paid | | | (1 330) | (953) |
| Interest and dividends received | | | 193 | 118 |
| Taxes paid | | | (2 801) | (3 107) |
| Dividends and interest from associates and joint ventures | 14 | | 699 | 608 |
| Operating cash flow | | | 15 941 | 11 907 |
| Investing activities | | | | |
| Capital expenditure | 8 | | (5 714) | (5 095) |
| Expenditure on intangible assets | 9 | | (489) | (266) |
| Acquisition of businesses, net of cash acquired | 2 | | (211) | (1 710) |
| Disposal of businesses, net of cash disposed of | 2 | | 215 | 160 |
| Investments (net of divestments) in associates and joint ventures | 14 | | (582) | (918) |
| Inflows/(outflows) from treasury investments | | | (80) | 5 902 |
| Other investing activities ^(a) | | | 665 | 24 |
| Investing cash flow | | | (6 196) | (1 903) |
| Financing activities | | | | |
| Dividend paid to shareholders of the parent | 17 | | (7 829) | (7 618) |
| Dividends paid to non-controlling interests | | | (323) | (284) |
| Acquisition of non-controlling interests | | | (52) | (605) |
| Purchase of treasury shares ^(b) | | | (5 234) | (10 679) |
| Inflows from bonds and other long-term financial debt | 12 | | 9 806 | 10 936 |
| Outflows from bonds, lease liabilities and other long-term financial debt | 12 | | (3 589) | (3 283) |
| Inflows/(outflows) from short-term financial debt | 12 | | (2 537) | 148 |
| Financing cash flow | | | (9 758) | (11 385) |
| Currency retranslations | | | (682) | (100) |
| Increase/(decrease) in cash and cash equivalents | | | (695) | (1 481) |
| Cash and cash equivalents at beginning of year ^(c) | | | 5 511 | 6 992 |
| Cash and cash equivalents at end of year | | | 4 816 | 5 511 |

(a) Mainly composed of the proceeds of the disposal of a financial asset in Prometheus Biosciences. The accounting gain of the transaction is recorded under other comprehensive income.

(b) Mostly relates to a share buyback program launched in 2022.

(c) As at January 1, 2022, cash and cash equivalents included CHF 4 million of cash and cash equivalents classified as assets held for sale.

Consolidated statement of changes in equity for the year ended December 31, 2023

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, 2022 | 282 | (6 194) | (22 266) | (45) | 81 363 | 53 140 | 587 | 53 727 |
| Profit for the year | — | — | — | — | 9 270 | 9 270 | 326 | 9 596 |
| Other comprehensive income for the year | — | — | (1 408) | 380 | (122) | (1 150) | 16 | (1 134) |
| Total comprehensive income for the year | — | — | (1 408) | 380 | 9 148 | 8 120 | 342 | 8 462 |
| Dividends | — | — | — | — | (7 618) | (7 618) | (284) | (7 902) |
| Movement of treasury shares | — | (10 653) | — | — | (93) | (10 746) | — | (10 746) |
| Equity compensation plans | — | 209 | — | — | (69) | 140 | (1) | 139 |
| Changes in non-controlling interests ^(a) | — | — | — | — | (685) | (685) | 168 | (517) |
| Reduction in share capital ^(b) | (7) | 7 335 | — | — | (7 328) | — | — | — |
| Total transactions with owners | (7) | (3 109) | — | — | (15 793) | (18 909) | (117) | (19 026) |
| Other movements ^(c) | — | — | 115 | (398) | (86) | (369) | (2) | (371) |
| Equity as at December 31, 2022 | 275 | (9 303) | (23 559) | (63) | 74 632 | 41 982 | 810 | 42 792 |
| Equity as at January 1, 2023 | 275 | (9 303) | (23 559) | (63) | 74 632 | 41 982 | 810 | 42 792 |
| Profit for the year | — | — | — | — | 11 209 | 11 209 | 300 | 11 509 |
| Other comprehensive income for the year | — | — | (4 022) | (11) | (499) | (4 532) | (125) | (4 657) |
| Total comprehensive income for the year | — | — | (4 022) | (11) | 10 710 | 6 677 | 175 | 6 852 |
| Dividends | — | — | — | — | (7 829) | (7 829) | (323) | (8 152) |
| Movement of treasury shares | — | (5 142) | — | — | 6 | (5 136) | — | (5 136) |
| Equity compensation plans | — | 154 | — | — | (2) | 152 | — | 152 |
| Changes in non-controlling interests ^(a) | — | — | — | — | (55) | (55) | (15) | (70) |
| Reduction in share capital ^(b) | (8) | 9 136 | — | — | (9 128) | — | — | — |
| Total transactions with owners | (8) | 4 148 | — | — | (17 008) | (12 868) | (338) | (13 206) |
| Other movements ^(c) | — | — | — | 24 | (73) | (49) | (2) | (51) |
| Equity as at December 31, 2023 | 267 | (5 155) | (27 581) | (50) | 68 261 | 35 742 | 645 | 36 387 |

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

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

(c) Other movements in Other reserves relate to cash flow hedge transactions. Other movements in Retained earnings relate mainly to other equity movements in associates and joint ventures explained further in Note 14 in the table of movement of carrying amount of associates and joint ventures.

Notes

1. Accounting policies

Accounting convention and accounting standards

The Consolidated Financial Statements comply with IFRS Accounting Standards 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 2023 were approved for issue by the Board of Directors on February 21, 2024, and are subject to approval by the Annual General Meeting on April 18, 2024.

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 Consolidated Financial Statements.

Key accounting judgments, estimates and assumptions

The preparation of the Consolidated Financial Statements requires Group Management to exercise judgment and to make estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities as well as disclosures. Estimated climate impacts, current and probable stated regulatory changes and Nestlé's environmental commitments have been taken into account. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Information about potential impacts under alternative scenarios (including, among others, the policies aligned with the Paris ambition and Nestlé's environmental commitments) on the medium and long term, aligned with the Task Force on Climate-related Financial Disclosures (TCFD) methodology, has been considered. Management believes that the Financial Statements as at December 31, 2023 reflect the most reasonable view of the value of the assets and liabilities at this date. The implications for the Group and the global economy of the war in Ukraine (described in Note 2) as well as potential escalations are highly uncertain, and remain difficult to predict or quantify. Actual results and outcomes could differ from the judgments and estimates taken into account in these Consolidated Financial Statements.

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

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

Foreign currencies

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

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

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

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

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

Hyperinflationary economies

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

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

Other revenue

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

Expenses

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

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

In May 2023, the IASB issued International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12). The Group has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. The Group made the required disclosures in the full year 2023 Consolidated Financial Statements (see Note 13.5) in accordance with the amendment. IFRS 17 Insurance Contracts became effective in 2023, but did not have a material impact on the Group's Financial Statements. Several other amendments apply for the first time in 2023 including, among others, Definition of Accounting Estimates (Amendments to IAS 8), Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) and Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). None of these had a material impact on the Group's Financial Statements.

Changes in IFRS Accounting Standards that may affect the Group after December 31, 2023

The following standards have been issued and will become effective after December 31, 2023: Lease Liability in a Sale and Leaseback (Amendments to IFRS 16), Non-current Liabilities with Covenants (Amendments to IAS 1), Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7), and Lack of Exchangeability (Amendments to IAS 21). The Group is currently evaluating the effects of these new amendments; they are not expected to have a material impact on the Group's Financial Statements in the period of initial adoption, based on the analysis so far.

2. Scope of consolidation, acquisitions and disposals of businesses

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 war in Ukraine and the related sanctions imposed on Russia, Belarus and certain regions in Ukraine still continue to limit the freedom of Nestlé Russia Region businesses to operate. In accordance with the accounting policy described above, the Group has re-assessed and confirmed that the changes in the legal and operating environment of Russia and Ukraine have not impacted the ability to exercise control over the Group entities in these countries.

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

2.1 Change of scope of consolidation

Acquisitions

There were no significant acquisitions in 2023.

In 2022, the significant acquisition was:

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

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

Disposals

In 2023, there were no significant disposals.

Among several non-significant disposals, the European frozen pizza business has been contributed in September to a newly created joint venture company European Pizza Group (see Note 14). In addition, in September as well, the Group disposed of *Palforzia*, its peanut allergy treatment business, for future royalty and milestone payments dependent on the achievement of sales targets. The disposal transaction has an insignificant income statement impact, as impairment charges had been recorded in 2022 (see Note 9).

In 2022, there was no significant disposal.

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

2.2 Acquisitions of businesses

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

| In millions of CHF | | | | |
|--|--------------|------------|------------|--------------|
| | 2023 | | | 2022 |
| | Total | Orgain | Other | Total |
| Inventories | 20 | 172 | 61 | 233 |
| Other assets | 25 | 36 | 100 | 136 |
| Property, plant and equipment | 32 | 3 | 63 | 66 |
| Intangible assets ^(a) | 19 | 623 | 209 | 832 |
| Financial debt | (5) | (3) | (42) | (45) |
| Other liabilities | (11) | (63) | (52) | (115) |
| Deferred taxes | 3 | (40) | (16) | (56) |
| Fair value of identifiable net assets/(liabilities) | 83 | 728 | 323 | 1 051 |

(a) Mainly intellectual property rights, customer lists, trademarks and trade names, composed of CHF 14 million (2022: CHF 102 million) of finite life, and of CHF 5 million (2022: CHF 730 million) of indefinite life intangible assets.

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

The goodwill arising on acquisitions and the cash outflow are:

| In millions of CHF | | | | |
|---|--------------|------------|------------|--------------|
| | 2023 | | | 2022 |
| | Total | Orgain | Other | Total |
| Fair value of consideration transferred | 203 | 896 | 825 | 1 721 |
| Non-controlling interests | — | 193 | 1 | 194 |
| Subtotal | 203 | 1 089 | 826 | 1 915 |
| Fair value of identifiable net (assets)/liabilities | (83) | (728) | (323) | (1 051) |
| Goodwill | 120 | 361 | 503 | 864 |

2. Scope of consolidation, acquisitions and disposals of businesses

In millions of CHF

| | 2023 | | | 2022 |
|---|--------------|------------|------------|--------------|
| | Total | Orgain | Other | Total |
| Fair value of consideration transferred | 203 | 896 | 825 | 1 721 |
| Cash and cash equivalents acquired | (4) | 6 | (15) | (9) |
| Consideration payable | (7) | — | (89) | (89) |
| Payment of consideration payable on prior-year acquisitions | 19 | — | 87 | 87 |
| Cash outflow on acquisitions | 211 | 902 | 808 | 1 710 |

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

Orgain

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

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 27 million (2022: CHF 46 million).

2.3 Disposals of businesses

There were no significant disposals of business during the year 2023 nor during the year 2022.

| In millions of CHF | 2023 | 2022 |
|--|------------|------------|
| Cash, cash equivalents and short-term investments | 20 | 12 |
| Inventories | 72 | 58 |
| Trade and other receivables, prepayments and other assets | 74 | 16 |
| Deferred tax assets | 19 | 11 |
| Property, plant and equipment | 150 | 175 |
| Goodwill and intangible assets | 231 | 333 |
| Financial liabilities | (15) | (27) |
| Trade and other payables, accruals and other liabilities | (90) | (31) |
| Employee benefits and provisions | (5) | (14) |
| Deferred tax liabilities | (7) | — |
| Non-controlling interests | (22) | — |
| Net assets disposed of | 427 | 533 |
| Cumulative other comprehensive income items, net, reclassified to income statement | 187 | 29 |
| Profit/(loss) on disposals, net of disposal costs | (221) | (79) |
| Total disposal consideration, net of disposal costs | 393 | 483 |
| Cash and cash equivalents disposed of | (20) | (12) |
| Disposal costs not yet paid | 44 | — |
| Shares in joint ventures and associates ^(a) | (126) | (296) |
| Loans granted to joint ventures ^(a) | (100) | — |
| Consideration receivable | (5) | (32) |
| Receipt of consideration receivable on prior-year disposals | 29 | 17 |
| Cash inflow on disposals, net of disposal costs | 215 | 160 |

(a) In 2023, mainly related to the fair value of the equity interest in European Pizza Group based on discounted cashflow, and related loans granted to this joint venture (see Notes 2.1 and 14) part of the Zone EUR operating segment.
In 2022, related to the fair value of the equity interest in Sous Chef received as part of the disposal of Freshly (see Notes 2.1 and 14), which was determined using a discounted cash flows methodology based on the forecasted business plans of entities held by Sous Chef (the combination of Freshly and Kettle Cuisine, see Notes 2.1 and 14).

3. Analyses by segment

Nestlé is organized into five geographic Zones as well as Globally Managed Businesses. The Company manufactures and distributes food and beverage products in the following categories: powdered and liquid beverages, water, milk, ice cream and nutrition products, prepared dishes and cooking aids, confectionery and petcare. Nestlé also manufactures and distributes nutritional science products through its globally managed business Nestlé Health Science. The Group has factories in 76 countries and sales in 188 countries and employs around 270 000 people.

Segment reporting

Basis for segmentation

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

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

The Group is organized into five Zones and two significant GMBs. Therefore, the Group's reportable segments are:

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

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

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

Revenue and results by segment

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

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

Invested capital and other information by segment

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

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

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

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

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

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

Unallocated items

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

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

Revenue

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

Revenue is measured as the amount of consideration which the Group expects to receive, based on the list price applicable to a given distribution channel after deduction of returns, sales taxes, pricing allowances, other trade discounts and couponing and price promotions to consumers. The level of discounts, allowances and promotional rebates is recognized as a deduction from revenue at the time that the related sales are recognized or when the rebate is offered to the customer (or consumer if applicable). They are estimated using judgments based on historical experience and the specific terms of the agreements with the customers. Payments made to customers for commercial services received are expensed. The Group has a range of credit terms which are typically short term, in line with market practice and without any financing component.

3. Analyses by segment

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

Trade assets (mainly coffee machines and water coolers) may be sold or leased separately to customers.

Arrangements where the Group transfers substantially all the risks and rewards incidental to ownership to the customer are treated as finance lease arrangements. Operating lease revenue for trade asset rentals is recognized on a straight-line basis over the lease term.

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

3.1 Operating segments

Revenue and results

In millions of CHF

| | | | | | | | 2023 |
|----------------------------------|----------------------|--|--------------------------|--|--|------------------------------|-------------------------------|
| | Sales ^(e) | 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 NA | 25 995 | 5 768 | 5 546 | (222) | (83) | (84) | (701) |
| Zone EUR | 19 098 | 3 127 | 2 698 | (429) | (71) | (267) | (812) |
| Zone AOA | 17 519 | 4 109 | 3 944 | (165) | (89) | (57) | (508) |
| Zone LATAM | 12 196 | 2 520 | 2 346 | (174) | (19) | (36) | (390) |
| Zone GC | 5 037 | 832 | 468 | (364) | (170) | (191) | (159) |
| Nestlé Health Science | 6 498 | 777 | 670 | (107) | (16) | (47) | (300) |
| Nespresso | 6 372 | 1 291 | 1 283 | (8) | (16) | (8) | (274) |
| Other businesses ^(d) | 283 | (12) | (15) | (3) | (2) | — | (37) |
| Unallocated items ^(e) | — | (2 359) | (2 420) | (61) | (24) | (33) | (277) |
| Total | 92 998 | 16 053 | 14 520 | (1 533) | (490) | (723) | (3 458) |

In millions of CHF

| | | | | | | | 2022 |
|----------------------------------|----------------------|--|--------------------------|--|--|------------------------------|-------------------------------|
| | 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 NA | 26 328 | 5 528 | 4 904 | (624) | (82) | (43) | (713) |
| Zone EUR | 19 128 | 3 138 | 2 719 | (419) | (199) | (92) | (829) |
| Zone AOA | 18 484 | 4 237 | 4 133 | (104) | (26) | (44) | (566) |
| Zone LATAM | 11 819 | 2 501 | 2 401 | (100) | (16) | (11) | (366) |
| Zone GC | 5 351 | 862 | 840 | (22) | (12) | (15) | (179) |
| Nestlé Health Science | 6 602 | 899 | (596) | (1 495) | (41) | (42) | (287) |
| Nespresso | 6 448 | 1 388 | 1 309 | (79) | (24) | (7) | (290) |
| Other businesses ^(d) | 264 | (17) | (19) | (2) | (4) | — | (38) |
| Unallocated items ^(e) | — | (2 433) | (2 496) | (63) | 1 | (19) | (273) |
| Total | 94 424 | 16 103 | 13 195 | (2 908) | (403) | (273) | (3 541) |

(a) Inter-segment sales are not significant.

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

(c) Included in Trading operating profit.

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

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

3. Analyses by segment

Invested capital and other information

In millions of CHF

| | | | | | 2023 |
|--|------------------|--------------------------------|---|-------------------------------------|-------------------|
| | Invested capital | Goodwill and intangible assets | Impairment of goodwill and non-commercialized intangible assets (c) | Impairment of intangible assets (d) | Capital additions |
| Zone NA | 8 749 | 18 149 | — | (44) | 2 401 |
| Zone EUR | 7 977 | 4 412 | — | (27) | 1 680 |
| Zone AOA | 4 389 | 6 846 | — | (6) | 928 |
| Zone LATAM | 4 974 | 1 925 | — | (13) | 923 |
| Zone GC | 194 | 1 583 | — | (1) | 161 |
| Nestlé Health Science | 2 674 | 12 848 | (45) | (21) | 478 |
| Nespresso | 1 422 | 560 | — | — | 282 |
| Other businesses (a) | (827) | 92 | — | — | 88 |
| Unallocated items (b) and inter-segment eliminations | 1 294 | 503 | — | — | 218 |
| Total | 30 846 | 46 918 | (45) | (112) | 7 159 |

In millions of CHF

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

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

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

(c) Included in Operating profit.

(d) Included in Trading operating profit.

3.2 Products

Revenue and results

In millions of CHF

| | | | | 2023 | | |
|----------------------------------|---------------|---|-----------------------------|---|---|---------------------------------|
| | Sales | Underlying trading operating profit ^(a) | Trading operating profit | Net other trading income/(expenses) ^(b) | of which impairment of property, plant and equipment | of which restructuring costs |
| Powdered and Liquid Beverages | 24 786 | 5 130 | 4 945 | (185) | (70) | (104) |
| Water | 3 320 | 351 | 161 | (190) | (41) | (99) |
| Milk products and Ice cream | 10 981 | 2 688 | 2 601 | (87) | (26) | (40) |
| Nutrition and Health Science | 15 278 | 2 831 | 2 291 | (540) | (207) | (267) |
| Prepared dishes and cooking aids | 11 666 | 2 136 | 1 849 | (287) | (97) | (113) |
| Confectionery | 8 107 | 1 364 | 1 231 | (133) | (11) | (41) |
| PetCare | 18 860 | 3 912 | 3 862 | (50) | (14) | (26) |
| Unallocated items ^(c) | — | (2 359) | (2 420) | (61) | (24) | (33) |
| Total | 92 998 | 16 053 | 14 520 | (1 533) | (490) | (723) |

In millions of CHF

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

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

(b) Included in Trading operating profit.

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

3. Analyses by segment

Invested capital and other information

In millions of CHF

| | | 2023 | | |
|--|------------------|--------------------------------|---|-------------------------------------|
| | Invested capital | Goodwill and intangible assets | Impairment of goodwill and non-commercialized intangible assets (b) | Impairment of intangible assets (c) |
| Powdered and Liquid Beverages | 7 032 | 6 587 | — | (2) |
| Water | 1 432 | 1 087 | — | (25) |
| Milk products and Ice cream | 2 907 | 1 191 | — | — |
| Nutrition and Health Science | 6 153 | 23 806 | (45) | (24) |
| Prepared dishes and cooking aids | 3 169 | 5 611 | — | (31) |
| Confectionery | 2 483 | 682 | — | (11) |
| PetCare | 8 604 | 9 385 | — | (19) |
| Unallocated items (a) and intra-group eliminations | 1 433 | 1 678 | — | — |
| Total | 33 213 | 50 027 | (45) | (112) |

In millions of CHF

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

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

(b) Included in Operating profit.

(c) Included in Trading operating profit.

