Registered number: 51491

NESTLÉ UK LTD.

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

NESTLÉ UK LTD.

COMPANY INFORMATION

Directors	M. McKenzie R. Watson (appointed 1 March 2023) S. Agostini (resigned 1 March 2023) M. Weber A. Shaw
Registered number	51491
Registered office	1 City Place Gatwick RH6 0PA
Independent auditor	Ernst & Young LLP 1 More London Place London SE1 2AF
Registered number N.Ireland	NF 00340 (Belfast)

NESTLÉ UK LTD.

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NESTLÉ UK LTD.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The directors present the Strategic Report for the year ended 31 December 2022.

Business review

The performance achieved during the period is set out in the Profit and Loss Account on page 11.

The results of the Company show an operating profit of £63.5m (2021 - £124.8m) and a pre-tax profit of £82.0m (2021 - £243.5m). Turnover increased year on year by 2.7% to £1,977.9m (2021 - £1,926.5m). The very high inflation rate from April onwards which affected all input costs was only partly offset by responsible price increases and cost efficiencies, leading to a 49% reduction in operating profit to £63.5m (2021 - £124.8m).

In 2021 the Company reported £58.0m other income from pension recharges. This represented recoveries from other group companies following a one off extra contribution to the pension fund. Since the fund is now in surplus this was not required in 2022.

A reduction in Dividends received from subsidiary companies has contributed significantly to the year-on-year decrease in the pre-tax profit. In 2022 dividends of £44.3m were received from subsidiary companies (2021 - £152.7m).

Net impairments of investments in 2022 were negligible, following a significant net impairment in 2021.

The Company has net assets of £1,264.2m (2021 - £1,725.0m). Movement on the pension fund has had a significant impact on the Company's net assets, along with the £191.4m dividend paid in the year.

Nestlé UK had an average of 4,856 employees in 2022 (2021 - 4,718 employees).

Principal risks and uncertainties

The management of the business of the Company and the execution of its strategy are subject to a number of risks and uncertainties, including a difficult economic environment, a strong competitive environment, currency fluctuations, further trade consolidation, product innovation, employee retention and volatility in input costs. For additional information regarding principal risks and uncertainties please refer to the Nestlé group accounts that are available at www.nestle.com/investors/annual-report.

The implications of the war in Ukraine for the Company and the global economy, as well as potential escalations are highly uncertain and remain difficult to predict or quantify.

Increasing commodity costs and inflation were and will be key challenges for the whole industry, and consumers will expect manufacturers and retailers to help manage these pressures. It is critical that we remain competitive and continue to win externally whilst balancing the impact of inflation, particularly in raw materials and logistic services.

Stakeholder review

Under section 172 of the UK Companies Act 2006 ('Section 172') directors must act in the way that they consider, in good faith, would be most likely to promote the success of their company. In doing so, our directors must have regard to stakeholders and the other matters set out in Section 172. The following section is our Section 172 statement, which describes how the directors of this Company have had regard to these matters when performing their duty.

The Company has considered Sections 172(1) (a) to (f) listed below:

(a) the likely consequences of any decision in the long term

The Company takes a long-term view and makes decisions in order to continue to provide good food, good life and continue our quality and competitiveness for consumers of Nestlé (UK) and its subsidiaries for now and the future. New products have been introduced, and for current products, there is innovation, whilst maintaining high levels of quality.

Logistics automation has reached a new level with the Digital Distribution Warehouse of the Future fully operational, in order to deliver fast, efficient distribution of Nestlé products, including KitKat, Maggi and Nescafé.

(b) the interests of the Company's employees

As a business, Nestlé is guided by its values which are rooted in respect for ourselves, for each other, respect for diversity and respect for the future. Nestlé is firmly committed to having a diverse workforce that is reflective of society and its consumer base as well as having an open dialogue and collaborative approach with all our employees. We promote a speak up culture and we provide opportunities for employees to provide feedback on areas that they would like to see further development and improvement. Learning and development is integral to our employees' growth and this is reflected by our Professional Development standards.

(c) the need to foster the Company's business relationships with suppliers, customers and others

As part of promoting a culture of inclusion, among other activities, we have embedded diversity and inclusion (D&I) in our supply chain by changing the procurement buyer mindset, spreading awareness of supplier diversity importance with our suppliers, and recognising the impact we can have on D&I within our Supply chain. We have also engaged with the UK Government on activity to address obesity with collaboration and education and to explore models to support a more sustainable and circular packaging infrastructure.

(d) the impact of the Company's operations on the community and the environment

Nestlé UK is proud to acquire 100% of the Company's grid supplied electricity from renewable sources including energy provided by two Wind Farms. This is in line with our commitment to reach Road to Net Zero emissions by 2050. Following in the footsteps of Smarties, which introduced recyclable paper packaging for all its confectionery products globally in 2021, Quality Street is the second Nestlé confectionery brand to make the move to paper. This major step will contribute to Nestlé's commitment to reach 100% recyclable packaging by 2025.
We are also working to source our agricultural ingredients from regenerative agricultural practices and have been working in partnership with our milk supplier on our UK Milk Plan to improve practices and reduce carbon while supporting farmers and the local community. Our UK Milk Plan is a long-term activity that supports farmers, the local community and the environment, with regenerative agriculture being a focus.