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

| In millions of CHF | | |
|---|---------------|---------------|
| | 2023 | 2022 |
| Underlying trading operating profit ^(a) as per Note 3.1 | 16 053 | 16 103 |
| Net other trading income/(expenses) as per Note 4.1 | (1 533) | (2 908) |
| Trading operating profit as per Note 3.1 | 14 520 | 13 195 |
| Impairment of goodwill and non-commercialized intangible assets | (45) | (636) |
| Net other operating income/(expenses) excluding impairment of goodwill and non-commercialized intangible assets | (412) | (233) |
| Operating profit | 14 063 | 12 326 |
| Net financial income/(expense) | (1 360) | (1 040) |
| Profit before taxes, associates and joint ventures | 12 703 | 11 286 |

(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 | | |
|--|----------------|----------------|
| | 2023 | 2022 |
| Invested capital as per Note 3.1 | 30 846 | 31 939 |
| Liabilities included in invested capital | 23 057 | 24 977 |
| Subtotal | 53 903 | 56 916 |
| Intangible assets and goodwill as per Note 3.1 | 46 918 | 51 499 |
| Other assets | 25 729 | 26 767 |
| Total assets | 126 550 | 135 182 |

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

| | 2023 | 2022 |
|----------------------------------|---------------|---------------|
| NA | 32 553 | 33 000 |
| United States | 30 034 | 30 314 |
| Canada | 2 519 | 2 686 |
| EUR | 22 291 | 22 291 |
| France | 3 546 | 3 558 |
| United Kingdom | 3 529 | 3 409 |
| Germany | 2 212 | 2 316 |
| Other markets of geographic area | 13 004 | 13 008 |
| of which Switzerland | 1 101 | 1 109 |
| AOA | 19 870 | 20 967 |
| Philippines | 2 677 | 2 667 |
| India | 1 993 | 1 960 |
| Australia | 1 450 | 1 510 |
| Other markets of geographic area | 13 750 | 14 830 |
| LATAM | 12 760 | 12 323 |
| Brazil | 4 131 | 3 756 |
| Mexico | 3 937 | 3 457 |
| Chile | 1 312 | 1 302 |
| Other markets of geographic area | 3 380 | 3 808 |
| GC | 5 524 | 5 843 |
| Greater China | 5 524 | 5 843 |
| Total sales | 92 998 | 94 424 |
| of which developed markets | 54 829 | 55 112 |
| of which emerging markets | 38 169 | 39 312 |

3.5 Geography

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

The analysis of sales is stated by customer location.

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

In millions of CHF

| | 2023 | | 2022 | |
|-------------------|---------------|--------------------|---------------|--------------------|
| | Sales | Non-current assets | Sales | Non-current assets |
| United States | 30 034 | 30 182 | 30 314 | 31 630 |
| Switzerland | 1 101 | 16 893 | 1 109 | 18 006 |
| Rest of the world | 61 863 | 30 310 | 63 001 | 32 004 |
| Total | 92 998 | 77 385 | 94 424 | 81 640 |

3.6 Customers

There is no single customer accounting for 10% or more of Group revenues.

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

Other trading income/(expenses)

These comprise restructuring costs, impairment of property, plant and equipment and intangible assets (other than goodwill and non-commercialized intangible assets), litigations and onerous contracts, results on disposals 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 hyperinflation accounting, and income and expenses that fall beyond the control of operating segments or relate to events such as wars and natural disasters including extreme weather events linked to climate change, as well as expropriation of assets.

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

4.1 Net other trading income/(expenses)

In millions of CHF

| | Notes | 2023 | 2022 |
|---|-------|----------------|----------------|
| Other trading income | | 132 | 107 |
| Restructuring costs | | (723) | (273) |
| Impairment of property, plant and equipment ^(a) and intangible assets ^{(b)/(c)} | 8/9 | (602) | (2 090) |
| Litigations and onerous contracts | | (173) | (400) |
| Miscellaneous trading expenses | | (167) | (252) |
| Other trading expenses | | (1 665) | (3 015) |
| Total net other trading income/(expenses) | | (1 533) | (2 908) |

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

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

(c) In 2022, including mainly:

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

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

4.2 Net other operating income/(expenses)

In millions of CHF

| | Notes | 2023 | 2022 |
|--|-------|--------------|----------------|
| Profit on disposal of businesses | 2 | 3 | 20 |
| Miscellaneous operating income ^(a) | | 295 | 320 |
| Other operating income | | 298 | 340 |
| Loss on disposal of businesses | 2 | (224) | (99) |
| Impairment of goodwill and non-commercialized intangible assets ^(b) | 9 | (45) | (636) |
| Miscellaneous operating expenses ^(c) | | (486) | (474) |
| Other operating expenses | | (755) | (1 209) |
| Total net other operating income/(expenses) | | (457) | (869) |

(a) Including CHF 156 million (2022: CHF 136 million) of hyperinflation adjustments.

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

(c) Miscellaneous operating expenses include, among others, expenses of transitional services provided to disposed businesses and natural disasters.

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 expenses 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 in the Note on Property, plant and equipment (see Note 8).

| In millions of CHF | | Notes | 2023 | 2022 |
|---|--|-------|----------------|----------------|
| Interest income | | | 192 | 140 |
| Interest expense | | | (1 500) | (1 124) |
| Net financing cost of net financial debt | | | (1 308) | (984) |
| Interest income on defined benefit plans | | | 92 | 70 |
| Interest expense on defined benefit plans | | | (143) | (125) |
| Net interest income/(expense) on defined benefit plans | | 10 | (51) | (55) |
| Other financial income/(expense) | | | (1) | (1) |
| Net financial income/(expense) | | | (1 360) | (1 040) |

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 | | 2023 | 2022 |
|---|--|---------------|---------------|
| Raw materials, work in progress and sundry supplies | | 5 725 | 7 529 |
| Finished goods | | 6 509 | 7 818 |
| Allowance for write-down to net realizable value | | (338) | (328) |
| | | 11 896 | 15 019 |

Inventories amounting to CHF 251 million (2022: CHF 294 million) are pledged as security for financial liabilities.

Inventories amounting to CHF 48 336 million (2022: CHF 49 889 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 for 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

| | 2023 | | | 2022 | | |
|---|-----------------------|--------------------------------|---------------|-----------------------|--------------------------------|---------------|
| | Gross carrying amount | Expected credit loss allowance | Total | Gross carrying amount | Expected credit loss allowance | Total |
| Trade receivables (not credit impaired) | 9 092 | (100) | 8 992 | 8 884 | (89) | 8 795 |
| Other receivables (not credit impaired) | 2 002 | (8) | 1 994 | 2 294 | (9) | 2 285 |
| Credit impaired trade and other receivables | 179 | (170) | 9 | 247 | (211) | 36 |
| Total | 11 273 | (278) | 10 995 | 11 425 | (309) | 11 116 |

The top five major customers represent 15% (2022: 15%) of trade and other receivables, none of them individually exceeding 6% (2022: 8%).

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

| | 2023 | 2022 |
|---|---------------|---------------|
| Due within one year | | |
| Trade payables | 14 195 | 15 798 |
| Social security and sundry taxes and levies | 1 665 | 1 766 |
| Other payables | 3 344 | 2 959 |
| | 19 204 | 20 523 |

8. Property, plant and equipment

Property, plant and equipment comprise owned and leased assets.

In millions of CHF

| | Notes | 2023 | 2022 |
|---------------------------------------|-------|---------------|---------------|
| Property, plant and equipment – owned | 8.1 | 27 888 | 27 540 |
| Right-of-use assets – leased | 8.2b | 2 579 | 2 601 |
| | | 30 467 | 30 141 |

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, the evolution of technology and competitive pressures.

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

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

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

8. Property, plant and equipment

In millions of CHF

| | Land and buildings | Machinery and equipment | Tools, furniture and other equipment | Vehicles | Assets under construction and advance payments | Total |
|--|--------------------|-------------------------|--------------------------------------|------------|--|---------------|
| Net carrying amount | | | | | | |
| As at January 1, 2023 | 9 043 | 10 169 | 1 699 | 102 | 6 527 | 27 540 |
| Additions ^(a) | 355 | 700 | 451 | 61 | 4 108 | 5 675 |
| Acquisitions through business combinations | 7 | 8 | 3 | — | 6 | 24 |
| Reclassification from assets under construction | 895 | 1 378 | 290 | 8 | (2 571) | — |
| Depreciation | (423) | (1 322) | (586) | (20) | — | (2 351) |
| Impairments | (136) | (319) | (35) | — | — | (490) |
| Disposals | (16) | (30) | (15) | (7) | (1) | (69) |
| Classification (to)/from held-for-sale and disposals of businesses | (59) | (85) | 4 | — | (2) | (142) |
| Currency retranslations and others | (671) | (867) | (130) | (28) | (603) | (2 299) |
| As at December 31, 2023 | 8 995 | 9 632 | 1 681 | 116 | 7 464 | 27 888 |
| Gross value | 15 053 | 26 623 | 6 442 | 287 | 7 464 | 55 869 |
| Accumulated depreciation and impairments | (6 058) | (16 991) | (4 761) | (171) | — | (27 981) |
| Net carrying amount | | | | | | |
| As at January 1, 2022 | 8 981 | 10 231 | 1 631 | 92 | 4 704 | 25 639 |
| Additions ^(a) | 293 | 666 | 439 | 15 | 4 041 | 5 454 |
| Acquisitions through business combinations | 11 | 27 | 9 | — | 4 | 51 |
| Reclassification from assets under construction | 548 | 1 289 | 270 | 3 | (2 110) | — |
| Depreciation | (435) | (1 400) | (593) | (22) | — | (2 450) |
| Impairments | (97) | (216) | (16) | (1) | — | (330) |
| Disposals | (29) | (34) | (20) | (1) | (1) | (85) |
| Classification (to)/from held-for-sale and disposals of businesses | (106) | (99) | (1) | — | (3) | (209) |
| Currency retranslations and others | (123) | (295) | (20) | 16 | (108) | (530) |
| As at December 31, 2022 | 9 043 | 10 169 | 1 699 | 102 | 6 527 | 27 540 |
| Gross value | 15 117 | 27 852 | 6 750 | 313 | 6 527 | 56 559 |
| Accumulated depreciation and impairments | (6 074) | (17 683) | (5 051) | (211) | — | (29 019) |

(a) Including borrowing costs.

As at December 31, 2023, net property, plant and equipment of CHF 88 million are pledged as security for financial liabilities (2022: CHF 118 million).

As at December 31, 2023, the Group was committed to expenditure amounting to CHF 2829 million (2022: CHF 3326 million).

Impairment of property, plant and equipment

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

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

Impairment of property, plant and equipment arises mainly from plans to optimize industrial manufacturing capacities by closing or selling inefficient production facilities and underperforming businesses. The majority of Nestlé's emissions are classified as Scope 3 (i. e. indirect emissions that occur across Nestlé's value chain and outside of Nestlé's direct control), and the property, plant and equipment are geographically widespread. Therefore, property, plant and equipment are not materially exposed to climate transition risks nor to physical climate risks, and no significant climate-related triggers for impairment have been identified.

8.2 Leases – Group as a lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgment about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to the direct 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 obligation 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 0.9 billion (undiscounted) as at December 31, 2023.

Vehicle 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 are each 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 | | | | |
| As at January 1, 2023 | 2 203 | 152 | 246 | 2 601 |
| Additions | 523 | 128 | 173 | 824 |
| Depreciation | (465) | (82) | (95) | (642) |
| Impairments | — | — | — | — |
| Classification (to)/from held-for-sale and change of scope of consolidation, net | 3 | — | — | 3 |
| Currency retranslations and others | (169) | (19) | (19) | (207) |
| As at December 31, 2023 | 2 095 | 179 | 305 | 2 579 |
| Net carrying amount | | | | |
| As at January 1, 2022 | 2 307 | 169 | 230 | 2 706 |
| Additions | 612 | 78 | 92 | 782 |
| Depreciation | (476) | (86) | (85) | (647) |
| Impairments | (76) | — | — | (76) |
| Classification (to)/from held-for-sale and change of scope of consolidation, net | (3) | — | 1 | (2) |
| Currency retranslations and others ^(a) | (161) | (9) | 8 | (162) |
| As at December 31, 2022 | 2 203 | 152 | 246 | 2 601 |

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

8.2c Other lease disclosures

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

The Group incurred interest expense on lease liabilities of CHF 86 million (2022: CHF 72 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 930 million (2022: CHF 877 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 are tested for impairment annually or more frequently if an impairment indicator is present. Any impairment charge is recorded in the consolidated income statement under Other trading expenses. The assessment of the classification of intangible assets as indefinite is reviewed annually.

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

Research and development

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

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

9. Goodwill and intangible assets

In millions of CHF

| | Goodwill | Brands and intellectual property rights | Operating rights and others | Management information systems | Total intangible assets | of which internally generated |
|--|---------------|---|-----------------------------|--------------------------------|-------------------------|-------------------------------|
| Net carrying amount | | | | | | |
| As at January 1, 2023 | 31 262 | 13 278 | 5 997 | 962 | 20 237 | 889 |
| Expenditure | — | 99 | 119 | 271 | 489 | 263 |
| Acquisitions through business combinations | 120 | 5 | 14 | — | 19 | 1 |
| Amortization | — | (41) | (106) | (318) | (465) | (296) |
| Impairments ^(a) | — | (107) | (46) | (4) | (157) | (3) |
| Disposals | — | — | — | — | — | — |
| Classification (to)/from held-for-sale and disposals of businesses | (49) | (182) | — | — | (182) | — |
| Currency retranslations | (2 640) | (1 152) | (523) | (41) | (1 716) | (32) |
| As at December 31, 2023 | 28 693 | 11 900 | 5 455 | 870 | 18 225 | 822 |
| of which indefinite useful life ^(c) | — | 11 705 | 4 027 | — | 15 732 | — |
| of which non-commercialized intangible assets | — | 33 | 14 | — | 47 | — |
| As at December 31, 2023 | | | | | | |
| Gross value | 32 070 | 13 616 | 6 221 | 5 232 | 25 069 | 4 886 |
| Accumulated amortization and impairments | (3 377) | (1 716) | (766) | (4 362) | (6 844) | (4 064) |
| Net carrying amount | | | | | | |
| As at January 1, 2022 | 31 012 | 15 199 | 5 981 | 1 043 | 22 223 | 948 |
| Expenditure | — | 30 | 8 | 228 | 266 | 211 |
| Acquisitions through business combinations | 864 | 731 | 96 | 5 | 832 | 3 |
| Amortization | — | (47) | (93) | (304) | (444) | (270) |
| Impairments ^(b) | (71) | (2 238) | (13) | (1) | (2 252) | — |
| Disposals | — | — | — | — | — | — |
| Classification (to)/from held-for-sale and disposals of businesses | (22) | (299) | (6) | (6) | (311) | — |
| Currency retranslations | (521) | (98) | 24 | (3) | (77) | (3) |
| As at December 31, 2022 | 31 262 | 13 278 | 5 997 | 962 | 20 237 | 889 |
| of which indefinite useful life ^(c) | — | 13 002 | 4 428 | — | 17 430 | — |
| of which non-commercialized intangible assets | — | 56 | 198 | — | 254 | — |
| As at December 31, 2022 | | | | | | |
| Gross value | 34 926 | 17 213 | 6 654 | 5 240 | 29 107 | 4 869 |
| Accumulated amortization and impairments | (3 664) | (3 935) | (657) | (4 278) | (8 870) | (3 980) |

(a) Of which CHF 45 million of non-commercialized intangible assets.

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

(c) Of which CHF 4019 million (2022: CHF 4412 million) are perpetual rights to market, sell and distribute certain Starbucks consumer and food service products globally, classified under the caption Operating rights and others.

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

As at December 31, 2023, the Group's committed payments (undiscounted and not risk-adjusted) and their estimated timing are:

In millions of CHF

| | 2023 | | | 2022 | | |
|-------------------------------|---------------------------|------------------------------|------------|---------------------------|------------------------------|--------------|
| | Unconditional commitments | Potential milestone payments | Total | Unconditional commitments | Potential milestone payments | Total |
| Within one year | — | 30 | 30 | — | 168 | 168 |
| In the second year | — | 20 | 20 | — | 69 | 69 |
| In the third and fourth years | — | 85 | 85 | — | 70 | 70 |
| Thereafter | — | 862 | 862 | — | 1 112 | 1 112 |
| Total | — | 997 | 997 | — | 1 419 | 1 419 |

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 whenever there is an indication of impairment. Finite life intangible assets are tested when there is an indication of impairment.

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

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

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

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

9.1 Impairment

9.1.1 Impairment charge during the year

The 2023 impairment charge relates to various impairments of intangible assets. None of them are individually significant.

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

Slower than expected adoption by patients and healthcare professionals had impacted the penetration of the United States market for *Palforzia*, the peanut allergy treatment that was acquired in 2020 under the Aimmune Therapeutics acquisition. Considering this situation, the Group announced in the second half of the year 2022 that it had decided to explore strategic options for *Palforzia* and had decided to cease investments in further developments of non-commercialized intangibles. As a result, an impairment charge of CHF 1.6 billion was recorded in the second half of the year 2022 for brand and intellectual property rights based on a fair value less costs of disposal valuation. Before this change of strategy, an impairment charge of CHF 0.3 billion had been recognized in the first half of the year 2022 under Impairment of intangible assets on the intellectual property rights after revisions to projected cash flows considering the business performance since acquisition. Impairments for *Palforzia* were recognized under the heading Other trading expenses (see Note 4.1) for the patents and brand, and under the heading Other operating expenses (see Note 4.2) for non-commercialized intangible assets (capitalized cost of trials prior to granting of approval by the relevant authorities).

9.1.2 Annual impairment tests

Goodwill impairment reviews have been conducted for more than 30 Cash Generating Units (CGU). Impairment reviews on intangible assets with indefinite useful life ("IAIUL") were performed at the level of the smallest identifiable assets or group of assets.

9. Goodwill and intangible assets

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

| | Goodwill carrying amount (a) | IAIUL carrying amount (a) | Period of cash flow projections | Average annual sales growth | Annual margin evolution | Terminal growth rate | Discount rate |
|-----------------------|------------------------------|---------------------------|---------------------------------|-----------------------------|-------------------------|----------------------|---------------|
| 2023 | | | | | | | |
| CGU | | | | | | | |
| PetCare Zone NA | 6 417 | 194 | 5 years | 6.8% | Stable | 2.6% | 7.1% |
| Nutrition Zone AOA | 4 635 | 1 084 | 5 years | 4.4% | Stable | 4.8% | 11.7% |
| Food Zone NA | 2 654 | 1 446 | 5 years | 3.6% | Improvement | 2.6% | 7.1% |
| Nestlé Health Science | 5 888 | 5 406 | 5 years | 6.4% | Improvement | 2.1% | 7.0% |
| Coffee Zone NA | 863 | 3 736 | 5 years | 5.2% | Stable | 2.5% | 6.9% |
| Subtotal | 20 457 | 11 866 | | | | | |
| Other CGUs | 8 236 | 3 866 | | | | | |
| Total | 28 693 | 15 732 | | | | | |
| 2022 | | | | | | | |
| CGU | | | | | | | |
| PetCare Zone NA | 7 003 | 222 | 5 years | 6.3% | Stable | 2.0% | 5.9% |
| Nutrition Zone AOA | 5 207 | 1 185 | 5 years | 2.4% | Stable | 3.0% | 10.9% |
| Food Zone NA | 2 914 | 1 621 | 5 years | 3.9% | Stable | 2.0% | 5.9% |
| Nestlé Health Science | 6 427 | 5 917 | 5 years | 6.6% | Improvement | 2.7% | 6.9% |
| Coffee Zone NA | 947 | 4 006 | 5 years | 4.7% | Stable | 2.0% | 5.9% |
| Subtotal | 22 498 | 12 951 | | | | | |
| Other CGUs | 8 764 | 4 479 | | | | | |
| Total | 31 262 | 17 430 | | | | | |

(a) In millions of CHF

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

Finally, the following are taken into account in the impairment tests:

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

9. Goodwill and intangible assets

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

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

| | Nestlé Health Science Sensitivity |
|-----------------------------|--------------------------------------|
| Average annual sales growth | Decrease by 400 basis points |
| Annual margin evolution | Decrease by 230 basis points |
| Terminal growth rate | Decrease by 100 basis points |
| Discount rate | Increase by 80 basis points |

10. Employee benefits

10.1 Employee remuneration

The Group's salary expenses of CHF 10 399 million (2022: CHF 10 756 million) and welfare expenses of CHF 3938 million (2022: CHF 4117 million) represent a total of CHF 14 337 million (2022: CHF 14 873 million). In addition, certain Group employees are eligible for long-term incentives in the form of equity compensation plans, for which the cost amounts to CHF 207 million (2022: CHF 181 million). Employee remuneration is allocated to the appropriate headings of expenses by function (see Note 1, section Expenses).

10.2 Post-employment benefits

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

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

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

Pensions and retirement benefits

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

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

In Switzerland, Nestlé's pension plan is a cash balance plan where contributions are expressed as a percentage of the pensionable salary. The pension plan guarantees the amount accrued on 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 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. There is also a defined benefit plan that was closed to new entrants in 2013 and whose members below age 55 on 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 237 million had been contributed as at December 31, 2023, and CHF 67 million is expected to be paid until 2038.

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

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

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

Post-employment medical benefits and other employee benefits

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

Risks related to defined benefit plans

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

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

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

Plan amendments and restructuring events

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

In 2023, as in 2022, there were plan amendments and restructuring activities (among others risk transfer transactions related to medical and retirement liabilities of pensioners) leading to curtailments and settlements, individually not significant, amounting to a net cost of CHF 23 million (2022: CHF 78 million net income).

Asset-liability management and funding arrangement

Governing bodies are responsible for determining the mix of asset classes and target allocations of Nestlé's plans with the support of investment advisors and/or local asset management firms. Periodic reviews of the asset mix are made by external parties to assess the adequacy of the portfolio's structure. Such analyses aim at dynamically comparing the fair value of the assets and 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 are 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. To the extent possible, the risks are shared equally amongst the different stakeholders. 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. Risks pertaining to sustainability, social and climate factors are also taken into consideration. The Group has a policy guiding the pension plan governing bodies to review the impact of climate risk on their investment portfolios and apply TCFD recommendations in case it is required by local pension legislation.

10. Employee benefits

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

In millions of CHF

| | 2023 | | | 2022 | | |
|--|----------------------------------|---|--------------|----------------------------------|---|--------------|
| | 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 | 17 063 | 342 | 17 405 | 16 819 | 64 | 16 883 |
| Fair value of plan assets | (18 158) | (129) | (18 287) | (18 817) | (38) | (18 855) |
| Excess of liabilities/(assets) over funded obligations | (1 095) | 213 | (882) | (1 998) | 26 | (1 972) |
| Present value of unfunded obligations | 734 | 710 | 1 444 | 765 | 1 199 | 1 964 |
| Unrecognized assets ^(a) | 765 | 3 | 768 | 1 240 | 3 | 1 243 |
| Net defined benefit liabilities/(assets) | 404 | 926 | 1 330 | 7 | 1 228 | 1 235 |
| Reimbursement rights | | | (125) | | | (147) |
| Other employee benefit liabilities | | | 551 | | | 635 |
| Net liabilities | | | 1 756 | | | 1 723 |
| Reflected in the balance sheet as follows: | | | | | | |
| Employee benefit assets and reimbursement rights | | | (962) | | | (1 161) |
| Employee benefit liabilities | | | 2 718 | | | 2 884 |
| Net liabilities | | | 1 756 | | | 1 723 |

(a) Primarily from Swiss and German pension plans for which the net asset is limited to an amount totalling CHF 17 million as at December 31, 2023 and CHF nil as at December 31, 2022 based on economic benefits allowing an asset to be recognized.

10.2b Funding situation by geographic area of defined benefit plans ^(a)

In millions of CHF

| | 2023 | | | | | | 2022 | | | | | |
|--|----------|---------|-------|-------|------|----------|----------|---------|-------|-------|------|----------|
| | EUR | NA | AOA | LATAM | GC | Total | EUR | NA | AOA | LATAM | GC | Total |
| Present value of funded obligations | 13 774 | 2 576 | 592 | 436 | 27 | 17 405 | 13 315 | 2 344 | 781 | 408 | 35 | 16 883 |
| Fair value of plan assets | (14 961) | (2 197) | (668) | (439) | (22) | (18 287) | (15 166) | (2 332) | (883) | (445) | (29) | (18 855) |
| Excess of liabilities/(assets) over funded obligations | (1 187) | 379 | (76) | (3) | 5 | (882) | (1 851) | 12 | (102) | (37) | 6 | (1 972) |
| Present value of unfunded obligations | 172 | 435 | 450 | 387 | — | 1 444 | 171 | 880 | 480 | 433 | — | 1 964 |

(a) Before asset ceiling.

10.2c Movement in the present value of defined benefit obligations

In millions of CHF

| | 2023 | | | 2022 | | |
|--|----------------------------------|---|----------------|----------------------------------|---|----------------|
| | Defined benefit retirement plans | Post-employment medical benefits and other benefits | Total | Defined benefit retirement plans | Post-employment medical benefits and other benefits | Total |
| As at January 1 | 17 584 | 1 263 | 18 847 | 25 399 | 1 573 | 26 972 |
| of which funded defined benefit plans | 16 819 | 64 | 16 883 | 24 617 | 67 | 24 684 |
| of which unfunded defined benefit plans | 765 | 1 199 | 1 964 | 782 | 1 506 | 2 288 |
| Currency retranslations | (663) | (88) | (751) | (673) | 35 | (638) |
| Service cost | 297 | 47 | 344 | 470 | (55) | 415 |
| of which current service cost | 296 | 25 | 321 | 460 | 33 | 493 |
| of which past service cost and (gains)/losses arising from settlements | 1 | 22 | 23 | 10 | (88) | (78) |
| Interest expense | 653 | 78 | 731 | 384 | 65 | 449 |
| Actuarial (gains)/losses | 1 365 | 22 | 1 387 | (5 949) | (195) | (6 144) |
| Employee contributions | 109 | — | 109 | 110 | — | 110 |
| Benefits paid on funded defined benefit plans ^(a) | (1 464) | (99) | (1 563) | (2 094) | (7) | (2 101) |
| Benefits paid on unfunded defined benefit plans | (75) | (170) | (245) | (71) | (112) | (183) |
| Classification (to)/from held-for-sale and change of scope of consolidation, net | (8) | (1) | (9) | (1) | — | (1) |
| Reclassification from other benefits to defined benefit retirement plans | — | — | — | 41 | (41) | — |
| Transfer from/(to) defined contribution plans | (1) | — | (1) | (32) | — | (32) |
| As at December 31 | 17 797 | 1 052 | 18 849 | 17 584 | 1 263 | 18 847 |
| of which funded defined benefit plans | 17 063 | 342 | 17 405 | 16 819 | 64 | 16 883 |
| of which unfunded defined benefit plans | 734 | 710 | 1 444 | 765 | 1 199 | 1 964 |

(a) In 2022, including the buyout transaction in the USA described in Note 10.2, section Pensions and retirement benefits.

10.2d Movement in fair value of defined benefit plan assets

In millions of CHF

| | 2023 | | | 2022 | | |
|--|----------------------------------|---|-----------------|----------------------------------|---|-----------------|
| | Defined benefit retirement plans | Post-employment medical benefits and other benefits | Total | Defined benefit retirement plans | Post-employment medical benefits and other benefits | Total |
| As at January 1 | (18 817) | (38) | (18 855) | (26 220) | (40) | (26 260) |
| Currency retranslations | 642 | 11 | 653 | 739 | 3 | 742 |
| Interest income | (712) | (6) | (718) | (395) | (1) | (396) |
| Actual return on plan assets, excluding interest income | (104) | (10) | (114) | 5 385 | 2 | 5 387 |
| Employee contributions | (109) | — | (109) | (110) | — | (110) |
| Employer contributions | (548) | (185) | (733) | (357) | (9) | (366) |
| Benefits paid on funded defined benefit plans ^(a) | 1 464 | 99 | 1 563 | 2 094 | 7 | 2 101 |
| Administration expenses | 18 | — | 18 | 18 | — | 18 |
| Classification (to)/from held-for-sale and change of scope of consolidation, net | 8 | — | 8 | — | — | — |
| Transfer (from)/to defined contribution plans | — | — | — | 29 | — | 29 |
| As at December 31 | (18 158) | (129) | (18 287) | (18 817) | (38) | (18 855) |

(a) In 2022, including the buyout transaction in the USA described in Note 10.2, section Pensions and retirement benefits.

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

| | 2023 | 2022 |
|---|------------|------------|
| Equities ^(a) | 19% | 17% |
| of which US equities | 4% | 4% |
| of which European equities | 12% | 9% |
| of which other equities | 3% | 4% |
| Debts | 51% | 52% |
| of which government debts ^(a) | 35% | 37% |
| of which corporate debts ^(b) | 16% | 15% |
| Real estate ^(b) | 12% | 14% |
| Alternative investments ^(b) | 9% | 8% |
| of which hedge funds | 2% | 2% |
| of which private equities | 6% | 6% |
| of which infrastructure | 1% | 0% |
| Cash/deposits | 9% | 9% |

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

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

Equities and government debts represent 54% (2022: 54%) of the plan assets. Almost all of them are quoted in an active market. Corporate debts, real estate, hedge funds, private equities and infrastructure represent 37% (2022: 37%) of the plan assets. Almost all of them are either not quoted or quoted in a market which is not active.

10. Employee benefits

The plan assets of funded defined benefit plans include property occupied by subsidiaries with a fair value of CHF 8 million (2022: CHF 8 million). Furthermore, funded defined benefit plans may invest in Nestlé S.A. (or related) shares. 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. There was no direct active investment as at the end of 2023 and 2022.

The Group expects to contribute CHF 413 million to its funded defined benefit plans in 2024.

10.2e Unrecognized assets

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

| In millions of CHF | 2023 | | | 2022 | | |
|-------------------------------|----------------------------------|---|------------|----------------------------------|---|--------------|
| | Defined benefit retirement plans | Post-employment medical benefits and other benefits | Total | Defined benefit retirement plans | Post-employment medical benefits and other benefits | Total |
| As at January 1 | 1 240 | 3 | 1 243 | 27 | — | 27 |
| Currency retranslations | (25) | — | (25) | (9) | — | (9) |
| Limitation of interest income | 38 | — | 38 | 2 | — | 2 |
| Changes due to asset ceiling | (488) | — | (488) | 1 220 | 3 | 1 223 |
| As at December 31 | 765 | 3 | 768 | 1 240 | 3 | 1 243 |

The maximum economic benefit available was determined in the form of both refunds and reduction in future contributions.

| In millions of CHF | 2023 | | | 2022 | | |
|---|----------------------------------|---|-----------------|----------------------------------|---|-----------------|
| | Defined benefit retirement plans | Post-employment medical benefits and other benefits | Total | Defined benefit retirement plans | Post-employment medical benefits and other benefits | Total |
| Fair value of plan assets as at December 31 | | | | | | |
| Excluding limit on asset recognition | (18 158) | (129) | (18 287) | (18 817) | (38) | (18 855) |
| Asset ceiling | 765 | 3 | 768 | 1 240 | 3 | 1 243 |
| Including limit on asset recognition | (17 393) | (126) | (17 519) | (17 577) | (35) | (17 612) |

10.2f Expenses recognized in the income statement

In millions of CHF

| | 2023 | | | 2022 | | |
|--------------------------------------|----------------------------------|---|------------|----------------------------------|---|------------|
| | 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 | 297 | 47 | 344 | 470 | (55) | 415 |
| Net interest (income)/expenses | (21) | 72 | 51 | (9) | 64 | 55 |
| Administration expenses | 18 | — | 18 | 18 | — | 18 |
| Defined benefit expenses | 294 | 119 | 413 | 479 | 9 | 488 |
| Defined contribution expenses | | | 393 | | | 365 |
| Total | | | 806 | | | 853 |

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

In millions of CHF

| | 2023 | | | 2022 | | |
|--|----------------------------------|---|--------------|----------------------------------|---|--------------|
| | 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 | 104 | 10 | 114 | (5 385) | (2) | (5 387) |
| Experience adjustments on plan liabilities | (168) | 13 | (155) | (611) | (51) | (662) |
| Change in demographic assumptions on plan liabilities | 134 | 1 | 135 | 165 | 15 | 180 |
| Change in financial assumptions on plan liabilities | (1 331) | (36) | (1 367) | 6 395 | 231 | 6 626 |
| Transfer from/(to) unrecognized assets and other | 488 | — | 488 | (1 220) | (3) | (1 223) |
| Remeasurement of defined benefit plans – actuarial gains/(losses) | (773) | (12) | (785) | (656) | 190 | (466) |

10.2h Principal financial actuarial assumptions

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

| | 2023 | | | | | | 2022 | | | | | |
|---|------|------|------|-------|------|-------|------|------|------|-------|------|-------|
| | EUR | NA | AOA | LATAM | GC | Total | EUR | NA | AOA | LATAM | GC | Total |
| Discount rates | 2.6% | 5.0% | 5.8% | 8.7% | 3.0% | 3.5% | 3.3% | 5.4% | 5.6% | 9.3% | 3.2% | 4.1% |
| Expected rates of salary increases | 2.0% | 3.6% | 4.7% | 4.4% | 3.1% | 2.6% | 2.0% | 3.6% | 4.7% | 3.8% | 3.3% | 2.7% |
| Expected rates of pension adjustments | 1.0% | 0.0% | 1.7% | 2.1% | 0.0% | 0.9% | 1.2% | 0.0% | 1.7% | 1.7% | 0.0% | 1.0% |
| Medical cost trend rates ^(a) | | 6.3% | | 6.6% | | 6.4% | | 6.4% | | 6.6% | | 6.5% |

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

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

Expressed in years

| Country | Mortality table | 2023 | 2022 | 2023 | 2022 |
|----------------|--------------------------|---|------|---|------|
| | | Life expectancy at age 65 for a male member currently aged 65 | | Life expectancy at age 65 for a female member currently aged 65 | |
| EUR | | | | | |
| Switzerland | LPP 2020 | 21.9 | 21.8 | 23.6 | 23.5 |
| United Kingdom | S3NA | 20.6 | 21.0 | 23.3 | 23.8 |
| Germany | Heubeck Richttafeln 2018 | 21.4 | 21.3 | 23.8 | 23.7 |
| NA | | | | | |
| USA | Pri-2012 | 20.7 | 20.6 | 22.6 | 22.6 |

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

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

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

| In millions of CHF | | EUR | NA | AOA | LATAM | GC | Total |
|--------------------------------------|---------------------------------------|--------|-------|-------|-------|--------|--------|
| 2023 | As reported | 13 946 | 3 011 | 1 042 | 823 | 27 | 18 849 |
| | Discount rates | | | | | | |
| | Increase of 50 basis points | 13 100 | 2 875 | 1 006 | 786 | 26 | 17 793 |
| | Decrease of 50 basis points | 14 889 | 3 161 | 1 077 | 862 | 28 | 20 017 |
| | Expected rates of salary increases | | | | | | |
| | Increase of 50 basis points | 14 000 | 3 037 | 1 061 | 825 | 28 | 18 951 |
| | Decrease of 50 basis points | 13 895 | 2 986 | 1 021 | 820 | 26 | 18 748 |
| | Expected rates of pension adjustments | | | | | | |
| | Increase of 50 basis points | 14 541 | 3 036 | 1 061 | 831 | 27 | 19 496 |
| | Decrease of 50 basis points | 13 714 | 3 011 | 1 021 | 816 | 27 | 18 589 |
| | Medical cost trend rates | | | | | | |
| | Increase of 50 basis points | 13 947 | 3 016 | 1 042 | 834 | 27 | 18 866 |
| | Decrease of 50 basis points | 13 946 | 3 006 | 1 039 | 813 | 27 | 18 831 |
| Mortality assumption | | | | | | | |
| Setting forward the tables by 1 year | 13 478 | 2 973 | 1 027 | 803 | 27 | 18 308 | |
| Setting back the tables by 1 year | 14 419 | 3 049 | 1 054 | 841 | 27 | 19 390 | |
| 2022 | As reported | 13 486 | 3 224 | 1 261 | 841 | 35 | 18 847 |
| | Discount rates | | | | | | |
| | Increase of 50 basis points | 12 708 | 3 077 | 1 219 | 805 | 34 | 17 843 |
| | Decrease of 50 basis points | 14 345 | 3 386 | 1 309 | 883 | 36 | 19 959 |
| | Expected rates of salary increases | | | | | | |
| | Increase of 50 basis points | 13 541 | 3 250 | 1 282 | 846 | 36 | 18 955 |
| | Decrease of 50 basis points | 13 429 | 3 198 | 1 243 | 839 | 34 | 18 743 |
| | Expected rates of pension adjustments | | | | | | |
| | Increase of 50 basis points | 14 091 | 3 288 | 1 282 | 850 | 35 | 19 546 |
| | Decrease of 50 basis points | 13 228 | 3 223 | 1 248 | 836 | 35 | 18 570 |
| | Medical cost trend rates | | | | | | |
| | Increase of 50 basis points | 13 487 | 3 228 | 1 263 | 852 | 35 | 18 865 |
| | Decrease of 50 basis points | 13 481 | 3 219 | 1 261 | 833 | 35 | 18 829 |
| Mortality assumption | | | | | | | |
| Setting forward the tables by 1 year | 13 048 | 3 181 | 1 244 | 822 | 35 | 18 330 | |
| Setting back the tables by 1 year | 13 930 | 3 265 | 1 279 | 861 | 35 | 19 370 | |

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

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

Expressed in years

| | 2023 | | | | | | 2022 | | | | | |
|-------------------|------|-----|-----|-------|-----|-------|------|------|------|-------|-----|-------|
| | EUR | NA | AOA | LATAM | GC | Total | EUR | NA | AOA | LATAM | GC | Total |
| As at December 31 | 13.2 | 9.9 | 9.5 | 10.1 | 5.8 | 12.3 | 12.5 | 10.1 | 10.5 | 10.2 | 6.2 | 11.9 |

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 |
|--|---------------|---------------|------------------------|------------|--------------|
| As at January 1, 2023 | 401 | 70 | 811 | 451 | 1 733 |
| Currency retranslations | (38) | (6) | (47) | (34) | (125) |
| Provisions made during the year ^(a) | 722 | 3 | 321 | 324 | 1 370 |
| Amounts used | (382) | (6) | (95) | (71) | (554) |
| Reversal of unused amounts | (34) | (1) | (183) | (227) | (445) |
| Change of scope of consolidation | — | — | — | (1) | (1) |
| As at December 31, 2023 | 669 | 60 | 807 | 442 | 1 978 |
| of which expected to be settled within 12 months | | | | | 675 |
| As at January 1, 2022 | 463 | 63 | 758 | 354 | 1 638 |
| Currency retranslations | (12) | (3) | (6) | (12) | (33) |
| Provisions made during the year ^(a) | 264 | 16 | 298 | 376 | 954 |
| Amounts used | (264) | (6) | (96) | (132) | (498) |
| Reversal of unused amounts | (46) | — | (143) | (127) | (316) |
| Change of scope of consolidation | (4) | — | — | (8) | (12) |
| As at December 31, 2022 | 401 | 70 | 811 | 451 | 1 733 |
| of which expected to be settled within 12 months | | | | | 620 |

(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 allocated to Zone EUR and Zone GC. 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 established to cover legal and administrative settlements that arise in the course of 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's 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 these cases beyond the balance sheet date.

Other

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

11.2 Contingencies

The Group is exposed to contingent liabilities amounting to a maximum possible payment of CHF 2405 million (2022: CHF 2019 million) representing possible payments for litigations of CHF 2401 million (2022: CHF 2002 million) and payments for other items of CHF 4 million (2022: CHF 17 million). Possible payments for litigations relate mainly to various investigations as well as labor, civil and tax litigations in LATAM.

With food safety as a primary goal, operating practices at some of Nestlé's natural mineral water production sites may not be in line with the applicable regulatory framework. The Group has not identified material liabilities as at the balance sheet date related to such practices. In this context, no provisions were recognized nor were material contingent liabilities identified.

On January 11, 2024, the French Competition Authority (Autorité de la concurrence) published its decision related to its October 12, 2021 Statement of Objections regarding allegations against certain Nestlé subsidiaries in France (namely allegations of restricted competition relating to, among others, communication on the removal of bisphenol A from metal packaging). Nestlé had notified the receipt of this statement in its press release of October 13, 2021. In the decision published on January 11, 2024, Nestlé was not fined nor sanctioned in any way.

Contingent assets for litigation claims in favor of the Group amount to a probable recoverable amount of CHF 18 million (2022: CHF 60 million), mainly in LATAM.

12. Financial instruments

Financial assets – classes and categories

The classification of financial assets is generally based on the business model in which a financial asset is managed as well as 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 of the Group's rights to cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets – measurement

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

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

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

Financial assets – impairment

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

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

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in Other comprehensive income, instead of reducing the carrying amount of the asset.

Impairment losses on other financial assets related to treasury activities are presented under Financial expenses.

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 term, using the effective interest rate method. This category includes the following classes of financial liabilities: trade and other payables, commercial papers, bonds, lease liabilities and other financial liabilities.