(e) the desirability of the Company maintaining a reputation for high standards of business conduct

Nestlé UK, as part of Nestlé S.A., prides itself on strong corporate business principles which ensures that the Company maintains standards in line with and above local regulations.

(f) the need to act fairly between members of the Company.

We are a diverse, global business that does not tolerate racism, harassment, or discrimination of any kind. We have established a network of colleagues from across Nestlé UK & Ireland focused on eradicating racism and to attract and hire more ethnically diverse colleagues to work with us and ensure everyone is treated fairly and with respect. This network has also led learning events and inform further Nestlé's diversity approach.

To help us learn and understand more about disability we have our employees share their experience with living and working with disabilities with our Disability Network NestAbility.

Through gender pay gap reporting, we can see where we need to take action to drive equity in our workforce.

With focus on Wellbeing, we are constantly covering topics such as mental health awareness and the support available. Nestlé UK has a strong LGBT+ network, which has brought great representation across our business. These are key across our business with our ongoing commitment to give everyone the chance to be the best they can be. Ethics is an important part of our culture and we make sure that everyone is up to date with our values.

Further information on how the Nestlé Group of companies addresses the above topics and enhances the quality of life can be found on the Nestlé SA website https://www.nestle.com/investors/annual-report and in our 2022 Creating Shared Value Report: https://www.nestle.com/sites/default/files/2022-03/creating-shared-value-sustainability-report-2022-en.pdf.

This report was approved by the board on 10 May 2023 and signed on its behalf on 10 May 2023.

DocuSigned by:

M. Weber
Director

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Principal activity

The Company is the principal trading company of the subsidiaries of Nestlé S.A. that are located within the United Kingdom. Nestlé S.A. is the world's leading nutrition, health and wellness company.

Results and dividends

The profit for the year, after taxation, amounted to £78.4m (2021 - £209 .9m).

The directors have not recommended the payment of a final dividend (2021 - £NIL).

An interim dividend of £191.4m (2021 £180.7m) was paid during 2022.

Going concern

Nestlé S.A. has provided the Company with an undertaking that for twelve months from the date of the approval of these financial statements, it will continue to provide financial and other support to enable the Company to continue in operational existence for the foreseeable future and that repayment of the above loans will not be sought if it would impede the Company's ability to meet its obligations to third parties and operate as a going concern.

On the basis of their assessment of the Company's financial position and performance and of enquiries made to Nestlé S.A., the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and at least until 10 May 2024 and have accordingly adopted the going concern basis of accounting in the preparation of these financial statements.

Directors

The director who served during the period until the signing of the financial statements were:

R. Watson (appointed 1 March 2023)
M. McKenzie
S. Agostini (resigned 1 March 2023)
M. Weber
A. Shaw

Environmental matters

The Company seeks to develop business practices and behaviours that meet the highest standards of responsibility towards the environment. The Company sees conservation and development as mutually reinforcing each other in pursuit of sustainable growth. The Company seeks to go beyond mere compliance with the law, which it willingly embraces, to achieve, in particular, savings of energy and resources, and the reduction of waste and effluent in all its forms.

Future developments

The external environment is extremely challenging. Higher commodity prices and other costs will continue to put significant pressure on the Company. The Company prides itself on providing high quality good value products to the consumer.

Research and development activities

Nestlé Group has a confectionery R&D centre based in York which specialises in the improvement and development of confectionery products. Nestlé Group has similar centres for other product groups around the world.

Nestlé UK had qualifying R&D expenditure of £5,792,000 in the year (2021- £5,798,000).

Employee involvement

Employees are recognised as key assets of the Company and their quality and motivation are essential for the Company to compete successfully in its markets. To help achieve corporate aims and objectives, the Company maintains and develops formal and informal systems of communication with its employees to discuss matters of mutual interest. Information on matters of concern to employees is given through bulletins, meetings, reports and newsletters, and includes information to enable them to gain awareness of financial and economic factors affecting the Company.

Business relationship engagement

The Company seeks to develop business practices and behaviour that meet the highest standards of responsibility towards all stakeholders.

Our global stakeholder network includes investors, multilateral organizations, governments, NGOs, academia, local communities, suppliers, consumers and customers. One way we engage with our stakeholders is through regular convenings, providing opportunities to highlight issues that are important to them. The outcomes of these convenings are then communicated to senior management so actions can be taken to address concerns. These actions are cascaded to the Nestlé companies in the UK & Ireland.

Corporate governance

Corporate governance arrangements are in place at Group level which are adopted by the Company instead of specific compliance with the Code in the Companies (Miscellaneous Reporting) Regulations 2018. Nestlé S.A. has a diverse Board of Directors who oversee Corporate Governance across the Nestlé Group. This includes a Nomination and Sustainability Committee which assesses candidates for nomination to the Board. Importantly, this Committee also reviews all aspects of our environmental and social sustainability including our responses to climate change. Our Compensation Committee sets our remuneration principles. Our Audit Committee oversees internal and external audit, financial reporting, compliance and risk management. We recognise that for our company to be successful over time and create sustainable value for shareholders, we must also create value for society. We see governance as a framework to align the interests of all our stakeholders behind our purpose of enhancing quality of life and contributing to a healthier future.

Nestlé Corporate Business Principles

Business integrity, human rights and responsible sourcing are key areas of The Nestlé Corporate Business Principles, where ethics and integrity is integrated with our standards. All employees have training on ethics and integrity, where anti-corruption and bribery are addressed as non-negotiable minimum standards in key areas of employee behaviour.