Financial liabilities at amortized cost are classified as current or non-current, depending on whether they 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, they are cancelled or they are 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

| | 2023 | | | | 2022 | | | |
|--|----------------------------------|-----------------------------------|---|------------------|----------------------------------|-----------------------------------|---|------------------|
| 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 | 2 315 | — | — | 2 315 | 2 466 | — | — | 2 466 |
| Commercial paper | 2 201 | — | — | 2 201 | 3 040 | — | — | 3 040 |
| Time deposits | 923 | — | — | 923 | 671 | — | — | 671 |
| Bonds and debt funds | 43 | 778 | 1 | 822 | 63 | 709 | 2 | 774 |
| Equity and equity funds | — | 303 | 389 | 692 | — | 268 | 769 | 1 037 |
| Other financial assets | 1 249 | 596 | — | 1 845 | 1 271 | 681 | — | 1 952 |
| Liquid assets ^(b) and non-current financial assets | 6 731 | 1 677 | 390 | 8 798 | 7 511 | 1 658 | 771 | 9 940 |
| Trade and other receivables | 10 995 | — | — | 10 995 | 11 116 | — | — | 11 116 |
| Derivative assets ^(c) | — | 408 | — | 408 | — | 309 | — | 309 |
| Total financial assets | 17 726 | 2 085 | 390 | 20 201 | 18 627 | 1 967 | 771 | 21 365 |
| Trade and other payables | (19 312) | — | — | (19 312) | (21 379) | — | — | (21 379) |
| Financial debt | (55 241) | — | — | (55 241) | (54 312) | — | — | (54 312) |
| Derivative liabilities ^(c) | — | (556) | — | (556) | — | (822) | — | (822) |
| Total financial liabilities | (74 553) | (556) | — | (75 109) | (75 691) | (822) | — | (76 513) |
| Net financial position | (56 827) | 1 529 | 390 | (54 908) | (57 064) | 1 145 | 771 | (55 148) |
| of which at fair value | — | 1 529 | 390 | 1 919 | — | 1 145 | 771 | 1 916 |

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

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

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

12.1b Fair value hierarchy of financial instruments

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

- Level 1: the fair value of financial instruments quoted in active markets is based on their quoted closing price at the balance sheet date. Examples include exchange-traded commodity derivatives and financial assets such as investments in equity and debt securities.
- Level 2: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on 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 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

| | 2023 | 2022 |
|---|--------------|--------------|
| Derivative assets | 132 | 73 |
| Bonds and debt funds | 284 | 225 |
| Equity and equity funds | 115 | 535 |
| Other financial assets | 38 | 58 |
| Derivative liabilities | (52) | (70) |
| Prices quoted in active markets (Level 1) | 517 | 821 |
| Derivative assets | 267 | 222 |
| Bonds and debt funds | 435 | 468 |
| Equity and equity funds | 447 | 405 |
| Other financial assets | 557 | 609 |
| Derivative liabilities | (504) | (752) |
| Valuation techniques based on observable market data (Level 2) | 1 202 | 952 |
| Financial assets | 200 | 143 |
| Valuation techniques based on unobservable input (Level 3) | 200 | 143 |
| Total financial instruments at fair value | 1 919 | 1 916 |

There have been no significant transfers between the different hierarchy levels in 2023 and in 2022.

12.1c Changes in liabilities arising from financing activities

In millions of CHF

| | 2023 | 2022 |
|--|-----------------|-----------------|
| As at January 1 | (54 846) | (46 907) |
| Currency retranslations and exchange differences | 3 765 | 644 |
| Changes in fair value | 199 | 31 |
| Changes arising from acquisition and disposal of businesses and classification to/(from) held-for-sale | (10) | (8) |
| Interest (inflows)/outflows on derivatives | (98) | (20) |
| Increase in lease liabilities | (819) | (785) |
| Inflows from bonds and other long-term financial debt | (9 806) | (10 936) |
| Outflows from bonds, lease liabilities and other long-term financial debt | 3 589 | 3 283 |
| (Inflows)/outflows from short-term financial debt | 2 537 | (148) |
| As at December 31 | (55 489) | (54 846) |
| of which current financial debt | (9 416) | (10 892) |
| of which non-current financial debt | (45 825) | (43 420) |
| of which derivatives hedging financial debt | (248) | (534) |

12.1d Bonds

In millions of CHF

| Issuer | | Face value in millions | Coupon | Effective interest rate | Year of issue/ maturity | Comments | 2023 | 2022 | |
|--------------------------|----------------------------|---------------------------|--------|-------------------------------|-------------------------------|-----------|---------------|---------------|-----|
| | | | | | | | | | |
| Nestlé S.A., Switzerland | CHF | 900 | 0.25% | 0.26% | 2018–2024 | | 900 | 900 | |
| | CHF | 600 | 0.75% | 0.69% | 2018–2028 | | 602 | 602 | |
| | CHF | 675 | 1.63% | 1.65% | 2022–2026 | | 675 | 674 | |
| | CHF | 475 | 2.13% | 2.15% | 2022–2030 | | 474 | 474 | |
| | CHF | 350 | 2.50% | 2.46% | 2022–2034 | | 351 | 351 | |
| | CHF | 360 | 1.63% | 1.67% | 2022–2025 | | 360 | 360 | |
| | CHF | 260 | 2.63% | 2.57% | 2022–2035 | | 261 | 262 | |
| | CHF | 310 | 2.25% | 2.18% | 2022–2029 | | 311 | 311 | |
| | CHF | 300 | 1.88% | 1.87% | 2023–2029 | | 301 | — | |
| | CHF | 450 | 2.00% | 2.01% | 2023–2033 | | 450 | — | |
| | CHF | 400 | 2.13% | 2.06% | 2023–2038 | | 403 | — | |
| | CHF | 155 | 1.63% | 1.54% | 2023–2027 | | 155 | — | |
| | CHF | 215 | 1.88% | 1.75% | 2023–2031 | | 216 | — | |
| | CHF | 210 | 2.00% | 1.96% | 2023–2036 | | 210 | — | |
| | Nestlé Holdings, Inc., USA | EUR | 850 | 0.88% | 0.92% | 2017–2025 | (a) | 791 | 836 |
| | | CHF | 550 | 0.25% | 0.24% | 2017–2027 | (a) | 550 | 550 |
| CHF | | 150 | 0.55% | 0.54% | 2017–2032 | (a) | 150 | 150 | |
| USD | | 600 | 3.13% | 3.28% | 2018–2023 | | — | 555 | |
| USD | | 1 500 | 3.35% | 3.41% | 2018–2023 | (b) | — | 1 386 | |
| USD | | 900 | 3.50% | 3.59% | 2018–2025 | (b) | 756 | 830 | |
| USD | | 1 250 | 3.63% | 3.72% | 2018–2028 | (b) | 1 047 | 1 150 | |
| USD | | 1 250 | 3.90% | 4.01% | 2018–2038 | (b) | 1 038 | 1 140 | |
| USD | | 2 100 | 4.00% | 4.11% | 2018–2048 | (b) | 1 736 | 1 907 | |
| USD | | 1 150 | 0.38% | 0.49% | 2020–2024 | (b) | 968 | 1 062 | |
| USD | | 750 | 0.63% | 0.77% | 2020–2026 | (b) | 629 | 690 | |
| USD | | 1 100 | 1.00% | 1.06% | 2020–2027 | (b) | 923 | 1 014 | |
| USD | | 1 000 | 1.25% | 1.37% | 2020–2030 | (b) | 835 | 917 | |
| GBP | | 600 | 0.63% | 0.75% | 2021–2025 | (a) | 643 | 668 | |
| GBP | | 400 | 1.38% | 1.46% | 2021–2033 | (a) | 425 | 442 | |
| USD | | 300 | 1.13% | 1.19% | 2021–2026 | | 252 | 277 | |
| USD | 1 500 | 0.61% | 0.66% | 2021–2024 | (b) | 1 262 | 1 386 | | |
| USD | 1 000 | 1.50% | 1.58% | 2021–2028 | (b) | 838 | 920 | | |
| USD | 1 000 | 1.88% | 1.91% | 2021–2031 | (b) | 839 | 922 | | |
| USD | 500 | 2.50% | 2.55% | 2021–2041 | (b) | 418 | 459 | | |
| USD | 500 | 1.15% | 1.22% | 2021–2027 | (b) | 420 | 461 | | |
| Subtotal | | | | | | | 20 189 | 21 656 | |

12. Financial instruments

In millions of CHF

| Issuer | | Face value in millions | Coupon | Effective interest rate | Year of issue/ maturity | Comments | 2023 | 2022 |
|---|-----|---------------------------|--------|-------------------------------|-------------------------------|----------|---------------|--------|
| Subtotal from previous page | | | | | | | 20 189 | 21 656 |
| | USD | 500 | 2.63% | 2.69% | 2021–2051 | (b) | 415 | 456 |
| | CAD | 2 000 | 2.19% | 2.23% | 2021–2029 | (a) | 1 271 | 1 365 |
| | GBP | 300 | 2.13% | 2.25% | 2022–2027 | (a) | 320 | 333 |
| | GBP | 600 | 2.50% | 2.53% | 2022–2032 | (a) | 642 | 668 |
| | USD | 750 | 4.00% | 4.07% | 2022–2025 | (b) | 630 | 692 |
| | USD | 500 | 4.13% | 4.20% | 2022–2027 | (b) | 420 | 461 |
| | USD | 500 | 4.25% | 4.31% | 2022–2029 | (b) | 419 | 461 |
| | USD | 1 250 | 4.30% | 4.38% | 2022–2032 | (b) | 1 046 | 1 149 |
| | USD | 1 000 | 4.70% | 4.76% | 2022–2053 | (b) | 833 | 915 |
| | USD | 1 000 | 5.25% | 5.32% | 2023–2026 | (b) | 840 | — |
| | USD | 850 | 5.00% | 5.06% | 2023–2028 | (b) | 713 | — |
| | USD | 500 | 4.95% | 5.01% | 2023–2030 | (b) | 419 | — |
| | USD | 650 | 4.85% | 4.90% | 2023–2033 | (b) | 545 | — |
| | USD | 500 | 5.00% | 5.06% | 2023–2028 | (b) | 420 | — |
| | USD | 500 | 5.00% | 5.10% | 2023–2030 | (b) | 418 | — |
| | USD | 500 | 5.00% | 5.09% | 2023–2033 | (b) | 418 | — |
| | GBP | 400 | 5.25% | 5.39% | 2023–2026 | (a) | 428 | — |
| | GBP | 400 | 5.13% | 5.28% | 2023–2032 | (a) | 425 | — |
| Nestlé Finance International Ltd., Luxembourg | GBP | 400 | 2.25% | 2.34% | 2012–2023 | (c) | — | 437 |
| | EUR | 500 | 0.75% | 0.92% | 2015–2023 | (d) | — | 487 |
| | EUR | 500 | 0.38% | 0.54% | 2017–2024 | | 465 | 492 |
| | EUR | 750 | 1.25% | 1.32% | 2017–2029 | | 696 | 735 |
| | EUR | 750 | 1.75% | 1.83% | 2017–2037 | | 692 | 731 |
| | EUR | 1 000 | 1.13% | 1.27% | 2020–2026 | | 928 | 980 |
| | EUR | 1 000 | 1.50% | 1.63% | 2020–2030 | | 924 | 976 |
| | EUR | 850 | 0.13% | 0.25% | 2020–2027 | | 787 | 832 |
| | EUR | 650 | 0.00% | 0.05% | 2020–2024 | | 605 | 640 |
| | EUR | 1 000 | 0.38% | 0.56% | 2020–2032 | | 917 | 969 |
| | EUR | 500 | 0.00% | (0.26%) | 2020–2025 | | 468 | 496 |
| | EUR | 500 | 0.00% | 0.16% | 2020–2033 | | 459 | 485 |
| | EUR | 500 | 0.38% | 0.40% | 2020–2040 | | 464 | 491 |
| | EUR | 1 250 | 0.00% | 0.00% | 2021–2026 | | 1 164 | 1 231 |
| | EUR | 750 | 0.25% | 0.32% | 2021–2029 | | 696 | 736 |
| | EUR | 500 | 0.63% | 0.69% | 2021–2034 | | 463 | 489 |
| | EUR | 650 | 0.88% | 1.01% | 2021–2041 | | 592 | 626 |
| Subtotal | | | | | | | 41 131 | 39 989 |

12. Financial instruments

In millions of CHF

| Issuer | | Face value in millions | Coupon | Effective interest rate | Year of issue/ maturity | Comments | 2023 | 2022 |
|--|-----|---------------------------|--------|-------------------------------|-------------------------------|----------|---------------|---------------|
| Subtotal from previous page | | | | | | | 41 131 | 39 989 |
| | EUR | 600 | 0.88% | 0.95% | 2022–2027 | | 557 | 589 |
| | EUR | 600 | 1.25% | 1.33% | 2022–2031 | | 556 | 587 |
| | EUR | 800 | 1.50% | 1.63% | 2022–2035 | | 735 | 777 |
| | EUR | 500 | 3.00% | 3.13% | 2022–2028 | | 463 | 489 |
| | EUR | 500 | 3.25% | 3.38% | 2022–2031 | | 462 | 488 |
| | EUR | 500 | 3.38% | 3.49% | 2022–2034 | | 461 | 487 |
| | EUR | 850 | 3.50% | 3.66% | 2023–2027 | | 787 | — |
| | EUR | 850 | 3.75% | 3.85% | 2023–2033 | | 785 | — |
| | EUR | 500 | 3.50% | 3.56% | 2023–2030 | | 464 | — |
| | EUR | 500 | 3.75% | 3.84% | 2023–2035 | | 462 | — |
| | GBP | 400 | 5.13% | 5.16% | 2023–2038 | | 427 | — |
| Nestlé Hungária Kft., Hungary | HUF | 115 000 | 1.75% | 1.53% | 2021–2028 | | 283 | 286 |
| Other bonds | | | | | | | 45 | 92 |
| Total carrying amount (*) | | | | | | | 47 618 | 43 784 |
| of which due within one year | | | | | | | 4 200 | 2 905 |
| of which due after one year | | | | | | | 43 418 | 40 879 |
| Fair value (*) of bonds, based on prices quoted (level 2) | | | | | | | 45 473 | 39 293 |

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

Several bonds are hedged by currency and/or interest derivatives. The fair value of these derivatives is shown under derivative assets for CHF 130 million (2022: CHF 11 million) and under derivative liabilities for CHF 239 million (2022: CHF 484 million).

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

| | 2023 | 2022 |
|--------------------------|--------------|---------------|
| A– and above | 5 934 | 6 432 |
| BBB+, BBB and BBB– | 575 | 722 |
| BB+ and below | 1 258 | 1 455 |
| Not rated ^(a) | 1 439 | 1 640 |
| | 9 206 | 10 249 |

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

12.2b Liquidity risk

Liquidity risk management

Liquidity risk is the risk that a company may encounter difficulties in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets. Such risk may result from inadequate market depth or disruption or refinancing problems. The Group's objective is to manage this risk by limiting exposures to 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 2023 successfully extended the term of both its revolving credit facilities:

- A USD 3.0 billion and EUR 3.7 billion revolving credit facility with an initial maturity date of November 2024. The Group has the ability to convert the facility into a one-year term loan.
- A USD 2.2 billion and EUR 2.3 billion revolving credit facility with a new maturity date of October 2028.

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 years | After the fifth year | Contractual amount | Carrying amount |
|--|-------------------|--------------------|---------------------------------|----------------------|--------------------|-----------------|
| 2023 | | | | | | |
| Trade and other payables | (19 204) | (71) | (21) | (16) | (19 312) | (19 312) |
| Commercial paper ^(a) | (2 224) | — | — | — | (2 224) | (2 213) |
| Bonds ^(a) | (5 248) | (4 737) | (16 850) | (30 992) | (57 827) | (47 618) |
| Lease liabilities | (875) | (540) | (1 092) | (893) | (3 400) | (2 909) |
| Other financial debt | (2 425) | (83) | (107) | (60) | (2 675) | (2 501) |
| Total financial debt | (10 772) | (5 360) | (18 049) | (31 945) | (66 126) | (55 241) |
| Financial liabilities (excluding derivatives) | (29 976) | (5 431) | (18 070) | (31 961) | (85 438) | (74 553) |
| Non-currency derivative assets | 130 | 2 | 9 | — | 141 | 141 |
| Non-currency derivative liabilities | (51) | (1) | — | — | (52) | (52) |
| Gross amount receivable from currency derivatives | 18 850 | 1 566 | 1 558 | 3 122 | 25 096 | 24 092 |
| Gross amount payable from currency derivatives | (18 983) | (1 705) | (1 541) | (3 278) | (25 507) | (24 329) |
| Net derivatives | (54) | (138) | 26 | (156) | (322) | (148) |
| of which derivatives under cash flow hedges ^(b) | 90 | 1 | — | — | 91 | 91 |
| 2022 | | | | | | |
| Trade and other payables | (20 523) | (475) | (418) | (23) | (21 439) | (21 379) |
| Commercial paper ^(a) | (3 829) | — | — | — | (3 829) | (3 822) |
| Bonds ^(a) | (3 707) | (5 214) | (14 008) | (29 702) | (52 631) | (43 784) |
| Lease liabilities | (658) | (546) | (1 119) | (1 016) | (3 339) | (2 992) |
| Other financial debt | (3 769) | (54) | (72) | (55) | (3 950) | (3 714) |
| Total financial debt | (11 963) | (5 814) | (15 199) | (30 773) | (63 749) | (54 312) |
| Financial liabilities (excluding derivatives) | (32 486) | (6 289) | (15 617) | (30 796) | (85 188) | (75 691) |
| Non-currency derivative assets | 71 | 10 | 5 | 1 | 87 | 87 |
| Non-currency derivative liabilities | (82) | (1) | — | — | (83) | (83) |
| Gross amount receivable from currency derivatives | 23 126 | 82 | 2 590 | 2 801 | 28 599 | 27 460 |
| Gross amount payable from currency derivatives | (23 179) | (137) | (2 882) | (3 118) | (29 316) | (27 977) |
| Net derivatives | (64) | (46) | (287) | (316) | (713) | (513) |
| of which derivatives under cash flow hedges ^(b) | 8 | 1 | — | — | 9 | 9 |

(a) Commercial paper of CHF 1980 million (2022: CHF 3829 million) and bonds of CHF 1774 million (2022: CHF 864 million) have maturities of less than three months.

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

12.2c Market risk

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

Foreign currency risk

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

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

Exchange differences recorded in the income statement represented a loss of CHF 452 million in 2023 (2022: loss of CHF 202 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 can be subject to hedge.

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 10 million in 2023 (2022: less than CHF 15 million).

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

Interest rate risk

The Group is exposed primarily to fluctuations 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 83% (2022: 80%).

Based on the level of Liquid assets and Debt exposed to floating interest rates at year-end, an increase in interest rates of 100 basis points would cause an increase in Net financing cost of CHF 12 million on an annualized basis (2022: an increase in Net financing cost of CHF 41 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's 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 Note 12.2c Market risk.

Derivatives are initially recognized at fair value at the trade date. They are subsequently remeasured at fair value on a regular basis and at each reporting date as a minimum. The Group applies hedge accounting to hedging relationships that meet the qualifying criteria.

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 value of recognized assets and liabilities (fair value hedges) and highly probable forecast transactions (cash flow hedges), and against the effects of the translation of net investments in foreign operations (net investment 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 the hedging instrument.

The Group generally 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 value 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. 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.

Net investment hedges

The Group uses net investment hedges to mitigate translation exposure on its net investments in subsidiaries.

The effective changes in fair values of hedging instruments are transferred directly to other comprehensive income together with gains or losses on the foreign currency translation of the hedged net investments in the foreign operations. The effective results of net investment hedges are recycled to the income statement when the hedged foreign operation is disposed of.

Undesignated derivatives

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

Derivatives by hedged risks

In millions of CHF

| | 2023 | | | 2022 | | |
|---|---------------------------------|-------------------|------------------------|---------------------------------|-------------------|------------------------|
| | 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 | 12 678 | 145 | 392 | 13 282 | 57 | 594 |
| Cash flow hedges | | | | | | |
| Foreign currency risk on future purchases or sales | 9 201 | 110 | 99 | 9 192 | 139 | 133 |
| Commodity price risk on future purchases | 1 288 | 132 | 52 | 1 911 | 73 | 70 |
| Designated in a hedging relationship | 23 167 | 387 | 543 | 24 385 | 269 | 797 |
| Undesignated derivatives | | 21 | 13 | | 40 | 25 |
| Total derivatives | | 408 | 556 | | 309 | 822 |
| Conditional offsets ^(b) | | | | | | |
| Derivative assets and liabilities | | (139) | (139) | | (135) | (135) |
| Use of cash collateral received or deposited | | (76) | (101) | | (28) | (226) |
| Balances after conditional offsets | | 193 | 316 | | 146 | 461 |

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

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

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

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

Impact on the income statement of fair value hedges

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

| In millions of CHF | 2023 | 2022 |
|------------------------|------|-------|
| on hedged items | (20) | 592 |
| on hedging instruments | 15 | (593) |

Ineffective results of cash flow and net investment hedges are not significant.

12.2e Capital risk management

The Group's capital risk 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 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, 2023, the ratio was 32.1% (2022: 24.7%). 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 changes 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 in 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

| | 2023 | 2022 |
|--|----------------|----------------|
| Current taxes ^(a) | (2 891) | (2 566) |
| Deferred taxes | 784 | (48) |
| Taxes reclassified to other comprehensive income | (215) | (9) |
| Taxes reclassified to equity | 8 | (107) |
| Total taxes | (2 314) | (2 730) |

(a) Current taxes relating to prior years include a tax income of CHF 8 million (2022: tax expense of CHF 30 million).

13.2 Reconciliation of taxes recognized in the income statement

In millions of CHF

| | | 2023 | | 2022 |
|---|--------------|----------------|--------------|----------------|
| Profit before taxes | | 12 703 | | 11 286 |
| Expected tax expense at weighted average applicable tax rate ^(a) | 19.3% | (2 455) | 20.9% | (2 357) |
| Tax effect of permanent differences on disposal of businesses | 0.1% | (13) | (1.3%) | 151 |
| Tax effect of permanent differences on impairment of goodwill | 0.0% | — | 0.1% | (16) |
| Tax effect of other permanent differences | (1.0%) | 131 | (1.0%) | 113 |
| Prior-year taxes ^(b) | (1.6%) | 201 | 0.2% | (19) |
| Transfers to unrecognized deferred tax assets | 1.2% | (151) | 1.1% | (119) |
| Transfers from unrecognized deferred tax assets | (0.2%) | 24 | (0.3%) | 33 |
| Changes in tax rate and similar on deferred taxes | (3.2%) | 413 | 0.1% | (12) |
| Withholding tax on transfers of income | 3.4% | (437) | 4.0% | (449) |
| Other | 0.2% | (27) | 0.4% | (55) |
| Tax expense at effective tax rate | 18.2% | (2 314) | 24.2% | (2 730) |

(a) The weighted average applicable tax rate in 2023 decreased compared to 2022 as a result of a change in the geographical mix of profits.

(b) In 2023, the prior-year tax credits include a revision of prior-year tax exposure due to progress on resolving audits and agreeing the tax treatment of major intercompany transactions with the tax authorities in certain jurisdictions.

The expected tax expense at the 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 in which 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 changes to the statutory tax rates.

13.3 Reconciliation of deferred taxes by type of temporary differences recognized in 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 |
|---|-------------------------------|--------------------------------|-------------------|---------------------------------------|--|----------------|
| As at January 1, 2023 | (1 319) | (2 526) | 378 | 608 | 231 | (2 628) |
| Currency retranslations | 107 | 276 | (39) | (177) | (19) | 148 |
| (Expense)/income in income statement | (3) | 360 | (236) | 289 | 111 | 521 |
| (Expense)/income in other comprehensive income and equity | — | — | 162 | 101 | — | 263 |
| Change of scope of consolidation | — | 2 | — | (1) | (10) | (9) |
| As at December 31, 2023 | (1 215) | (1 888) | 265 | 820 | 313 | (1 705) |
| As at January 1, 2022 | (1 317) | (2 419) | 359 | 613 | 228 | (2 536) |
| Currency retranslations | 27 | 26 | 17 | (53) | (1) | 16 |
| (Expense)/income in income statement | (25) | (119) | (83) | 8 | 3 | (216) |
| (Expense)/income in other comprehensive income and equity | — | — | 87 | 81 | — | 168 |
| Change of scope of consolidation | (4) | (14) | (2) | (41) | 1 | (60) |
| As at December 31, 2022 | (1 319) | (2 526) | 378 | 608 | 231 | (2 628) |

In millions of CHF

| | 2023 | 2022 |
|--|----------------|----------------|
| Reflected in the balance sheet as follows: | | |
| Deferred tax assets | 1 181 | 1 043 |
| Deferred tax liabilities | (2 886) | (3 671) |
| Net assets/(liabilities) | (1 705) | (2 628) |

13.4 Unrecognized deferred taxes

As at December 31, 2023, the unrecognized deferred tax assets amount to CHF 1108 million (2022: CHF 1072 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 | | |
|----------------------------|--------------|--------------|
| | 2023 | 2022 |
| Within one year | 30 | 233 |
| Between one and five years | 444 | 349 |
| More than five years | 3 406 | 3 300 |
| | 3 880 | 3 882 |

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

13.5 Developments in international taxation

The Organisation for Economic Co-operation and Development (OECD) initiative to combat base erosion and profit shifting (BEPS) has led to the development of a number of measures which countries have already introduced or plan to introduce. These include the Pillar Two initiative, focused on the introduction of a minimum corporate tax rate, with the possibility of top-up taxes being introduced in cases where jurisdictions do not have the minimum tax rate. Pillar Two legislation has been enacted or substantively enacted in Switzerland and in other jurisdictions where the Group operates. The legislation will come into effect for the Group's fiscal year commencing on January 1, 2024. Certain jurisdictions fall within the scope of the enacted or substantively enacted legislation and the Group has performed an assessment of the potential exposure to Pillar Two income taxes.

The assessment of the potential exposure to Pillar Two income taxes is based on the latest available information concerning the financial performance of the constituent entities within the Nestlé Group. Based on this assessment, the Pillar Two effective tax rates in the majority of the relevant jurisdictions in which the Group operates exceeds 15%. However, there are a limited number of jurisdictions where the transitional safe harbor relief may not apply and the Pillar Two effective tax rate is projected to be below 15%. The jurisdictions where the anticipated Pillar Two effective tax rate falls below the minimum rate of 15% are not material for the Group and related top-up taxes are not expected to have a material impact on the Group.

14. Associates and joint ventures

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

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

Associates and joint ventures are accounted for using the equity method. The interest in the associate or joint venture also includes long-term loans which are in substance extensions of the Group's investment in the associate or joint venture. Share of results include the interest income related to those loans. 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

| | 2023 | | | | 2022 | | | |
|-------------------------------------|--------------|------------------|----------------|---------------|--------------|------------------|----------------|---------------|
| | L'Oréal | Other associates | Joint ventures | Total | L'Oréal | Other associates | Joint ventures | Total |
| As at January 1 | 7 909 | 3 294 | 1 820 | 13 023 | 7 554 | 2 545 | 1 707 | 11 806 |
| Currency retranslations | (439) | (226) | (141) | (806) | (362) | (174) | (46) | (582) |
| Investments | — | 558 | 253 | 811 | — | 1 147 | 22 | 1 169 |
| Divestments and reclassifications | — | (71) | (11) | (82) | — | (5) | — | (5) |
| Share of results | 1 208 | (215) | 150 | 1 143 | 1 151 | (213) | 156 | 1 094 |
| Impairment | — | (6) | 15 | 9 | — | (106) | (3) | (109) |
| Share of other comprehensive income | (138) | (58) | (41) | (237) | 173 | 63 | 26 | 262 |
| Dividends and interest received | (639) | (23) | (37) | (699) | (530) | (33) | (45) | (608) |
| Other ^(a) | (61) | 25 | (38) | (74) | (77) | 70 | 3 | (4) |
| As at December 31 | 7 840 | 3 278 | 1 970 | 13 088 | 7 909 | 3 294 | 1 820 | 13 023 |

(a) Other movements of carrying amount of associates and joint ventures relate mainly to the Group's share in other movements included in the associates and joint ventures statement of changes in equity.

In 2022, other movements in Other associates include also additional recognition of an increase of the Group's share of the net assets in IVC Evidensia following the merger with VetStrategy in November 2021.

In 2023, the increase in investments of Joint ventures is mainly related to the creation with private equity firm PAI Partners of a joint venture for the European frozen pizza business (see Note 2.1).

In 2023, the increase in investments of Other associates is mainly related to the investment of CHF 212 million into 49.95% shares of YFOOD, a Germany-based company offering ready-to-drink meals across Europe, and to the participation on fund raising of IVC Evidensia of CHF 200 million proportional to our current stake.

In 2022, the increase in investments of Other associates mainly relates to the fair value of a non-controlling equity interest received in Sous Chef TopCo, L.P. in exchange for the contribution of the Freshly business (see Notes 2.1 and 2.2), and loans granted to the associate at its formation. Freshly was combined with Kettle Cuisine, a US supplier of

prepared food, to form Sous Chef, which is controlled by L Catterton. Sous Chef is involved in offering a wide assortment of fresh food products to customers across geographies and a variety of channels.

As part of the carrying amount of the investment, the value for Associates and joint ventures as at December 31, 2023 includes loans granted by the Group to Associates and joint ventures of CHF 1535 million (2022: CHF 2315 million). The decrease in 2023 related mainly to conversion of loan notes to equity issued by Froneri. In addition, as at December 31, 2023, the Group has potential commitments to acquire other parties' ownership interests in some associates through put mechanisms, which are exercisable in the future, and in some cases, dependent on certain performance conditions.

Income from associates and joint ventures

| In millions of CHF | | |
|---|--------------|--------------|
| | 2023 | 2022 |
| Share of results | 1 143 | 1 094 |
| Impairment, net of reversal | 9 | (109) |
| Profit/(loss) on disposal of Other associates | (32) | 55 |
| | 1 120 | 1 040 |

14.1 Associate – L'Oréal

The Group holds 107 621 021 shares in L'Oréal (whose ultimate parent company is domiciled in France), the world leader in cosmetics, representing a 20.1% participation in its equity after elimination of its treasury shares (2022: 107 621 021 shares representing a 20.1% participation).

As at December 31, 2023, the market value of the shares held amounts to CHF 45.1 billion (2022: CHF 35.4 billion).

Summarized financial information of L'Oréal

| In billions of CHF | | |
|-----------------------------------|-------------|-------------|
| | 2023 | 2022 |
| Total current assets | 15.2 | 13.8 |
| Total non-current assets | 33.1 | 32.3 |
| Total assets | 48.3 | 46.1 |
| Total current liabilities | 13.9 | 13.5 |
| Total non-current liabilities | 7.3 | 5.8 |
| Total liabilities | 21.2 | 19.3 |
| Total equity | 27.1 | 26.8 |
| Total sales | 40.0 | 38.4 |
| Profit from continuing operations | 6.0 | 5.7 |
| Other comprehensive income | (0.7) | 0.9 |
| Total comprehensive income | 5.3 | 6.6 |

Reconciliation of the carrying amount

In billions of CHF

| | 2023 | 2022 |
|--|------------|------------|
| Share held by the Group in the equity of L'Oréal | 5.4 | 5.4 |
| Goodwill and other adjustments | 2.4 | 2.5 |
| Carrying amount of L'Oréal | 7.8 | 7.9 |

14.2 Other associates

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

14.3 Joint ventures

The Group holds a number of joint ventures operating in the food and beverage sectors. These joint ventures are individually not significant to the Group, the main ones being Froneri, European Pizza Group and Cereal Partners Worldwide, from which the Group earned CHF 225 million (2022: CHF 220 million) in royalties (see Note 18.2) for the use of its brands, trademarks and other intellectual property.

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

15. Earnings per share

| | 2023 | 2022 |
|--|-------------|-------------|
| Basic earnings per share (in CHF) | 4.24 | 3.42 |
| Net profit (in millions of CHF) | 11 209 | 9 270 |
| Weighted average number of shares outstanding (in millions of units) | 2 646 | 2 707 |
| Diluted earnings per share (in CHF) | 4.23 | 3.42 |
| Net profit, net of effects of dilutive potential ordinary shares (in millions of CHF) | 11 209 | 9 270 |
| Weighted average number of shares outstanding, net of effects of dilutive potential ordinary shares (in millions of units) | 2 648 | 2 709 |
| 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 | 2 646 | 2 707 |
| Adjustment for share-based payment schemes, where dilutive | 2 | 2 |
| Weighted average number of shares outstanding used to calculate diluted earnings per share | 2 648 | 2 709 |

16. Cash flow statement

16.1 Operating profit

| In millions of CHF | | |
|---|---------------|---------------|
| | 2023 | 2022 |
| Profit for the year | 11 509 | 9 596 |
| Income from associates and joint ventures | (1 120) | (1 040) |
| Taxes | 2 314 | 2 730 |
| Financial income | (284) | (210) |
| Financial expense | 1 644 | 1 250 |
| | 14 063 | 12 326 |

16.2 Non-cash items of income and expense

| In millions of CHF | | |
|--|--------------|--------------|
| | 2023 | 2022 |
| Depreciation of property, plant and equipment | 2 993 | 3 097 |
| Impairment of property, plant and equipment | 490 | 403 |
| Impairment of goodwill | — | 71 |
| Amortization of intangible assets | 465 | 444 |
| Impairment of intangible assets | 157 | 2 252 |
| Net result on disposal of businesses | 221 | 79 |
| Net result on disposal of assets | 11 | (11) |
| Non-cash items in financial assets and liabilities | 84 | 235 |
| Equity compensation plans | 142 | 128 |
| Other | (155) | (136) |
| | 4 408 | 6 562 |

16.3 Decrease/(increase) in working capital

| In millions of CHF | | |
|--------------------------------|--------------|----------------|
| | 2023 | 2022 |
| Inventories | 1 756 | (3 428) |
| Trade and other receivables | (1 027) | (321) |
| Prepayments and accrued income | (11) | 9 |
| Trade and other payables | 65 | 492 |
| Accruals | 351 | 115 |
| | 1 134 | (3 133) |

16.4 Variation of other operating assets and liabilities

| In millions of CHF | 2023 | 2022 |
|---|--------------|--------------|
| Variation of employee benefits assets and liabilities | (622) | (296) |
| Variation of provisions | 369 | 143 |
| Other | (172) | (361) |
| | (425) | (514) |

16.5 Reconciliation of free cash flow and net financial debt

| In millions of CHF | 2023 | 2022 |
|---|-----------------|-----------------|
| Operating cash flow | 15 941 | 11 907 |
| Capital expenditure | (5 714) | (5 095) |
| Expenditure on intangible assets | (489) | (266) |
| Other investing activities | 665 | 24 |
| Free cash flow | 10 403 | 6 570 |
| Acquisition of businesses | (211) | (1 710) |
| Financial liabilities and short-term investments acquired in business combinations | (5) | (40) |
| Disposal of businesses | 215 | 160 |
| Financial liabilities and short-term investments transferred on disposal of businesses and reclassification to/(from) held-for-sale | (5) | 37 |
| Acquisition (net of disposal) of non-controlling interests | (52) | (605) |
| Investments (net of divestments) in associates and joint ventures | (582) | (918) |
| Dividend paid to shareholders of the parent | (7 829) | (7 618) |
| Dividend paid to non-controlling interests | (323) | (284) |
| Purchase (net of sale) of treasury shares | (5 234) | (10 679) |
| Increase in lease liabilities | (819) | (785) |
| Currency retranslations and exchange differences | 2 855 | 597 |
| Other movements | 108 | 33 |
| (Increase)/decrease of net financial debt | (1 479) | (15 242) |
| Net financial debt at beginning of year | (48 159) | (32 917) |
| Net financial debt at end of year | (49 638) | (48 159) |
| of which | | |
| Current financial debt | (9 416) | (10 892) |
| Non-current financial debt | (45 825) | (43 420) |
| Cash and cash equivalents | 4 816 | 5 511 |
| Short-term investments | 1 035 | 1 176 |
| Derivatives ^(a) | (248) | (534) |

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

16.6 Cash and cash equivalents at end of year

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

In millions of CHF

| | 2023 | 2022 |
|--------------------------------------|--------------|--------------|
| Cash at bank and in hand | 2 315 | 2 466 |
| Time deposits | 916 | 667 |
| Commercial paper | 1 585 | 2 378 |
| Cash and cash equivalents (a) | 4 816 | 5 511 |

(a) of which approximately CHF 0.4 billion of cash and cash equivalents in countries where there is limited availability of foreign currency or other legal restrictions resulting in limitations on remittances. These balances remain available for use locally.

17. Equity

17.1 Share capital issued

The ordinary share capital of Nestlé S.A. issued and fully paid is composed of 2 670 000 000 registered shares with a nominal value of CHF 0.10 each (2022: 2 750 000 000 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 2023 and 2022 as a consequence of the share buyback programs launched in January 2020 and in January 2022. The cancellation of shares was approved at the Annual General Meetings on April 20, 2023 and April 7, 2022. The share capital was reduced by 80 000 000 shares from CHF 275 million to CHF 267 million in 2023 and by 65 000 000 shares from CHF 282 million to CHF 275 million in 2022.

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

17.2 Conditional share capital

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

17.3 Treasury shares

Number of shares in millions of units

| | 2023 | 2022 |
|---------------------------|-------------|-------------|
| Purpose of holding | | |
| Share buyback program | 44.7 | 77.6 |
| Long-term incentive plans | 4.0 | 4.3 |
| | 48.7 | 81.9 |

As at December 31, 2023, the treasury shares held by the Group represent 1.8% of the share capital (2022: 3.0%). Their market value amounts to CHF 4748 million (2022: CHF 8770 million).

17.4 Number of shares outstanding

Number of shares in millions of units

| | Shares issued | Treasury shares | Outstanding shares |
|---|----------------|-----------------|--------------------|
| As at January 1, 2023 | 2 750.0 | (81.9) | 2 668.1 |
| Purchase of treasury shares | — | (48.2) | (48.2) |
| Treasury shares delivered in respect of equity compensation plans | — | 1.4 | 1.4 |
| Treasury shares cancelled | (80.0) | 80.0 | — |
| As at December 31, 2023 | 2 670.0 | (48.7) | 2 621.3 |
| As at January 1, 2022 | 2 815.0 | (55.4) | 2 759.6 |
| Purchase of treasury shares | — | (93.2) | (93.2) |
| Treasury shares delivered in respect of equity compensation plans | — | 1.7 | 1.7 |
| Treasury shares cancelled | (65.0) | 65.0 | — |
| As at December 31, 2022 | 2 750.0 | (81.9) | 2 668.1 |

17.5 Translation reserve and other reserves

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

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

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

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

17.6 Retained earnings

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

17.7 Non-controlling interests

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

17.8 Other comprehensive income

In millions of CHF

| 2023 | 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 ^(a) | (4 348) | (7) | — | — | (4 355) | (148) | (4 503) |
| – Reclassified to income statement | 199 | — | — | — | 199 | — | 199 |
| – Taxes | 127 | — | — | — | 127 | 23 | 150 |
| | (4 022) | (7) | — | — | (4 029) | (125) | (4 154) |
| Fair value changes on equity instruments | | | | | | | |
| – Recognized | — | — | — | 207 | 207 | — | 207 |
| – Taxes | — | — | — | (44) | (44) | — | (44) |
| | — | — | — | 163 | 163 | — | 163 |
| Changes in cash flow hedges and cost of hedge reserves | | | | | | | |
| – Recognized | — | 350 | — | — | 350 | 1 | 351 |
| – Reclassified to income statement | — | (105) | — | — | (105) | — | (105) |
| – Taxes | — | (52) | — | — | (52) | — | (52) |
| | — | 193 | — | — | 193 | 1 | 194 |
| Remeasurement of defined benefit plans | | | | | | | |
| – Recognized | — | — | — | (784) | (784) | (1) | (785) |
| – Taxes | — | — | — | 162 | 162 | — | 162 |
| | — | — | — | (622) | (622) | (1) | (623) |
| Share of other comprehensive income of associates and joint ventures | | | | | | | |
| – Recognized | — | — | (197) | (40) | (237) | — | (237) |
| – Reclassified to income statement | — | — | — | — | — | — | — |
| | — | — | (197) | (40) | (237) | — | (237) |
| Other comprehensive income for the year | (4 022) | 186 | (197) | (499) | (4 532) | (125) | (4 657) |

(a) Includes CHF 41 millions of effective result of net investment hedges.

17. Equity

In millions of CHF

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

17.9 Reconciliation of the other reserves

In millions of CHF

| | Hedging reserves | Reserves of associates and joint ventures | Total |
|---|---------------------|---|-------------|
| As at January 1, 2023 | (11) | (52) | (63) |
| Other comprehensive income for the year | 186 | (197) | (11) |
| Other movements | 24 | — | 24 |
| As at December 31, 2023 | 199 | (249) | (50) |
| As at January 1, 2022 | 174 | (219) | (45) |
| Other comprehensive income for the year | 213 | 167 | 380 |
| Other movements | (398) | — | (398) |
| As at December 31, 2022 | (11) | (52) | (63) |

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 relating to 2022 was paid on April 26, 2023, in accordance with the decision taken at the Annual General Meeting on April 20, 2023. Shareholders approved the proposed dividend of CHF 2.95 per share, resulting in a total dividend of CHF 7829 million.

Dividend payable is not accounted for until it has been ratified at the Annual General Meeting. At the Annual General Meeting on April 18, 2024, a dividend of CHF 3.00 per share will be proposed, resulting in an estimated total dividend of CHF 8010 million. For further details, refer to the Financial Statements of Nestlé S.A.

The Consolidated Financial Statements for the year ended December 31, 2023, do not reflect this proposed distribution, which will be treated as an appropriation of profit in the year ending December 31, 2024.