Disabled employees

Nestlé UK and Ireland has an HR policy priority to be an organisation where everyone is valued and everyone is included, everyone is respected. We are an accessible employer for disabled people and we make the most of our similarities and differences to grow our people and our business.

Greenhouse gas emissions, energy consumption and energy efficiency action

The Nestlé Group is committed to reduce its impact on the environment and the Company has taken steps to switch to renewable energy and to reduce air emissions. Since May 2020 100% of the Company's grid supplied electricity now comes from renewable sources.

The Company's energy usage for 2022 was 2,199,755 GJ (2021 restated - 2,106,645 GJ) and the greenhouse gas emissions were 81,935 tCO2 (2021 restated - 86,378 tCO). The Company measures emissions intensity with the ratio of tonnes of CO2 per tonne of production. In 2022 this was 0.31 for the Company (2021 - 0.30).

The Company has a policy document to enable it to be able to calculate energy usage and CO2 emissions. Energy usage is obtained from a variety of sources including external invoices and external information. For UK factories this is checked through an external audit for gas through UKETS requirements, while there is an internal check for electricity as part of the Climate Change Agreements.

Matters covered in the Strategic Report

The business review, principal risks and uncertainties for the Company, Strategic Management and a S172 statement are included in the Strategic Report.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 10 May 2023 and signed on its behalf.

DocuSigned by:

M. Weber
Director

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NESTLÉ UK LTD.

Opinion

We have audited the financial statements of Nestlé UK Ltd. for the year ended 31 December 2022 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 33, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those 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 ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Company's financial statement close process, we confirmed our understanding of management's going concern assessment process and also engaged with management early to ensure all key factors were considered in its assessment;
- We obtained management's going concern assessment, which covers a period through to 10 May 2024;
- We inspected evidence of Nestlé SA's commitment to provide financial support to the Company for the going concern period and evaluated management's assessment of the Nestlé SA's ability to provide such a commitment; and
- We reviewed the Company's going concern disclosures included in the financial statements in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

We observed that, given the maturity profile of the Company's borrowings and its participation in a Nestlé group cash pooling arrangement, it is reliant on the ability of the Nestlé SA group to continue as a going concern. We reviewed the Nestlé SA audited consolidated financial statements for the year ended 31 December 2022, made enquiries of and obtained analysis from the Nestlé SA group auditor in respect of its work on cash flow forecasts and available financing and reviewed the Nestlé SA group's 2023 first quarter financial results. Based on Nestlé SA's cash and undrawn borrowing facilities and cash flow forecasts, including the significant liquidity headroom and lack of borrowing covenants during the going concern assessment period, we were satisfied that it was able to provide the required support to the Company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 10 May 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NESTLÉ UK LTD. (CONTINUED)

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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 directors are 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 directors either intend to liquidate the Company or to cease operations, or have 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 ISAs (UK) 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NESTLÉ UK LTD. (CONTINUED)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, food safety, employees, pensions, data protection and anti-bribery and corruption.
- We understood how the Company is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas, and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue to be a fraud risk. We identified a risk in relation to the measurement of arrangements with customers recorded as deductions from revenue and the manipulation of such agreements through management override of controls arising from pressure to achieve operating profit performance targets, which in turn drives management's renumeration. The procedures included testing, on a sample basis, agreements, settlements of deductions and underlying calculations of arrangements with customers. We incorporated data analytics into our testing of manual journals, including segregation of duties, and into our testing of revenue recognition. We tested specific transactions back to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved testing journals identified by specific risk criteria.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Ernst+Young LLP
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Jon Killingley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

16 May 2023

NESTLÉ UK LTD.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Turnover	2	**1,977,896**	1,926,450
Cost of sales		**(1,638,481)**	(1,583,133)
Gross profit		**339,415**	343,317
Distribution costs		**(154,253)**	(142,026)
Administrative expenses		**(121,613)**	(76,503)
Operating profit	3	**63,549**	124,788
Other income from pension recharges to other group companies		**-**	57,954
Income from shares in group companies		**44,251**	152,697
Income from participating interests		**(385)**	2,756
Net impairment of investment in subsidiary companies		**(44)**	(80,183)
Interest receivable and similar income	8	**26,779**	7,114
Interest payable and similar charges	9	**(52,133)**	(21,679)
Profit before taxation		**82,017**	243,447
Taxation on profit/(loss) on ordinary activities	10	**(3,631)**	(33,576)
Profit for the year		**78,386**	209,871

The notes on pages 17 to 54 form part of these financial statements.

NESTLÉ UK LTD.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Profit for the financial year		**78,386**	209,871
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit schemes		**(461,149)**	561,605
Movement of deferred tax relating to pension surplus/(deficit)		**109,804**	(168,283)
Items that will be reclassified to profit or loss:			
Movement in hedging reserve		**4,671**	(509)
Movement of deferred tax relating to hedging reserve		**(1,043)**	97
		(347,717)	392,910
Total comprehensive (expense)/income for the year		**(269,331)**	602,781

The notes on pages 17 to 54 form part of these financial statements.

NESTLÉ UK LTD.
REGISTERED NUMBER:51491

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note		2022 £000		2021 £000
Non current assets					
Intangible assets	13		**449**		125
Goodwill	14		**1,146,814**		1,146,814
Tangible assets	15		**544,214**		477,846
Investments	16		**999,374**		1,001,270
			2,690,851		2,626,055
Current assets					
Stocks	17	**216,768**		197,012	
Debtors: amounts falling due within one year	18	**714,894**		811,089	
Cash at bank and in hand	19	**273**		219	
		931,935		1,008,320	
Creditors: amounts falling due within one year	20	**(1,689,921)**		(1,560,142)	
Net current liabilities			**(757,986)**		(551,822)
Total assets less current liabilities			**1,932,865**		2,074,233
Creditors: amounts falling due after more than one year	21		**(1,096,027)**		(1,136,101)
			836,838		938,132
Provisions for liabilities					
Deferred taxation	23	**(39,585)**		(37,236)	
Other provisions	24	**(35,469)**		(25,199)	
			(75,054)		(62,435)
Net assets excluding pension asset			**761,784**		875,697
Pension assets net of deferred tax	30		**502,455**		849,267
Net assets			**1,264,239**		1,724,964
Capital and reserves					
Called up share capital	25		**129,972**		129,972
Share premium account	26		**211,446**		211,446
Other reserves	26		**1,854**		(1,774)
Profit and loss account	26		**920,967**		1,385,320
			1,264,239		1,724,964

NESTLÉ UK LTD.
REGISTERED NUMBER:51491

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10 May 2023.

DocuSigned by:

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M. Weber
Director

The notes on pages 17 to 54 form part of these financial statements.

NESTLÉ UK LTD.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2022	129,972	211,446	(1,774)	1,385,320	1,724,964
Comprehensive income for the year					
Profit for the year	-	-	-	78,386	78,386
Actuarial losses on pension scheme	-	-	-	(461,149)	(461,149)
Taxation in respect of actuarial losses on pension scheme	-	-	-	109,804	109,804
Movement on hedging reserve	-	-	4,671	-	4,671
Taxation in respect of movement on hedging reserve	-	-	(1,043)	-	(1,043)
Other comprehensive expense for the year	-	-	3,628	(351,345)	(347,717)
Total comprehensive expense for the year	-	-	3,628	(272,959)	(269,331)
Contributions by and distributions to owners					
Dividends paid	-	-	-	(191,394)	(191,394)
Total transactions with owners	-	-	-	(191,394)	(191,394)
At 31 December 2022	129,972	211,446	1,854	920,967	1,264,239

The notes on pages 17 to 54 form part of these financial statements.

NESTLÉ UK LTD.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2021	129,972	211,446	(1,362)	962,826	1,302,882
Comprehensive income for the year					
Profit for the year	-	-	-	209,871	209,871
Actuarial gains on pension scheme	-	-	-	561,605	561,605
Taxation in respect of actuarial gains on pension scheme	-	-	-	(168,283)	(168,283)
Movement on hedging reserve	-	-	(509)	-	(509)
Taxation in respect of movement on hedging reserve	-	-	97	-	97
Other comprehensive income for the year	-	-	(412)	393,322	392,910
Total comprehensive income for the year	-	-	(412)	603,193	602,781
Contributions by and distributions to owners					
Dividends paid	-	-	-	(180,699)	(180,699)
Total transactions with owners	-	-	-	(180,699)	(180,699)
At 31 December 2021	129,972	211,446	(1,774)	1,385,320	1,724,964

The notes on pages 17 to 54 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies

1.1 Basis of preparation of financial statements

Nestlé UK Ltd., (the "Company") is a company limited by shares and is incorporated and domiciled in the United Kingdom.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK ("Adopted IFRSs"), but makes amendments where necessary in order to comply with FRS 101 and the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Company is exempt from the obligation to prepare and deliver group accounts. These financial statements are for the Company only.

1.2 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company's ultimate parent undertaking, Nestlé S.A. includes the Company in its consolidated financial statements. The consolidated financial statements of Nestlé S.A. are prepared in accordance with International Financial Reporting Standards.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

This information is included in the consolidated financial statements of Nestlé S.A. as at 31 December 2022 and these financial statements may be obtained from https://www.nestle.com/investors/annual-report.

1. Accounting policies (continued)

1.3 Associates and joint ventures

Associates and Joint ventures are valued using the equity method.

1.4 Going concern

The Company's business activities, together with factors likely to affect its future development, performance and position, are set out in the Strategic Report and Directors' Report on pages 1 to 6.

The Company is expected to generate positive cash flows on its own account for the foreseeable future. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The directors are satisfied that Nestlé S.A. will be able to continue to provide amounts due to the Company under the cash pooling arrangements.

The Company has net assets of £1,264,239,000 but net current liabilities of £757,986,000 including amounts payable to other Nestlé S.A. group undertakings of £1,306,006,000. Cash is swept into a group cash pooling arrangement and a net current liabilities position arises due to inter-company loans being due for repayment within one year, at the balance sheet date. The loans with the Nestlé S.A. group undertakings are reviewed monthly with the lender with automatic renewal for further periods of three years. Historically such loans have always been renewed when requested. From discussions in 2022 and 2023 with Nestlé S.A. there has been no indication that current loans will be recalled and not renewed.

Nestlé S.A. has provided the Company with an undertaking that for twelve months from the date of the approval of these financial statements, it will continue to provide financial and other support to enable the Company to continue in operational existence for the foreseeable future and that repayment of the above loans will not be sought if it would impede the Company's ability to meet its obligations to third parties and operate as a going concern.