18. Transactions with related parties

18.1 Compensation of the Board of Directors and the Executive Board

Board of Directors

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

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

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

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

The full compensation is paid in arrears.

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

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

In millions of CHF

| | 2023 | 2022 |
|----------------------|-----------|----------|
| Chair's compensation | 3 | 3 |
| Other Board members | | |
| Remuneration – cash | 4 | 3 |
| Shares | 3 | 3 |
| Total (a) | 10 | 9 |

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

Executive Board

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

In millions of CHF

| | 2023 | 2022 |
|--|-----------|-----------|
| Remuneration – cash | 19 | 18 |
| Bonus – cash | 16 | 13 |
| Bonus – shares * | 5 | 4 |
| Equity compensation plans ^(a) | 17 | 17 |
| Pension | 3 | 3 |
| Total ^(b) | 60 | 55 |

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

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

* or American Depositary Receipts.

18.2 Transactions with associates and joint ventures

The main transactions with associates and joint ventures are:

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

18.3 Other transactions

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

19. Guarantees

As at December 31, 2023 and December 31, 2022, the Group has no significant guarantees given to third parties.

20. Effects of hyperinflation

The 2023 and 2022 figures include the following countries considered as hyperinflationary economies:

- Argentina;
- Iran;
- Lebanon;
- Syria;
- Türkiye;
- Venezuela;
- Zimbabwe; and
- Ghana since 2023.

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

21. Events after the balance sheet date

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

With food safety as a primary goal, operating practices at some of Nestlé's natural mineral water production sites may not be in line with the applicable regulatory framework. The Group is currently engaging with the relevant authorities to ensure that its operating practices are fully compliant. As at February 21, 2024, the date of approval of the Consolidated Financial Statements by the Board of Directors, it is not possible to assess nor to quantify any potential future liabilities related to these events. The Group has no other material subsequent events which either warrant a modification of the value of its assets and liabilities, or any additional disclosures.

Companies of the Nestlé Group, joint arrangements and associates

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

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

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

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

All companies listed below are fully consolidated except for:

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

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

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

△ Companies listed on the stock exchange

◇ Sub-holding, financial and property companies

| Companies | City | % capital shareholdings by Nestlé S.A. | % ultimate capital shareholdings | Currency | Capital |
|-------------------------------------|------------|--|----------------------------------|----------|------------|
| 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 | 200 020 |
| 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 |
| 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 |
| Solgar Bulgaria EOOD | (a) Sofia | | 100% | BGL | 10 000 |

(a) Below disclosure criteria but required under local law

| 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 | | | | | |
| Nestlé Cesko s.r.o. | Praha | | 100% | CZK | 300 000 000 |
| Tivall CZ, s.r.o. | Krupka | | 100% | CZK | 400 000 000 |
| Denmark | | | | | |
| Nestlé Danmark A/S | Copenhagen | | 100% | DKK | 44 000 000 |
| Finland | | | | | |
| Suomen Nestlé Oy | Espoo | | 100% | EUR | 6 000 000 |
| France | | | | | |
| Centres de Recherche et Développement Nestlé S.A.S. | Issy-les-Moulineaux | | 100% | EUR | 3 138 230 |
| Nespresso France S.A.S. | Paris | | 100% | EUR | 1 360 000 |
| Nestlé Excellence Supports France S.A.S. | Issy-les-Moulineaux | | 100% | EUR | 1 356 796 |
| Nestlé France S.A.S. | Issy-les-Moulineaux | | 100% | EUR | 130 925 520 |
| Nestlé Health Science France S.A.S. | Issy-les-Moulineaux | | 100% | EUR | 57 943 072 |
| Nestlé Holding France S.A.S. | ◊ Issy-les-Moulineaux | | 100% | EUR | 740 548 192 |
| Nestlé Purina PetCare Commercial Operations France S.A.S. | Issy-les-Moulineaux | | 100% | EUR | 48 666 450 |
| Nestlé Purina PetCare France S.A.S. | Issy-les-Moulineaux | | 100% | EUR | 21 091 872 |
| Nestlé Waters S.A.S. | ◊ Issy-les-Moulineaux | | 100% | EUR | 254 825 042 |
| Nestlé Waters EMENA S.A.S. | ◊ Issy-les-Moulineaux | | 100% | EUR | 44 856 149 |
| Nestlé Waters Management & Technology S.A.S. | Issy-les-Moulineaux | | 100% | EUR | 10 538 113 |
| Nestlé Waters Marketing & Distribution S.A.S. | Issy-les-Moulineaux | | 100% | EUR | 106 536 520 |
| Nestlé Waters Supply Est S.A.S. | Issy-les-Moulineaux | | 100% | EUR | 17 539 660 |
| Nestlé Waters Supply Sud S.A.S. | Issy-les-Moulineaux | | 100% | EUR | 7 309 106 |
| Société Industrielle de Transformation de Produits Agricoles S.A.S. | Issy-les-Moulineaux | | 100% | EUR | 9 718 000 |
| Cereal Partners France SNC | ¹⁾ Issy-les-Moulineaux | | 50% | EUR | 3 000 000 |
| L'Oréal S.A. | ^{Δ3)} Paris | 20.1% | 20.1% | EUR | 107 082 474 |
| <i>Listed on the Paris stock exchange, market capitalization EUR 241.0 billion, quotation code (ISIN) FR0000120321</i> | | | | | |
| Lactalis Nestlé Produits Frais S.A.S. | ³⁾ Laval | | 40% | EUR | 69 208 832 |
| Georgia | | | | | |
| Nestlé Georgia LLC | NiM Tbilisi | | 100% | CHF | 700 000 |
| Germany | | | | | |
| Mucos Emulsionsgesellschaft MbH Chemisch-Pharmazeutische Betriebe | Berlin | | 100% | EUR | 102 258 |
| Nestlé Deutschland AG | Frankfurt am Main | | 100% | EUR | 214 266 628 |
| Nestlé Product Technology Centre Lebensmittelforschung GmbH | Freiburg i. Br. | | 100% | EUR | 52 000 |

| Companies | City | % capital shareholdings by Nestlé S.A. | % ultimate capital shareholdings | Currency | Capital |
|---|----------------------|--|----------------------------------|----------|---------------|
| Germany (continued) | | | | | |
| Nestlé Purina PetCare Deutschland GmbH | Bonn | | 100% | EUR | 30 000 |
| Nestlé Unternehmungen Deutschland GmbH | ◊ Frankfurt am Main | 15% | 100% | EUR | 60 000 000 |
| Nestlé Waters Deutschland GmbH | Frankfurt am Main | | 100% | EUR | 10 566 000 |
| Greece | | | | | |
| Nestlé Hellas Single Member SA | Maroussi | | 100% | EUR | 5 269 765 |
| Hungary | | | | | |
| Nestlé Hungária Kft. | Budapest | | 100% | HUF | 6 000 000 000 |
| Ireland (Republic of) | | | | | |
| Nestlé (Ireland) Ltd | Dublin | | 100% | EUR | 1 270 |
| Wyeth Nutritionals Ireland Ltd | Askeaton | | 100% | EUR | 8 741 000 |
| Italy | | | | | |
| Nespresso Italiana S.p.A. – Societa Benefit | Assago | | 100% | EUR | 250 000 |
| Nestlé Italiana S.p.A. | Assago | | 100% | EUR | 25 582 492 |
| Nestlé Purina Commerciale Srl | Assago | | 100% | EUR | 1 000 000 |
| Sanpellegrino S.p.A. | San Pellegrino Terme | | 100% | EUR | 58 742 145 |
| Kazakhstan | | | | | |
| Nestlé Food Kazakhstan LLP | Almaty | <0.1% | 100% | KZT | 91 900 |
| Lithuania | | | | | |
| UAB “Nestlé Baltics” | Vilnius | | 100% | EUR | 31 856 |
| Luxembourg | | | | | |
| Compagnie Financière du Haut-Rhin S.A. | ◊ Luxembourg | | 100% | EUR | 105 200 000 |
| Nestlé Finance International Ltd | ◊ Luxembourg | 100% | 100% | EUR | 440 000 |
| Nestlé Treasury International S.A. | ◊ Luxembourg | 100% | 100% | EUR | 1 000 000 |
| European Pizza Group Topco Sàrl | 1) Luxembourg | | 50% | EUR | 1 162 000 |
| Froneri Lux Topco Sàrl ^(b) | 1) Luxembourg | | 45.5% | EUR | 119 648 |
| Islay New Group Holding S.A. ^(c) | 3) Luxembourg | | 19% | GBP | 120 517 071 |
| Macedonia | | | | | |
| Nestlé Adriatik Makedonija d.o.o.e.l. | NiM Skopje-Karpos | | 100% | MKD | 31 060 400 |
| Malta | | | | | |
| Nestlé Malta Ltd | NiM Lija | | 100% | EUR | 116 470 |
| Moldova | | | | | |
| LLC Nestlé | ◊ Chişinău | 100% | 100% | MDL | 18 615 |

^(b) Voting powers amount to 50%

^(c) Voting powers amount to 22%

| Companies | City | % capital shareholdings by Nestlé S.A. | % ultimate capital shareholdings | Currency | Capital |
|--|------------------------|--|----------------------------------|----------|---------------|
| Montenegro | | | | | |
| Nestlé Adriatic Crna Gora d.o.o. | NiM Podgorica | | 100% | EUR | 5 307 |
| Netherlands | | | | | |
| 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 | 10 010 000 |
| Poland | | | | | |
| Nestlé Polska S.A. | Warszawa | | 100% | PLN | 42 459 600 |
| Nestlé Purina Manufacturing Operations Poland Sp. Z o.o. | Nowa Wieś Wroclawska | | 100% | PLN | 895 923 700 |
| Cereal Partners Poland Torun-Pacific Sp. Z o.o. | 1) Toruń | | 50% | PLN | 14 572 838 |
| Portugal | | | | | |
| Nestlé Portugal, Unipessoal, Lda. | Oeiras | | 100% | EUR | 30 000 000 |
| Romania | | | | | |
| Nestlé Romania S.R.L. | Bucharest | | 100% | RON | 132 906 800 |
| Russia | | | | | |
| Nestlé Kuban LLC | Timashevsk | | 100% | RUB | 21 041 793 |
| Nestlé Rossiya LLC | Moscow | | 100% | RUB | 880 154 115 |
| Serbia (Republic of) | | | | | |
| Nestlé Adriatic S d.o.o., Beograd-Surcin | Beograd-Surcin | | 100% | RSD | 3 413 568 644 |
| Slovak Republic | | | | | |
| Nestlé Slovensko s.r.o. | Prievidza | | 100% | EUR | 13 277 568 |
| Slovenia | | | | | |
| Nestlé Adriatic Trgovina d.o.o. | NiM Ljubljana | | 100% | EUR | 8 763 |
| Spain | | | | | |
| Nestlé España S.A. | Esplugues de Llobregat | | 100% | EUR | 100 000 000 |
| Nestlé Global Services Spain, S.L. | Esplugues de Llobregat | | 100% | EUR | 3 000 |
| Nestlé Purina Petcare España, S.A. | Castellbisbal | | 100% | EUR | 12 000 000 |
| Herta Foods, S.L. | 3) Gurb | | 40% | EUR | 489 113 988 |
| Sweden | | | | | |
| Nestlé Sverige AB | Helsingborg | | 100% | SEK | 20 000 000 |

| Companies | City | % capital shareholdings by Nestlé S.A. | % ultimate capital shareholdings | Currency | Capital |
|---|----------------------------|--|----------------------------------|----------|-------------|
| Switzerland | | | | | |
| Intercona Re AG | ◊ Châtel-St-Denis | | 100% | CHF | 35 000 000 |
| Maggi-Unternehmungen AG | ◊ Cham | 100% | 100% | CHF | 100 000 |
| Nestlé Enterprises SA | Vevey | | 100% | CHF | 3 514 000 |
| Nestlé Nespresso SA | Vevey | | 100% | CHF | 2 000 000 |
| Nestlé Operational Services Worldwide SA | Vevey | | 100% | CHF | 100 000 |
| Nestlé Orange Holdings GmbH | ◊ Cham | 100% | 100% | CHF | 20 000 |
| Nestlé Suisse S.A. | [°] NiM Vevey | | 100% | CHF | 250 000 |
| Nestlé Ventures SA | ◊ Vevey | 100% | 100% | CHF | 250 000 |
| Nestlé Waters (Suisse) SA | Henniez | | 100% | CHF | 5 000 000 |
| Nestrade SA | La Tour-de-Peilz | | 100% | CHF | 6 500 000 |
| NIFS SA | ◊ Vevey | | 100% | CHF | 100 000 |
| NTC-Europe S.A. | ◊ Vevey | 100% | 100% | EUR | 3 565 000 |
| Nutrition-Wellness Venture SA | ◊ Vevey | 100% | 100% | CHF | 100 000 |
| Société des Produits Nestlé S.A. | Vevey | 100% | 100% | CHF | 8 900 000 |
| Sofinol S.A. | Manno | | 100% | CHF | 3 000 000 |
| CPW Operations S.à r.l. | [°] 1) Prilly | 50% | 50% | CHF | 40 000 |
| Türkiye | | | | | |
| Erikli Su ve Mesrubat Sanayi ve Ticaret A.S. | Bursa | | 100% | TRY | 20 700 000 |
| Nestlé Türkiye Gıda Sanayi A.S. | Istanbul | | 99.9% | TRY | 35 000 000 |
| Dikey Vitamin Kozmetik ve Gıda Takviveleri Pazarlama Ticaret A.S. | ³⁾ Istanbul | | 37.5% | TRY | 5 694 070 |
| Ukraine | | | | | |
| LLC Nestlé Ukraine | Kyiv | | 100% | UAH | 88 911 025 |
| LLC Technocom | Kharkiv | 100% | 100% | UAH | 119 658 066 |
| LLC Volynholding | Torchyn | | 100% | UAH | 100 000 |
| United Kingdom | | | | | |
| Lily's Kitchen Ltd | London | | 100% | GBP | 1 164 |
| Mindful Chef Ltd | London | | 69.6% | GBP | 534 |
| Nespresso UK Ltd | York | | 100% | GBP | 275 000 |
| Nestlé Holdings (UK) PLC | ◊ York | | 100% | GBP | 77 940 002 |
| Nestlé NB Financing (International) Ltd | ◊ York | 100% | 100% | CHF | 2 |
| Nestlé NB Financing (UK) Ltd | ◊ York | 100% | 100% | CHF | 2 |
| Nestlé Purina UK Commercial Operations Ltd | York | | 100% | GBP | 10 001 |
| Nestlé Purina UK Manufacturing Operations Ltd | York | | 100% | GBP | 44 000 000 |
| Nestlé UK Ltd | York | | 100% | GBP | 129 972 342 |
| Nestlé VP LLP | ◊ London | <0.1% | 100% | GBP | 0 |
| Nestlé Waters UK Ltd | York | | 100% | GBP | 640 |
| Tailsco Ltd | London | | 100% | GBP | 17 |
| The Nature's Bounty Co. Ltd | York | | 99.9% | GBP | 1 089 |
| Vitaflor (International) Ltd | Liverpool | | 100% | GBP | 625 379 |
| Phagenesis Ltd | [°] 3) Manchester | 29.2% | 29.2% | GBP | 16 146 |

| Companies | City | % capital shareholdings by Nestlé S.A. | % ultimate capital shareholdings | Currency | Capital |
|---|----------------|--|----------------------------------|----------|---------------|
| Africa | | | | | |
| Algeria | | | | | |
| Nestlé Algérie SpA | ° Alger | <0.1% | 49% | DZD | 650 000 000 |
| Nestlé Industrie Algérie SpA | ° Alger | 49% | 49% | DZD | 1 100 000 000 |
| Angola | | | | | |
| Nestlé Angola Lda | Luanda | | 100% | AOA | 1 791 870 000 |
| Burkina Faso | | | | | |
| Nestlé Burkina Faso S.A. | Ouagadougou | | 100% | XOF | 50 000 000 |
| Cameroon | | | | | |
| Nestlé Cameroun S.A. | Douala | | 100% | XAF | 4 323 960 000 |
| Côte d'Ivoire | | | | | |
| Nestlé Côte d'Ivoire S.A. | △ Abidjan | | 88.1% | XOF | 5 517 600 000 |
| <i>Listed on the Abidjan stock exchange, market capitalization XOF 163.0 billion, quotation code (ISIN) CI0009240728</i> | | | | | |
| Egypt | | | | | |
| Nestlé Egypt S.A.E. | Giza | 100% | 100% | EGP | 80 722 000 |
| Nestlé Waters Egypt S.A.E. | Cairo | | 99.8% | EGP | 90 140 000 |
| Gabon | | | | | |
| Nestlé Gabon, S.A. | NiM Libreville | | 90% | XAF | 344 000 000 |
| Ghana | | | | | |
| Nestlé Central and West Africa Ltd | Accra | | 100% | GHS | 145 746 000 |
| Nestlé Ghana Ltd | Accra | | 76% | GHS | 20 100 000 |
| Kenya | | | | | |
| Nestlé Equatorial African Region Ltd | ° Nairobi | 100% | 100% | KES | 132 000 000 |
| Nestlé Kenya Ltd | Nairobi | | 100% | KES | 226 100 400 |
| Mauritius | | | | | |
| Nestlé's Products (Mauritius) Ltd | NiM Port Louis | | 100% | MUR | 2 488 071 |
| Morocco | | | | | |
| Nestlé Maroc S.A. | El Jadida | | 94.6% | MAD | 156 933 000 |
| Mozambique | | | | | |
| Nestlé Mocambique Lda | ° Maputo | <0.1% | 100% | MZN | 2 631 711 200 |
| Nigeria | | | | | |
| Nestlé Nigeria Plc | △ Ilupeju | 4.6% | 70.8% | NGN | 396 328 126 |
| <i>Listed on the Nigerian Stock Exchange, market capitalization NGN 871.9 billion, quotation code (ISIN) NGNESTLE0006</i> | | | | | |