On the basis of their assessment of the Company's financial position and performance and of enquiries made to Nestlé S.A., the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and at least until 10 May 2024 and have accordingly adopted the going concern basis of accounting in the preparation of these financial statements.

1.5 Revenue

Revenue is recognised when control is transferred to a customer. Factors that may indicate the point in time at which control is transferred include, but are not limited to:

- the Company has a present right to payment for the asset;
- the customer has legal title to the asset;
- the Company has transferred physical possession of the asset;
- the customer has the significant risks and rewards related to the ownership of the asset; and
- the customer has accepted the asset.

Revenue is measured as the amount of consideration which the Company 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.

1. Accounting policies (continued)

1.6 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. The non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

1.7 Tangible fixed assets and non indefinite life intangibles

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis per annum:

Freehold property	- 2% - 4%
L/Term Leasehold property	- 4%
Plant & machinery	- 6.66% - 33.33%
System development costs	- 20%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1. Accounting policies (continued)

1.8 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Investments are assessed at each balance sheet date to determine whether there is any indication that the investments are impaired. Where there is any indication that an investment may be impaired, the carrying value of the cash-generating unit is tested for impairment. An impairment loss is recognised for the amount by which the CGU's carrying amount exceeds its recoverable amount. Investments that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.10 Stocks

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.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.11 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

In line with IFRS9, the Company has made considerations for expected credit losses. These are reflected in a provision made for the impairment of trade and other debtors which is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of trade.

1.12 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1. Accounting policies (continued)

1.13 Hedge accounting

The Company has entered into currency forward contracts to manage its exposure to fluctuations in the value of foreign currencies. In addition the Company utilises the futures market to stabilise the long term price of major raw materials.

These derivatives are measured at fair value at each balance sheet date. To the extent that the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate hedge reserve. The results of ineffective hedges are recognised in the Profit and Loss Account.

1.14 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'operating income'.

1.15 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.16 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. There will be a disclosure in the notes to the financial statements of dividends proposed or declared which were not recognised in the financial statements, if this happens prior to the financial statements being authorised for issue.

1.17 Equity compensation plans

The Company has equity-settled share-based transactions. The share-based transactions are settled with shares or with reference to shares of Nestlé S.A. and not Nestlé UK Ltd.

1. Accounting policies (continued)

1.18 Leases: the Company as a lessee

The Company assesses whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Company obtains substantially all the economic benefits from the use of that asset, and whether the Company has the right to direct the use of the asset.

The Company recognises a right-of-use (ROU) asset and lease liability at the lease commencement date, except for short term leases of 12 months or less which are expensed in the Profit and Loss account 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.

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

ROU assets are included in the headings "Long term leasehold property" and "Leased plant and machinery" and the lease liability is included in the headings "Lease liabilities".

1. Accounting policies (continued)

1.19 Pensions

Defined benefit plan

The Company operates a defined benefit plan for certain employees for the Nestlé group companies in the United Kingdom. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled. The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 101 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in the Profit and Loss Account as 'employee costs', except where included in the cost of an asset, comprises:

a) the increase in net pension benefit liability arising from employee service during the period; and
b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'

Defined contribution plan

Nestlé UK Ltd is liable for Employer's defined contribution plan contributions and these are accounted for in the period to which they relate.

1.20 Interest income

Interest income is recognised in profit or loss using the effective interest method.

1.21 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

1. Accounting policies (continued)

1.22 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation. As per Nestlé Group policy, restructuring provisions are recognised only when there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs and the timeline and that those affected have been notified of the plan's main features.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

1.23 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.24 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

1. Accounting policies (continued)

1.25 Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be appropriate and reasonable in the circumstances.

a) Critical judgements in applying the Company's accounting policies

The Company recognised its main distribution and storage centre as a right-of-use asset and lease liability following a contractual change. The Company exercised judgement as to whether it controlled substantially all of the distribution and storage centre and therefore whether it met the definition of a lease. See note 1.18 and note 22 .There are no other areas within the Company financial statements where management has been required to apply a critical judgement.

b) Key accounting estimates and assumptions

Significant accounting estimates

(i) Pension Assets and Pension Obligations
The valuation of the fund and obligations was prepared by an independent qualified actuary for the purpose of IAS19. Principal assumptions are disclosed in note 30.

(ii) Valuation of investments
The Company prepares a discounted future cash flow forecast for each investment CGU. The cash flows are the best available estimate at the time and the discount rates have been aligned with those used by Nestlé SA. See note 1.9.

Other areas of judgement and accounting estimates
The estimates below do not meet the definition of key areas of estimation uncertainty in IAS1, but are disclosed to provide useful information.

(iii) Inventory provisioning
It is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

(iv) Impairment of debtors
The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

(v) Impairment of tangible assets
The Company reviews the carrying value of its fixed assets and considers whether there are any impairment indicators. When considering this, the directors consider known factors, future plans and knowledge of the condition of the assets.

(vi) Revenue
The 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').
Certain trade spend arrangements are settled retrospectively and hence 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 channels.
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.

2. Turnover

Analysis of turnover by country of destination:

	2022 £000	2021 £000
United Kingdom	**1,593,520**	1,524,705
Rest of Europe	**272,748**	227,237
Rest of the world	**111,628**	174,508
	1,977,896	1,926,450

3. Operating profit

The operating profit is stated after charging:

	2022 £000	2021 £000
Depreciation of tangible fixed assets	**62,612**	56,468
Net Impairment of tangible fixed assets (note 16)	**33,203**	10,119
Amortisation of intangible assets	**41**	171
(Profit)/loss on disposal of tangible fixed assets	**(110)**	91
Business restructuring and reorganisation (notes 13 and 25)	**13,127**	22,798
Pension cost (note 30)	**38,870**	42,832
Exchange losses/(gains)	**728**	(2,473)
Cost of stocks recognised as an expense	**1,207,461**	1,106,538

4. Other income from pension recharges to other group companies

	2022 £000	2021 £000
Other income from pension recharges to other group companies	**-**	(57,954)
	-	(57,954)

In 2021 the Company made an additional one-off pension contribution of £262m in addition to the normal planned contributions. This additional contribution was on behalf of all of the UK companies participating in the pension scheme. The recovery of £57.9m of this one off contribution by Nestle UK Ltd from the participating companies has been reported as a separate line in the profit and loss account. The Company did not make additional contributions in 2022, since the fund is now in surplus.

5. Auditor's remuneration

During the year, the Company obtained the following services from the Company's auditor and its associates:

	2022 £000	2021 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's financial statements	**228**	200

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2022 £000	2021 £000
Wages and salaries	**248,902**	242,476
Social security costs	**26,957**	24,529
Cost of pension schemes	**18,079**	37,024
	293,938	304,029

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No.	2021 No.
Production	**2,918**	2,872
Administration, distribution and sales	**1,938**	1,846
	4,856	4,718

7. Directors' remuneration

	2022 £000	2021 £000
Directors' emoluments	**2,311**	2,422
	2,311	2,422

The highest paid director received remuneration of £1,002,382 (2021 - £1,057,502).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £47,812 (2021 - £46,250).

During the year 4 directors received shares under the long-term incentive schemes (2021 -5)

The total accrued pension provision of the highest paid director at 31 December 2022 amounted to £NIL (2021 - £NIL).

As at 31 December 2022, 2 directors (2021 - 2) had accrued defined benefit pension obligations. Of these, 2 directors (2021 - no directors) accrued further amounts during the year.

The highest paid director was granted 2,654 shares awarded by Nestlé S.A. (2021 - 6,312) under a long-term incentive scheme.

8. Interest receivable

	2022 £000	2021 £000
Group interest receivable	**2,538**	650
Group interest receivable on cash pooling arrangement	**1,652**	19
Interest due from joint ventures	**1,549**	392
Other interest receivable	**23**	9
Interest receivable on defined benefit pension net asset (note 30)	**21,017**	6,044
	26,779	7,114

9. Interest payable and similar expenses

	2022 £000	2021 £000
Other loan interest payable	**1,022**	3,231
Interest payable on cash pooling arrangement	**7,008**	55
Interest on loans from group undertakings	**42,829**	17,738
Lease and hire purchase contracts	**1,048**	419
Interest paid on unfunded pension liability (note 30)	**200**	212
Interest payable on post retirement benefits (note 30)	**26**	24
	52,133	21,679

10. Taxation

	2022 £000	2021 £000
Corporation tax		
Current tax on profits for the year	**(10,021)**	2,152
Adjustments in respect of previous periods	**(1,784)**	(6,596)
	(11,805)	(4,444)
Total current tax	**(11,805)**	(4,444)
Deferred tax		
Origination and reversal of timing differences	**16,342**	34,535
Changes to tax rates	**(6,889)**	2,903
Deferred tax relating to prior years	**5,983**	582
Total deferred tax	**15,436**	38,020
Taxation on profit on ordinary activities	**3,631**	33,576

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19.00% (2021 - 19.00%). The differences are explained below:

	2022 £000	2021 £000
Profit on ordinary activities before tax	**82,017**	243,447
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2021 - 19.00%)	**15,583**	46,255
Effects of:		
Expenses not deductible for tax purposes	**1,016**	24,047
Adjustments to tax charge in respect of prior periods	**4,199**	(6,014)
Non-taxable income	**(8,378)**	(37,011)
Transfer to unrecognised tax asset	**370**	3,396
Adjustment in respect of super-deduction	**(2,270)**	-
Change in tax rate	**(6,889)**	2,903
Total tax charge for the year	**3,631**	33,576

10. Taxation (continued)

Factors that may affect future tax charges

The main rate of UK corporation tax for the year is 19% effective since 1 April 2017. Legislation, to increase the main rate of corporation tax from 19% to 25% with effect from 1 April 2023, was included in Finance Act 2021, and this will have a consequential effect on the company's future tax charge. The effect of the rate increase on the deferred tax balances as at 31 December 2022 has been considered in calculating the figures above.

The company has an unrecognised deferred tax asset of £9,895,000 (2021 - £9,525,000) at the year end. This amount has not been recognised as the Directors are of the opinion that recoverability of this deferred tax asset is uncertain.

The Company has an unrecognised temporary difference in respect of gross capital losses of £121,000,000 (2021 - £119,000,000). The available losses have not been recognised as there is considered insufficient evidence of future capital profits against which the losses can be offset. These losses have no expiry date.

11. Dividends

	2022 £000	2021 £000
Paid to Nestlé Holdings (U.K.) PLC	**191,394**	180,699
	191,394	180,699

12. Restructuring and reorganisation costs

Provisions in respect of factory reorganisations totalling £1,535,000 (2021 - £23,415,000) were created in 2022 and charged to Cost of Sales. Surplus factory reorganisation provisions of £2,167,000 (2021 - £1,448,000) were released and were allocated to Cost of Sales.