Companies of the Nestlé Group, joint arrangements and associates

| 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 |
| Zambia | | | | | |
| Nestlé Zambia Trading Ltd | ° Lusaka | 0.2% | 100% | ZMW | 2 317 500 |
| Zimbabwe | | | | | |
| Nestlé Zimbabwe (Private) Ltd | Harare | | 100% | ZWL | 19 626 000 |

| Companies | City | % capital shareholdings by Nestlé S.A. | % ultimate capital shareholdings | Currency | Capital |
|--|------------------------------|--|----------------------------------|----------|----------------|
| Americas | | | | | |
| Argentina | | | | | |
| Eco de Los Andes S.A. | Buenos Aires | | 50.9% | ARS | 92 524 285 |
| Enzimas S.A. | ° Buenos Aires | 99.9% | 100% | ARS | 9 000 000 |
| Nestlé Argentina S.A. | Buenos Aires | 49.3% | 100% | ARS | 18 868 633 000 |
| Bolivia | | | | | |
| Industrias Alimenticias Fagal S.R.L. | Santa Cruz | 1.5% | 100% | BOB | 120 556 000 |
| Nestlé Bolivia S.A. | NiM Santa Cruz | <0.1% | 100% | BOB | 45 431 900 |
| Brazil | | | | | |
| Chocolates Garoto Ltda | Vila Velha | | 100% | BRL | 575 615 927 |
| Nestlé Brasil Ltda | São Paulo | 53.4% | 100% | BRL | 3 910 325 621 |
| Nestlé Nordeste Alimentos e Bebidas Ltda | Feira de Santana | 15.8% | 100% | BRL | 1 674 270 610 |
| SOCOPAL – Sociedade Comercial de Corretagem de Seguros e de Participações Ltda | ° São Paulo | 100% | 100% | BRL | 2 155 600 |
| Tradal Brazil Comércio, Importações e Exportações Ltda | São Paulo | | 100% | BRL | 15 577 426 |
| Canada | | | | | |
| Atrium Innovations Inc. | Westmount (Québec) | | 100% | CAD | 229 364 710 |
| Bountiful Canada Vitamins ULC | Vancouver (British Columbia) | | 99.9% | CAD | 100 |
| Nestlé Canada Inc. | Toronto (Ontario) | | 100% | CAD | 219 097 536 |
| Cayman Islands | | | | | |
| Hsu Fu Chi International Limited | ° Grand Cayman | | 60% | SGD | 7 950 000 |
| Chile | | | | | |
| Chocolates del Mundo SpA | Quilicura | | 99.8% | CLP | 8 001 000 000 |
| Nestlé Chile S.A. | Santiago de Chile | 99.8% | 99.8% | CLP | 11 832 926 000 |
| Aguas CCU – Nestlé Chile S.A. | 3) Santiago de Chile | | 49.8% | CLP | 49 799 375 321 |
| Colombia | | | | | |
| Comestibles La Rosa S.A. | Bogotá | <0.1% | 100% | COP | 126 397 400 |
| Dairy Partners Americas Manufacturing Colombia Ltda | Bogotá | | 100% | COP | 200 000 000 |
| Nestlé de Colombia S.A. | Bogotá | <0.1% | 100% | COP | 1 291 305 400 |
| Nestlé Purina PetCare de Colombia S.A. | Bogotá | <0.1% | 100% | COP | 17 030 000 000 |
| Costa Rica | | | | | |
| Compañía Nestlé Costa Rica S.A. | Heredia | | 100% | CRC | 18 000 000 |
| Cuba | | | | | |
| Nescor, S.A. | ° Artemisa | | 50.9% | USD | 32 200 000 |

| Companies | City | % capital shareholdings by Nestlé S.A. | % ultimate capital shareholdings | Currency | Capital |
|---|-----------------------|--|----------------------------------|----------|----------------|
| Dominican Republic | | | | | |
| Nestlé Dominicana S.A. | Santo Domingo | 98.5% | 99.9% | DOP | 1 657 445 000 |
| Silsa Dominicana S.A. | ° Santo Domingo | 6% | 99.9% | USD | 50 000 |
| Ecuador | | | | | |
| Ecuajugos S.A. | Quito | <0.1% | 100% | USD | 521 583 |
| Industrial Surindu S.A. | Quito | <0.1% | 100% | USD | 3 000 000 |
| Nestlé Ecuador S.A. | Quito | <0.1% | 100% | USD | 1 776 760 |
| Terrafertil S.A. | Tabacundo | | 80% | USD | 525 800 |
| El Salvador | | | | | |
| Nestlé El Salvador, S.A. de C.V. | San Salvador | <0.1% | 100% | USD | 4 457 200 |
| Guatemala | | | | | |
| Genoveva, S.A. | ° Ciudad de Guatemala | <0.1% | 100% | GTQ | 5 069 414 |
| Malher Export, S.A. | ° Ciudad de Guatemala | <0.1% | 100% | GTQ | 5 000 |
| Nestlé Guatemala S.A. | Ciudad de Guatemala | <0.1% | 100% | GTQ | 123 535 600 |
| Honduras | | | | | |
| Malher de Honduras, S.A. de C.V. | ° Tegucigalpa | <0.1% | 100% | HNL | 25 000 |
| Nestlé Hondureña S.A. | Tegucigalpa | | 100% | PAB | 200 000 |
| Jamaica | | | | | |
| Nestlé Jamaica Ltd | Kingston | | 100% | JMD | 49 200 000 |
| Mexico | | | | | |
| Marcas Nestlé, S.A. de C.V. | Ciudad de México | | 100% | MXN | 500 051 000 |
| Nespresso México, S.A. de C.V. | Ciudad de México | | 100% | MXN | 210 050 000 |
| Nestlé México, S.A. de C.V. | Ciudad de México | | 100% | MXN | 24 721 767 730 |
| Manantiales La Asunción, S.A.P.I. de C.V. | 1) Ciudad de México | | 40% | MXN | 1 036 427 490 |
| Nicaragua | | | | | |
| Compañía Centroamericana de Productos Lácteos, S.A. | Managua | | 92.6% | NIO | 10 294 900 |
| Nestlé Nicaragua, S.A. | Managua | | 100% | NIO | 555 000 |
| Panama | | | | | |
| Nestlé Centroamerica, S.A. | Ciudad de Panamá | | 100% | USD | 10 588 706 |
| Nestlé Panamá, S.A. | Ciudad de Panamá | | 100% | PAB | 7 911 294 |
| Paraguay | | | | | |
| Nestlé Paraguay S.A. | NiM Asunción | | 100% | PYG | 100 000 000 |

| Companies | City | % capital shareholdings by Nestlé S.A. | % ultimate capital shareholdings | Currency | Capital |
|--|---------------------------------------|--|----------------------------------|----------|-------------|
| Peru | | | | | |
| Nestlé Marcas Perú, S.A.C. | Lima | 50% | 100% | PEN | 5 536 832 |
| Nestlé Perú, S.A. | Lima | 99.5% | 99.5% | PEN | 88 964 263 |
| Puerto Rico | | | | | |
| Swirl, Corp. | NiM Guaynabo | | 100% | USD | 100 |
| Trinidad and Tobago | | | | | |
| Nestlé Caribbean, Inc. | Valsayn | | 100% | USD | 100 000 |
| Nestlé Trinidad and Tobago Ltd | Valsayn | 100% | 100% | TTD | 35 540 000 |
| United States | | | | | |
| Blue Bottle Coffee, LLC | Wilmington (Delaware) | | 100% | USD | 0 |
| Essentia Sub, LLC | Wilmington (Delaware) | | 100% | USD | — |
| Garden of Life LLC | Wilmington (Delaware) | | 100% | USD | — |
| Gerber Products Company | Fremont (Michigan) | | 100% | USD | 1 000 |
| HVL LLC | Wilmington (Delaware) | | 100% | USD | — |
| Malher, Inc. | Stafford (Texas) | | 100% | USD | 1 000 |
| Nation Pizza Products, LLC | Wilmington (Delaware) | | 100% | USD | — |
| NDHH, LLC | ◊ Wilmington (Delaware) | | 100% | USD | 0 |
| Nespresso USA, Inc. | Wilmington (Delaware) | | 100% | USD | 1 000 |
| Nestlé Capital Corporation | ◊ Wilmington (Delaware) | | 100% | USD | 1 000 000 |
| Nestlé HealthCare Nutrition, Inc. | Wilmington (Delaware) | | 100% | USD | 50 000 |
| Nestlé Holdings, Inc. | ◊ Wilmington (Delaware) | | 100% | USD | 100 000 |
| Nestlé Nutrition R&D Centers, Inc. | Wilmington (Delaware) | | 100% | USD | 10 000 |
| Nestlé Prepared Foods Company | Philadelphia (Pennsylvania) | | 100% | USD | 476 760 |
| Nestlé Purina PetCare Company | St. Louis (Missouri) | | 100% | USD | 1 000 |
| Nestlé Purina PetCare Global Resources, Inc. | Wilmington (Delaware) | | 100% | USD | 0 |
| Nestlé R&D Center, Inc. | Wilmington (Delaware) | | 100% | USD | 10 000 |
| Nestlé Regional GLOBE Office North America, Inc. | Wilmington (Delaware) | | 100% | USD | 1 000 |
| Nestlé USA, Inc. | Wilmington (Delaware) | | 100% | USD | 1 000 |
| NHS U.S., LLC | Wilmington (Delaware) | | 99.9% | USD | — |
| Nuun & Company, Inc. | Wilmington (Delaware) | | 100% | USD | 0 |
| Orgain, LLC | Wilmington (Delaware) | | 51% | USD | — |
| Pure Encapsulations, LLC | Wilmington (Delaware) | | 100% | USD | — |
| Puritan's Pride, LLC | New York (New York) | | 99.9% | USD | 0 |
| Tejas Industries, LLC | Dallas (Texas) | | 100% | USD | 1 000 |
| Vital Proteins LLC | Wilmington (Delaware) | | 100% | USD | 100 000 000 |
| Vitality Foodservice, Inc. | Dover (Delaware) | | 100% | USD | 1 240 |
| JustForFoodDogs, Inc. | ³⁾ Irvine (California) | | 29% | USD | 1 069 |
| Sous Chef TopCo, L.P. | ³⁾ Greenwich (Connecticut) | | 45.5% | USD | 1 100 000 |

Companies of the Nestlé Group, joint arrangements and associates

| Companies | City | % capital shareholdings by Nestlé S.A. | % ultimate capital shareholdings | Currency | Capital |
|-------------------------|------------|--|----------------------------------|----------|-------------|
| Uruguay | | | | | |
| Nestlé del Uruguay S.A. | Montevideo | | 100% | UYU | 375 426 189 |
| Venezuela | | | | | |
| Nestlé Venezuela, S.A. | Caracas | 100% | 100% | VES | 0 |

| Companies | City | % capital shareholdings by Nestlé S.A. | % ultimate capital shareholdings | Currency | Capital |
|--|--------------|--|----------------------------------|----------|---------------|
| Asia | | | | | |
| Afghanistan | | | | | |
| Nestlé Afghanistan Ltd | ° Kabul | 100% | 100% | USD | 1 000 000 |
| Bahrain | | | | | |
| Nestlé Bahrain Trading WLL | NiM Manama | | 49% | BHD | 200 000 |
| Bangladesh | | | | | |
| Nestlé Bangladesh PLC | Dhaka | 99.4% | 100% | BDT | 100 000 000 |
| Greater China | | | | | |
| Dongguan Hsu Chi Food Co., Limited | Dongguan | | 60% | HKD | 700 000 000 |
| Guangzhou Refrigerated Foods Limited | Guangzhou | | 95.5% | CNY | 390 000 000 |
| Nestlé (China) Limited | ◊ Beijing | | 100% | CNY | 3 525 353 500 |
| Nestlé Dongguan Limited | Dongguan | | 100% | CNY | 536 000 000 |
| Nestlé Health Science (China) Limited | Taizhou City | | 100% | USD | 32 640 000 |
| Nestlé Hong Kong Limited | Hong Kong | | 100% | HKD | 250 000 000 |
| Nestlé Nespresso Beijing Limited | Beijing | | 100% | CNY | 7 000 000 |
| Nestlé Purina PetCare Tianjin Limited | Tianjin | | 100% | CNY | 240 000 000 |
| Nestlé Qingdao Limited | Laixi | | 100% | CNY | 930 000 000 |
| Nestlé Shanghai Limited | Shanghai | | 95% | CNY | 200 000 000 |
| Nestlé Shuangcheng Limited | Shuangcheng | | 97% | CNY | 435 000 000 |
| Nestlé Taiwan Limited | Taipei | | 100% | TWD | 100 000 000 |
| Nestlé Tianjin Limited | Tianjin | | 100% | CNY | 785 000 000 |
| Shanghai Nestlé Product Services Limited | Shanghai | | 100% | CNY | 83 000 000 |
| Shanghai Totole First Food Limited | Shanghai | | 100% | CNY | 72 000 000 |
| Shanghai Totole Food Limited | Shanghai | | 100% | USD | 7 800 000 |
| Sichuan Haoji Food Co., Limited | Puge | | 80% | CNY | 80 000 000 |
| Suzhou Hexing Food Co., Limited | Suzhou | | 100% | CNY | 40 000 000 |
| Wyeth (Hong Kong) Holding Co., Limited | ◊ Hong Kong | | 100% | HKD | 1 354 107 000 |
| Wyeth (Shanghai) Trading Co., Limited | Shanghai | | 100% | CNY | 15 316 450 |
| Wyeth Nutritional (China) Co., Limited | Suzhou | | 100% | CNY | 900 000 000 |
| India | | | | | |
| Nestlé India Ltd | △ New Delhi | 34.3% | 62.8% | INR | 964 157 160 |
| <i>Listed on the National Stock Exchange, market capitalization INR 2562.8 billion, quotation code (ISIN) INE239A01024</i> | | | | | |
| Indonesia | | | | | |
| P.T. Nestlé Indonesia | Jakarta | | 91.7% | KIDR | 152 753 440 |
| P.T. Wyeth Nutrition Sduaenam | Jakarta | | 99.2% | KIDR | 2 500 000 |
| Iran | | | | | |
| Nestlé Iran (Private Joint Stock Company) | Tehrān | | 95.9% | KIRR | 358 538 000 |

| Companies | City | % capital shareholdings by Nestlé S.A. | % ultimate capital shareholdings | Currency | Capital |
|--|----------------------------|--|----------------------------------|----------|----------------|
| Israel | | | | | |
| Materna Industries Limited Partnership | Kibbutz Maabarot | | 100% | ILS | 10 000 |
| Nespresso Israel Ltd | Tel Aviv | | 100% | ILS | 1 000 |
| OSEM Food Industries Ltd | Shoham | | 100% | ILS | 176 |
| OSEM Investments Ltd | Shoham | | 100% | ILS | 110 644 443 |
| Tivall Food Industries Ltd | Kiryat Gat | | 100% | ILS | 41 861 167 |
| Japan | | | | | |
| Blue Bottle Coffee Japan, G.K. | Tokyo | 25% | 100% | JPY | 10 000 000 |
| Nestlé Japan Ltd | Kōbe | | 100% | JPY | 4 000 000 000 |
| Nestlé Nespresso K.K. | Kōbe | | 100% | JPY | 10 000 000 |
| Jordan | | | | | |
| Ghadeer Mineral Water Co. WLL | Amman | | 100% | JOD | 1 785 000 |
| Nestlé Jordan Trading Company Ltd | Amman | | 87% | JOD | 410 000 |
| Korea (Republic of) | | | | | |
| Blue Bottle Coffee Korea Ltd | ° Seoul | 25% | 100% | KRW | 1 785 540 000 |
| Nestlé Korea Yuhan Chaegim Hoesa | Seoul | | 100% | KRW | 15 594 500 000 |
| LOTTE-Nestlé (Korea) Co., Ltd | ¹⁾ Cheongju | | 50% | KRW | 52 783 120 000 |
| Kuwait | | | | | |
| Nestlé Kuwait General Trading Company WLL | Safat | 49% | 49% | KWD | 300 000 |
| Lebanon | | | | | |
| Société pour l'Exportation des Produits Nestlé S.A. | Baabda | 100% | 100% | CHF | 1 750 000 |
| Malaysia | | | | | |
| Nestlé (Malaysia) Bhd. | ^Δ Petaling Jaya | | 72.6% | MYR | 267 500 000 |
| <i>Listed on the Kuala Lumpur stock exchange, market capitalization MYR 27.6 billion, quotation code (ISIN) MYL470700005</i> | | | | | |
| Nestlé Asean (Malaysia) Sdn. Bhd. | Petaling Jaya | | 72.6% | MYR | 42 000 000 |
| Nestlé Manufacturing (Malaysia) Sdn. Bhd. | Petaling Jaya | | 72.6% | MYR | 132 500 000 |
| Nestlé Products Sdn. Bhd. | Petaling Jaya | | 72.6% | MYR | 28 500 000 |
| Myanmar | | | | | |
| Nestlé Myanmar Limited | ^{NiM} Yangon | | 95% | USD | 11 311 710 |
| Oman | | | | | |
| Nestlé Oman Trading LLC | Muscat | | 49% | OMR | 300 000 |
| Pakistan | | | | | |
| Nestlé Pakistan Ltd | ^Δ Lahore | | 61.6% | PKR | 453 495 840 |
| <i>Listed on the Pakistan Stock Exchange, market capitalization PKR 372.0 billion, quotation code (ISIN) PK0025101012</i> | | | | | |

| Companies | City | % capital shareholdings by Nestlé S.A. | % ultimate capital shareholdings | Currency | Capital |
|---|--------------|--|----------------------------------|----------|----------------|
| Palestinian Territories | | | | | |
| Nestlé Trading Private Limited Company | ° Bethlehem | 97.5% | 97.5% | JOD | 200 000 |
| Philippines | | | | | |
| Nestlé Business Services AOA, Inc. | ° Bulacan | 100% | 100% | PHP | 70 000 000 |
| Nestlé Philippines, Inc. | Cabuyao | | 100% | PHP | 2 300 927 400 |
| Wyeth Philippines, Inc. | Makati City | | 100% | PHP | 743 134 900 |
| Qatar | | | | | |
| Nestlé Qatar Trading LLC | Doha | 49% | 49% | QAR | 1 680 000 |
| Saudi Arabia | | | | | |
| Al Manhal Water Factory Co. Ltd | Riyadh | | 90% | SAR | 10 213 000 |
| Nestlé Saudi Arabia LLC | Jeddah | | 75% | SAR | 27 000 000 |
| Singapore | | | | | |
| Nestlé Singapore (Pte) Ltd | Singapore | | 100% | SGD | 1 000 000 |
| Nestlé TC Asia Pacific Pte Ltd | ◊ Singapore | 100% | 100% | JPY | 10 000 000 000 |
| | | | | SGD | 2 |
| Wyeth Nutritionals (Singapore) Pte Ltd | Singapore | | 100% | SGD | 220 506 420 |
| Sri Lanka | | | | | |
| Nestlé Lanka PLC | Colombo | 97.2% | 97.2% | LKR | 537 254 630 |
| Syria | | | | | |
| Nestlé Syria S.A. | NiM Damascus | | 100% | SYP | 800 000 000 |
| Thailand | | | | | |
| Nestlé (Thai) Ltd | Bangkok | | 100% | THB | 880 000 000 |
| Nestlé Roh (Thailand) Ltd | ° Bangkok | <0.1% | 100% | THB | 250 000 000 |
| Perrier Vittel (Thailand) Ltd | Bangkok | | 100% | THB | 235 000 000 |
| Quality Coffee Products Ltd | Bangkok | 30% | 50% | THB | 500 000 000 |
| United Arab Emirates | | | | | |
| Nestlé Dubai Manufacturing LLC | Dubai | | 49% | AED | 300 000 |
| Nestlé Middle East FZE | Dubai | | 100% | AED | 3 000 000 |
| Nestlé Middle East Manufacturing LLC | Dubai | | 49% | AED | 300 000 |
| Nestlé Treasury Centre-Middle East & Africa Ltd | ◊ Dubai | | 100% | USD | 2 997 343 684 |
| Nestlé UAE LLC | Dubai | | 49% | AED | 2 000 000 |
| Nestlé Waters Factory H&O LLC | Dubai | | 51% | AED | 71 886 000 |
| Uzbekistan | | | | | |
| Nestlé Food MChJ XK | Tashkent | <0.1% | 100% | UZS | 12 922 977 969 |

Companies of the Nestlé Group, joint arrangements and associates

| Companies | City | % capital shareholdings by Nestlé S.A. | % ultimate capital shareholdings | Currency | Capital |
|----------------------------------|----------|--|----------------------------------|----------|---------------|
| Vietnam | | | | | |
| La Vie Limited Liability Company | Long An | | 65% | USD | 2 663 400 |
| Nestlé Vietnam Ltd | Bien Hoa | 100% | 100% | KVND | 1 261 151 498 |

| Companies | | City | % capital shareholdings by Nestlé S.A. | % ultimate capital shareholdings | Currency | Capital |
|--|-----|----------|--|----------------------------------|----------|-------------|
| Oceania | | | | | | |
| Australia | | | | | | |
| Nestlé Australia Ltd | | Sydney | | 100% | AUD | 274 000 000 |
| Cereal Partners Australia Pty Ltd | 1) | Sydney | | 50% | AUD | 107 800 000 |
| Fiji | | | | | | |
| Nestlé (Fiji) Pte Ltd | NiM | Lami | | 100% | FJD | 3 677 000 |
| French Polynesia | | | | | | |
| Nestlé Polynésie S.A.S. | NiM | Papeete | | 100% | XPF | 5 000 000 |
| New Caledonia | | | | | | |
| Nestlé Nouvelle-Calédonie S.A.S. | NiM | Nouméa | | 100% | XPF | 64 000 000 |
| New Zealand | | | | | | |
| Nestlé New Zealand Limited | | Auckland | | 100% | NZD | 50 300 000 |
| New Zealand Health Manufacturing Limited | | Auckland | | 100% | NZD | 0 |
| 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 centre | 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 Coffee | Orbe | | PTC |
| Nestlé Product Technology Centre Dairy | Konolfingen | | PTC |
| Nestlé Product Technology Centre Nutrition | Konolfingen | | PTC |
| Nestlé Product Technology Centre Nestlé Professional | Orbe | | PTC |
| Nestlé Research | Lausanne | | R |
| Nestlé System Technology Centre | Orbe | | R and PTC |
| Société des Produits Nestlé S.A. | Vevey | | TA |
| Chile | | | |
| Nestlé Development Centre | Santiago de Chile | | D |
| Côte d'Ivoire | | | |
| Nestlé R&D Centre | Abidjan | | R&D |
| France | | | |
| Nestlé Development Centre | Lisieux | | D |
| Nestlé Product Technology Centre Waters | Vittel | | PTC |
| Nestlé R&D Centre | Aubigny | | R&D |
| Nestlé Research | Tours | | R |
| Germany | | | |
| Nestlé Product Technology Centre Food | Singen | | PTC |
| Greater China | | | |
| Nestlé R&D Centre | Beijing | | R&D |

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

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

Lausanne, 21 February 2024

Report of the statutory auditor

Report on the audit of the consolidated financial statements



Opinion

We have audited the consolidated financial statements of Nestlé S.A. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements (pages 76 to 176 give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.



Basis for opinion

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

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



Key audit matters

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

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

Measurement of revenue as it relates to trade spend

Risk

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

Organic growth, which represents sales growth after removing 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. There is a risk of revenue being misstated, through error, misinterpretation or misapplication of accounting standards and policies or intentional manipulation, as a result of the pressure that local management may feel to achieve organic growth targets. The nature of the misstatements may include bias in estimates, unrecorded accruals, or the misclassification of trade spend in the income statement.

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

Our audit response Our audit procedures included the following:

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

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

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

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

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

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

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

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

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

Carrying value of goodwill and indefinite useful life intangibles assets

Risk

As described in Notes 1 and 9 of the consolidated financial statements, the Company has CHF 28.7 billion of goodwill and CHF 15.7 billion of indefinite useful life intangible assets, the sum of which represents 35% of total assets and 122% of equity. For all cash generating units (CGUs) with goodwill and for indefinite useful life intangible assets, indicators of impairment are assessed at each reporting date and an impairment test is performed at least annually.

In 2023, due to increased sensitivity, management has placed additional focus on the Nestlé Health Science CGU. The sensitivity analysis is disclosed in the Note 9 of the consolidated financial statements.

The assessment of indicators of impairment and impairment testing are subjective in nature. The recoverability of goodwill and indefinite useful 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, including the impacts that climate risks and environmental commitments may have on future cashflows, as well as allocation of assets to CGUs, are subject to management judgment.

Our audit response Our audit procedures included the following:

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

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

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

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

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

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

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

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

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

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

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

Completeness and valuation of uncertain tax positions

Risk

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

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

Our audit response Our audit procedures included the following:

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

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

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

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

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

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



Other information

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

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

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

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



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Board of Directors' responsibilities for the consolidated financial statements

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

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



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

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

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



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Report on other legal and regulatory requirements



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

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

Ernst & Young Ltd

Jeanne Boillet
Licensed audit expert
(Auditor in charge)

André Schaub
Licensed audit expert

Financial information – 5-year review

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

| | 2023 | 2022 |
|---|------------------------|----------------|
| Results | | |
| Sales | 92 998 | 94 424 |
| Underlying trading operating profit ^(a) | 16 053 | 16 103 |
| as % of sales | 17.3% | 17.1% |
| Trading operating profit ^(a) | 14 520 | 13 195 |
| as % of sales | 15.6% | 14.0% |
| Taxes | 2 314 | 2 730 |
| Profit for the year attributable to shareholders of the parent (Net profit) | 11 209 | 9 270 |
| as % of sales | 12.1% | 9.8% |
| Total amount of dividend | 8 010 ^(c) | 7 829 |
| Depreciation of property, plant and equipment | 2 993 | 3 097 |
| Balance sheet and cash flow statement | | |
| Current assets | 30 857 | 35 062 |
| Non-current assets | 95 693 | 100 120 |
| Total assets | 126 550 | 135 182 |
| Current liabilities | 37 084 | 39 976 |
| Non-current liabilities | 53 079 | 52 414 |
| Total equity | 36 387 | 42 792 |
| Net financial debt ^(a) | 49 638 | 48 159 |
| Ratio of net financial debt to total equity (gearing) | 136.4% | 112.5% |
| Operating cash flow | 15 941 | 11 907 |
| as % of net financial debt | 32.1% | 24.7% |
| Free cash flow ^(a) | 10 403 | 6 570 |
| Capital additions | 7 159 | 8 264 |
| as % of sales | 7.7% | 8.8% |
| Data per share | | |
| Weighted average number of shares outstanding (in millions of units) | 2 646 | 2 707 |
| Basic earnings per share | 4.24 | 3.42 |
| Underlying earnings per share ^(a) | 4.80 | 4.80 |
| Dividend | 3.00 ^(c) | 2.95 |
| Pay-out ratio based on basic earnings per share | 70.8% ^(c) | 86.3% |
| Stock prices (high) | 116.46 | 129.50 |
| Stock prices (low) | 96.57 | 104.98 |
| Yield ^(b) | 2.6/3.1 ^(c) | 2.3/2.8 |
| Market capitalization | 255 604 | 285 865 |
| Number of employees (in thousands) | 270 | 275 |

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

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

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

| 2021 | 2020 | 2019 | |
|----------------|----------------|----------------|---|
| | | | Results |
| 87 088 | 84 343 | 92 568 | Sales |
| 15 119 | 14 903 | 16 260 | Underlying trading operating profit ^(a) |
| 17.4% | 17.7% | 17.6% | as % of sales |
| 12 159 | 14 233 | 13 674 | Trading operating profit ^(a) |
| 14.0% | 16.9% | 14.8% | as % of sales |
| 2 261 | 3 365 | 3 159 | Taxes |
| 16 905 | 12 232 | 12 609 | Profit for the year attributable to shareholders of the parent (Net profit) |
| 19.4% | 14.5% | 13.6% | as % of sales |
| 7 618 | 7 681 | 7 700 | Total amount of dividend |
| 3 056 | 3 127 | 3 488 | Depreciation of property, plant and equipment |
| | | | Balance sheet and cash flow statement |
| 39 257 | 34 068 | 35 663 | Current assets |
| 99 885 | 89 960 | 92 277 | Non-current assets |
| 139 142 | 124 028 | 127 940 | Total assets |
| 40 020 | 39 722 | 41 615 | Current liabilities |
| 45 395 | 37 792 | 33 463 | Non-current liabilities |
| 53 727 | 46 514 | 52 862 | Total equity |
| 32 917 | 31 319 | 27 138 | Net financial debt ^(a) |
| 61.3% | 67.3% | 51.3% | Ratio of net financial debt to total equity (gearing) |
| 13 864 | 14 377 | 15 850 | Operating cash flow |
| 42.1% | 45.9% | 58.4% | as % of net financial debt |
| 8 715 | 10 245 | 11 934 | Free cash flow ^(a) |
| 12 977 | 11 367 | 5 482 | Capital additions |
| 14.9% | 13.5% | 5.9% | as % of sales |
| | | | Data per share |
| 2 788 | 2 845 | 2 929 | Weighted average number of shares outstanding (in millions of units) |
| 6.06 | 4.30 | 4.30 | Basic earnings per share |
| 4.42 | 4.21 | 4.41 | Underlying earnings per share ^(a) |
| 2.80 | 2.75 | 2.70 | Dividend |
| 46.2% | 64.0% | 62.8% | Pay-out ratio based on basic earnings per share |
| 128.90 | 112.62 | 113.20 | Stock prices (high) |
| 95.00 | 83.37 | 79.86 | Stock prices (low) |
| 2.2/2.9 | 2.4/3.3 | 2.4/3.4 | Yield ^(b) |
| 351 682 | 293 644 | 301 772 | Market capitalization |
| 276 | 273 | 291 | Number of employees (in thousands) |

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Income statement for the year ended December 31, 2023

In millions of CHF

| | Notes | 2023 | 2022 |
|---|-------|---------------|--------------|
| Income from Group companies | 2 | 12 569 | 8 989 |
| Profit on disposal and revaluation of assets | 3 | 297 | 12 |
| Other income | | 6 | 14 |
| Financial income | 4 | 404 | 190 |
| Total income | | 13 276 | 9 205 |
| Personnel expenses | | (141) | (107) |
| Other expenses | | (53) | (63) |
| Write-downs and amortization of shareholdings and loans | | (21) | (98) |
| Financial expenses | 5 | (284) | (27) |
| Taxes | 6 | (106) | (75) |
| Total expenses | | (605) | (370) |
| Profit for the year | | 12 671 | 8 835 |

Balance sheet as at December 31, 2023

before appropriations

| In millions of CHF | Notes | 2023 | 2022 |
|--------------------------------------|--------|---------------|---------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 7 | 160 | 155 |
| Other current receivables | 8 | 1 368 | 443 |
| Prepayments and accrued income | | 16 | 53 |
| Total current assets | | 1 544 | 651 |
| Non-current assets | | | |
| Financial assets | 9 | 18 687 | 17 672 |
| Shareholdings and associates | 10 | 13 005 | 13 881 |
| Property, plant and equipment | | 1 | 1 |
| Total non-current assets | | 31 693 | 31 554 |
| Total assets | | 33 237 | 32 205 |
| Liabilities | | | |
| Current liabilities | | | |
| Interest-bearing liabilities | 11 | 3 061 | 7 076 |
| Other current liabilities | 12 | 235 | 623 |
| Accruals and deferred income | | 222 | 92 |
| Provisions | 13 | 202 | 232 |
| Total current liabilities | | 3 720 | 8 023 |
| Non-current liabilities | | | |
| Interest-bearing liabilities | 11 | 9 536 | 4 058 |
| Provisions | 13 | 19 | 16 |
| Total non-current liabilities | | 9 555 | 4 074 |
| Total liabilities | | 13 275 | 12 097 |
| Equity | | | |
| Share capital | 14 /15 | 267 | 275 |
| Legal retained earnings | 15 | 1 968 | 1 960 |
| Voluntary retained earnings | | | |
| – Special reserve | 15 | 2 859 | 2 859 |
| – Profit brought forward | 15 | 7 352 | 15 482 |
| – Profit for the year | 15 | 12 671 | 8 835 |
| Treasury shares | 15/16 | (5 155) | (9 303) |
| Total equity | | 19 962 | 20 108 |
| Total liabilities and equity | | 33 237 | 32 205 |

Notes to the annual accounts

1. Accounting policies

General

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

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

Foreign currency translation

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

Hedging

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

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

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

Income statement

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

Taxes

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

Financial assets and shareholdings

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

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

Property, plant and equipment

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

Provisions

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

Additional information

The Company is integrated within the operations of the Nestlé Group, which presents its consolidated financial statements under IFRS Accounting Standards. In line with art. 961d of the Swiss Code of Obligations, the Company decided to forego presenting the additional information in the notes, the cash flow statement and the management report.

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 shareholdings and financial assets.

4. Financial income

In millions of CHF

| | 2023 | 2022 |
|------------------------------------|------------|------------|
| Income on loans to Group companies | 387 | 135 |
| Other financial income | 17 | 55 |
| | 404 | 190 |

5. Financial expenses

In millions of CHF

| | 2023 | 2022 |
|--|--------------|-------------|
| Expenses related to loans from Group companies | (214) | (3) |
| Other financial expenses | (70) | (24) |
| | (284) | (27) |

6. Taxes

In millions of CHF

| | 2023 | 2022 |
|--|--------------|-------------|
| Direct taxes | (76) | (57) |
| Prior-year adjustments | 13 | 21 |
| Withholding taxes on income from foreign sources | (43) | (39) |
| | (106) | (75) |

7. Cash and cash equivalents

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

8. Other current receivables

In millions of CHF

| | 2023 | 2022 |
|--|--------------|------------|
| Amounts owed by Group companies (current accounts) | 1 343 | 386 |
| Other receivables | 25 | 57 |
| | 1 368 | 443 |

9. Financial assets

In millions of CHF

| | 2023 | 2022 |
|--------------------------|---------------|---------------|
| Loans to Group companies | 18 639 | 17 636 |
| Other investments | 48 | 36 |
| | 18 687 | 17 672 |

10. Shareholdings and associates

In millions of CHF

| | 2023 | 2022 |
|--------------------------|---------------|---------------|
| As at January 1 | 13 881 | 13 266 |
| Net increase/(decrease) | (805) | 609 |
| Revaluation/(write-down) | (71) | 6 |
| As at December 31 | 13 005 | 13 881 |

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 2023, Nestlé S.A. sold or contributed shareholdings with a net carrying amount of CHF 2587 million (2022: CHF 536 million) to its subsidiary Société des Produits Nestlé S.A.

11. Interest-bearing liabilities

Current interest-bearing liabilities include amounts owed to Group companies (CHF 2160 million) and one bond issued by Nestlé S.A. Non-current interest-bearing liabilities include two amounts owed to Group companies (CHF 4768 million) and thirteen bonds issued by Nestlé S.A.

In millions of CHF

| Issuer | | Face value in millions | Coupon | Effective interest rate | Year of issue/ maturity | 2023 | 2022 |
|------------------------------|-----|---------------------------|--------|-------------------------------|-------------------------------|--------------|--------------|
| Nestlé S.A., Switzerland | CHF | 900 | 0.25% | 0.26% | 2018–2024 | 900 | 900 |
| | CHF | 600 | 0.75% | 0.69% | 2018–2028 | 602 | 602 |
| | CHF | 675 | 1.63% | 1.65% | 2022–2026 | 675 | 674 |
| | CHF | 475 | 2.13% | 2.15% | 2022–2030 | 474 | 474 |
| | CHF | 350 | 2.50% | 2.46% | 2022–2034 | 351 | 351 |
| | CHF | 360 | 1.63% | 1.67% | 2022–2025 | 360 | 360 |
| | CHF | 260 | 2.63% | 2.57% | 2022–2035 | 261 | 262 |
| | CHF | 310 | 2.25% | 2.18% | 2022–2029 | 311 | 311 |
| | CHF | 300 | 1.88% | 1.87% | 2023–2029 | 301 | — |
| | CHF | 450 | 2.00% | 2.01% | 2023–2033 | 450 | — |
| | CHF | 400 | 2.13% | 2.06% | 2023–2038 | 403 | — |
| | CHF | 155 | 1.63% | 1.54% | 2023–2027 | 155 | — |
| | CHF | 215 | 1.88% | 1.75% | 2023–2031 | 216 | — |
| | CHF | 210 | 2.00% | 1.96% | 2023–2036 | 210 | — |
| Total carrying amount | | | | | | 5 669 | 3 934 |

12. Other current liabilities

In millions of CHF

| | 2023 | 2022 |
|---------------------------------|------------|------------|
| Amounts owed to Group companies | 46 | 330 |
| Other liabilities | 189 | 293 |
| | 235 | 623 |

13. Provisions

In millions of CHF

| | | | 2023 | 2022 |
|--|-------------------------------|------------|------------|------------|
| | Swiss and foreign taxes | Other | Total | Total |
| As at January 1 | 191 | 57 | 248 | 330 |
| Provisions made in the period | 125 | 64 | 189 | 69 |
| Amounts used | (147) | (1) | (148) | (76) |
| Unused amounts reversed | (58) | (10) | (68) | (75) |
| As at December 31 | 111 | 110 | 221 | 248 |
| of which expected to be settled within 12 months | | | 202 | 232 |

14. Share capital

| | 2023 | 2022 |
|--|---------------|---------------|
| Number of registered shares with nominal value CHF 0.10 each | 2 670 000 000 | 2 750 000 000 |
| In millions of CHF | 267 | 275 |

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

15. Changes in equity

In millions of CHF

| | Share capital | Legal retained earnings | Special reserve | Retained earnings | Treasury shares | Total |
|---|------------------|-------------------------------|--------------------|----------------------|--------------------|---------------|
| As at January 1, 2023 | 275 | 1 960 | 2 859 | 24 317 | (9 303) | 20 108 |
| Cancellation of 80 000 000 shares (share buyback program) | (8) | 8 | — | (9 136) | 9 136 | — |
| Profit for the year | — | — | — | 12 671 | — | 12 671 |
| Dividend for 2022 | — | — | — | (7 829) | — | (7 829) |
| Movement of treasury shares | — | — | — | — | (4 988) | (4 988) |
| As at December 31, 2023 | 267 | 1 968 | 2 859 | 20 023 | (5 155) | 19 962 |

16. Treasury shares

In millions of CHF

| | 2023 | | 2022 | |
|---------------------------|-------------------|--------------|-------------------|--------------|
| | Number | Amount | Number | Amount |
| Share buyback program | 44 718 276 | 4 745 | 77 534 276 | 8 863 |
| Long-term incentive plans | 3 975 433 | 410 | 4 324 340 | 440 |
| | 48 693 709 | 5 155 | 81 858 616 | 9 303 |

The share capital has been reduced by 80 000 000 shares from CHF 275 million to CHF 267 million through the cancellation of shares purchased as part of the share buyback program. The purchase value of those cancelled shares amounts to CHF 9136 million.

During the year, 47 184 000 shares were purchased as part of the share buyback program for CHF 5018 million.

The Company held 3 975 433 shares to cover long-term incentive plans. During the year, 1 444 149 shares were delivered as part of the Nestlé Group remuneration plans for a total value of CHF 154 million. All treasury shares are valued at acquisition cost.

The total of own shares of 48 693 709 held by Nestlé S.A. as at December 31, 2023 represents 1.8% of the Nestlé S.A. share capital (81 858 616 own shares held as at December 31, 2022 by Nestlé S.A. representing 3.0% of the Nestlé S.A. share capital).

17. Contingencies

As at December 31, 2023, the total of the guarantees mainly for credit facilities granted to Group companies, bonds and commercial paper programs, together with the buyback agreements relating to notes issued, amounted to a maximum of CHF 95 478 million (2022: CHF 93 562 million).

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

In millions of CHF

| | 2023 | | 2022 | |
|--|----------------|-----------|----------------|-----------|
| | Number | Amount | Number | Amount |
| Performance Share Units, Restricted Stock Units and Phantom | | | | |
| Shares granted to Nestlé S.A. employees ^(a) | 184 130 | 20 | 159 822 | 19 |
| Share plan for short-term bonus Executive Board ^(b) | 41 683 | 5 | 39 400 | 5 |
| Share plan for Board members ^(c) | — | 6 | — | 6 |
| | 225 813 | 31 | 199 222 | 30 |

(a) Performance Shares and Restricted Stock Units are valued at the average closing price of the first ten trading days, after the publication of the annual results (for the Grant in March) and of the last ten trading days of September (for the Grant in October), corresponding to CHF 108.40 (Grant in March) and CHF 105.59 (Grant in October). Includes 161 202 Performance Share Units granted to Executive Board by Nestlé S.A. (2022: 130 162). There were no Phantom Shares in 2023. Note that Performance Share Units and Phantom Shares allocated and revoked in the same year are not disclosed.

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

(c) The Board is paid in arrears (25% in October 2023 and 75% in April 2024). The Nestlé S.A. shares equivalent to 50% of the annual remuneration will be delivered at the end of the Board year in April 2024. They will be valued at the closing price of the share on the SIX Swiss Exchange on the ex-dividend date 2024. The actual number of shares delivered will be published in the Nestlé S.A. 2024 Financial Statements. In 2023, 55 042 shares were delivered to the Board.

19. Full-time equivalents

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

20. Events after the balance sheet date

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

Proposed appropriation of available earnings

| In CHF | 2023 | 2022 |
|---|-----------------------|-----------------------|
| Retained earnings | | |
| Profit brought forward | 16 204 510 328 | 22 553 014 974 |
| Dividends on own shares not distributed ^(a) | 283 919 753 | 263 816 717 |
| Cancellation of 80 000 000 shares (share buyback program) (2022: cancellation of 65 000 000 shares) | (9 136 617 465) | (7 335 027 036) |
| Profit for the year | 12 671 082 922 | 8 835 205 673 |
| | 20 022 895 538 | 24 317 010 328 |
| We propose the following appropriation: | | |
| Dividend for 2023, CHF 3.00 per share on 2 670 000 000 shares ^(b) (2022: CHF 2.95 on 2 750 000 000 shares) | 8 010 000 000 | 8 112 500 000 |
| | 8 010 000 000 | 8 112 500 000 |
| Retained earnings to be carried forward | 12 012 895 538 | 16 204 510 328 |

(a) The amount of CHF 8 112 500 000 proposed to be distributed as dividend for 2022 was reduced by CHF 283 919 753 due to 96 243 984 treasury shares held by the Nestlé Group at the dividend payment date.

(b) Depending on the number of shares issued as of the last trading day with entitlement to receive the dividend (April 19, 2024). No dividend is paid on treasury shares held by the Nestlé Group.

Provided that the proposal of the Board of Directors is approved by the Annual General Meeting, the gross dividend will amount to CHF 3.00 per share, representing a net amount of CHF 1.95 per share after payment of the Swiss withholding tax of 35%. The last trading day with entitlement to receive the dividend is April 19, 2024. The shares will be traded ex-dividend as of April 22, 2024. The net dividend will be payable as from April 24, 2024.

The Board of Directors

Cham and Vevey, February 21, 2024

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

Lausanne, 21 February 2024

Report of the statutory auditor

Report on the audit of the financial statements



Opinion

We have audited the financial statements of Nestlé S.A. (the Company), which comprise the balance sheet as at 31 December 2023, the income statement and notes to the financial statements (page 193 to 201), including a summary of significant accounting policies.

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



Basis for opinion

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

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



Key audit matters

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



Other information

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

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

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

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



Board of Directors' responsibilities for the financial statements

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

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



Auditor's responsibilities for the audit of the financial statements

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

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

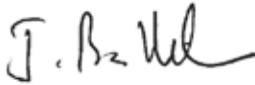
Report on other legal and regulatory requirements



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

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

Ernst & Young Ltd



Jeanne Boillet
Licensed audit expert
(Auditor in charge)



André Schaub
Licensed audit expert

Notes

Notes