Additional provisions of £9,500,000 in respect of onerous contracts were created during 2022 (2021 - £1,968,000). £9,500,000 was charged to administrative expenses. Surplus provisions of £827,000 were released of which £748,000 was allocated to Cost of Sales and £79,000 to administrative expenses.

Provisions of £5,342,000 in respect of business reorganisation were created during 2022 (2021 - £807,000) and £256,000 was released. £5,189,000 was charged to Cost of Sales and the remainder to administrative expenses.

13. Intangible assets

	Systems Development £000
Cost	
At 1 January 2022	**56,385**
Additions	**365**
At 31 December 2022	**56,750**
Amortisation	
At 1 January 2022	**56,260**
Charge for the year on owned assets	**41**
At 31 December 2022	**56,301**
Net book value	
At 31 December 2022	**449**
At 31 December 2021	125

Included in Intangible assets is £55,451,000 of assets which were fully amortised some years ago.

14. Goodwill

	2022 £000
Cost	
At 1 January 2021 and 31 December 2021	**1,146,814**
	1,146,814
Amortisation	
At 1 January 2021 and 31 December 2021	-
	1,146,814

The Goodwill relates mainly to the acquisition of The Nestlé Company in 1992. This included soluble coffee brands including Nescafé, Gold Blend and Blend 37 and the confectionery brands of Milky Bar, Dairy Crunch and Animal Bar. There is also goodwill relating to the acquisition of PNutri.

Management has reviewed the value of these brands and performed impairment analyses based on expected future cash flows, using discount rates derived by Nestlé SA, forecasts approved by management and terminal growth rates that have been determined to reflect the long-term view of the nominal evolution of the business. As at 31 December 2022 the assumed pre-tax discount rate was 6.6% and the long term growth rate was 2.0%. The model sensitivity has been tested by reducing this growth rate to 1.0% without the need for an impairment arising. Management believes that no reasonably possible change in these key assumptions would cause the recoverable amount to fall below the carrying value.

15. Tangible fixed assets

	Freehold property £000	Long term Leasehold Property £000	Plant & machinery £000	Leased plant & machinery £000	Total £000
Cost or valuation					
At 1 January 2022	**287,258**	**56,227**	**995,252**	**17,431**	**1,356,168**
Additions	**4,259**	**71,142**	**41,314**	**47,647**	**164,362**
Disposals	**(205)**	**-**	**(43,655)**	**(2,998)**	**(46,858)**
At 31 December 2022	**291,312**	**127,369**	**992,911**	**62,080**	**1,473,672**
Depreciation					
At 1 January 2022	**137,484**	**23,700**	**704,659**	**12,479**	**878,322**
Charge for the year on owned assets	**7,228**	**8,175**	**40,418**	**6,791**	**62,612**
Disposals	**(153)**	**-**	**(41,534)**	**(2,992)**	**(44,679)**
Impairment charge	**(50)**	**32,121**	**1,132**	**-**	**33,203**
At 31 December 2022	**144,509**	**63,996**	**704,675**	**16,278**	**929,458**
Net book value					
At 31 December 2022	**146,803**	**63,373**	**288,236**	**45,802**	**544,214**
At 31 December 2021	149,774	32,527	290,593	4,952	477,846

Right of use assets comprise long term leasehold property and leased plant and machinery

Included in tangible fixed assets was an amount of £21,829,000 (2021 - £22,895,000) relating to expenditure in assets in the course of construction. These assets are not depreciated until they enter service.

Included within Freehold property is land which is not depreciated amounting to £13,762,000 (2021 - £13,762,000).

During the year a long term leasehold property was impaired as a result of a planned change in the Company's offices.

16. Fixed asset investments

	Investments in subsidiary companies £000	Investments in associates £000	Total £000
Cost or valuation			
At 1 January 2022	**1,843,018**	**20,017**	**1,863,035**
Additions	**1,289**	**-**	**1,289**
Share of profit/(loss)	**-**	**(3,141)**	**(3,141)**
At 31 December 2022	**1,844,307**	**16,876**	**1,861,183**
Impairment			
At 1 January 2022	**861,765**	**-**	**861,765**
Charge for the period	**44**	**-**	**44**
At 31 December 2022	**861,809**	**-**	**861,809**
Net book value			
At 31 December 2022	**982,498**	**16,876**	**999,374**
At 31 December 2021	981,253	20,017	1,001,270

The Company acquired additional share capital of Mindful Chef Topco Limited on 22 November 2022 for £1,245,000. The Company also acquired additional share capital in Wynutri Limited on 6 December 2022 of £44,000. This amount was immediately impaired since it was used by Wynutri Limited to pay professional fees relating to its winding up.

16. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Nespresso UK Limited	1 City Place, Gatwick, West Sussex, RH6 0PA	Ordinary	100%
Nestlé Ireland Limited	3030 Lake Drive, Citywest, Dublin 24, Ireland	Ordinary	100%
Nestlé Purina UK Manufacturing Operations Limited	1 City Place, Gatwick, West Sussex, RH6 0PA	Ordinary	100%
Nestlé UK Pension Reservoir Trust Limited	1 City Place, Gatwick, West Sussex, RH6 0PA	Ordinary	100%
Nestlé UK Pension Trust Limited	1 City Place, Gatwick, West Sussex, RH6 0PA	Ordinary	100%
Nestlé Waters UK Limited	1 City Place, Gatwick, West Sussex, RH6 0PA	Ordinary	100%
Raw Products Limited	1 City Place, Gatwick, West Sussex, RH6 0PA	Ordinary	100%
Vitaflo France SARL	38 Rue de Berri, 75008 Paris, France	Ordinary	100%
Vitaflo (International) Limited	Suite 1.11, South Harrington Building, 182 Sefton Street, Brunswick Business Park, Liverpool, L3 4BQ	Ordinary	100%
Vitaflo Limited	6 Moss Street, Paisley, PA1 1BL	Ordinary	100%
Wyeth Nutritionals Ireland Limited	Tomdeely North, Askeaton, County Limerick, Republic of Ireland	Ordinary	100%
Wynutri Limited	3030 Lake Drive, Citywest Business Campus, Dublin 24, Republic of Ireland	Ordinary	100%
Nestlé Purina UK Commercial Operations Limited	1 City Place, Gatwick, West Sussex, RH6 0PA	Ordinary	100%
Terrafertil UK Limited	2 Eastbourne Terrace, London, W2 6LG	Ordinary	100%
Lily's Kitchen Limited	PO Box 59287, London, NW3 9JR	Ordinary	100%
Mindful Chef Topco Limited	I City Place, Gatwick, West Sussex, RH6 0PA	Ordinary	67.6%
SimplyCook Limited	100-106 Leonard Street, London, EC2A 4RH	Ordinary	100%
Osem U.K. Limited	7-8 Hemmells Park, Hemmells, Laindon, Essex, SS15 6GF	Ordinary	100%

16. Fixed asset investments (continued)

Participating interests

The Company has a 50% participating interest in Cereal Partners UK. The other 50% is owned by General Mills Canada Holding Three Corporation. A share of any taxation charge or credit relating to the results of the investment is borne by the Company. The value of the investment at the balance sheet date was £16,876,000 (2021 - £20,017,000). The share of loss in 2022 was £385,000 (2021 share of profit - £2,756,000).

A copy of the 2022 financial statements of Cereal Partners UK will be appended to the Company's financial statements lodged at Companies House.

17. Stocks

	2022 £000	2021 £000
Raw materials and consumables	**64,464**	58,099
Work in progress (goods to be sold)	**37,040**	33,971
Finished goods and goods for resale	**115,264**	104,942
	216,768	197,012

18. Debtors

	2022 £000	2021 £000
Trade debtors	**237,228**	248,982
Amounts owed by group undertakings	**379,784**	482,653
Amounts owed by joint ventures and associated undertakings	**38,716**	36,699
Other debtors	**44,597**	33,579
Prepayments and accrued income	**8,635**	8,220
Financial instruments	**5,934**	956
	714,894	811,089

Amounts owed by group undertakings include £286,476,000 (2021 - £370,472,000) representing cash transferred to subsidiary undertakings as part of the group cash pooling arrangement which can be recovered on request. In addition, amounts owed by group undertakings includes loans of £6,529,000 (2021 - £4,750,000) to subsidiary companies.

Amounts owed to joint ventures and associated undertakings include a loan of £36,068,000 (2021 - £31,000,000) to Cereal Partners U.K.

19. Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank and in hand	**273**	219
	273	219

20. Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Bank overdrafts	**504**	1,802
Trade creditors	**222,974**	221,676
Amounts owed to group undertakings	**1,306,006**	1,127,844
Amounts owed to joint ventures and associated undertakings	**16,629**	12,683
Lease liabilities	**14,061**	14,117
Other creditors	**38,258**	64,188
Accruals and deferred income	**89,433**	112,526
Financial instruments	**2,056**	5,306
	1,689,921	1,560,142

Amounts owed to group undertakings includes unsecured loans £1,007,043,000 (2021 - £885,836,000), cash pooling arrangements £144,863,000 (2021 - £104,685,000) and current trading balances £154,100,000 (2021 - £137,323,000).

Amounts owed to group undertakings under group cash pooling arrangement and current account balances must be repaid on request.

Amounts owed to group undertakings include a share-based payments liability of £6,428,000 (2021 - £5,721,000).

Settlement date	Interest rate	£000
March 2023	3 month SONIA 1.6593%	**124,835**
November 2023	3 month SONIA 0.24%	**804,500**
December 2023	3 month SONIA 0.64%	**77,708**
		1,007,043

Loans are reviewed monthly with the lender with automatic renewal for further periods of three years and with a 10 day notice period for recalling or non-renewal of the loan. It is expected that these loans will be renewed for a period of at least three years as they fall due.

21. Creditors: Amounts falling due after more than one year

	2022 £000	2021 £000
Lease liabilities	**131,098**	27,790
Amounts owed to group undertakings	**962,929**	1,099,763
Other creditors	**2,000**	8,548
	1,096,027	1,136,101

Loans owed to group undertakings are reviewed monthly with the lender with automatic renewal for further periods of three years and a 10 day notice period for recalling or non-renewal of the loan.

Amounts owed to group undertakings comprise the following unsecured loans:

Settlement date	Interest rate	£'000
January 2024	3 month SONIA 0.7393%	262,000
February 2024	3 month SONIA 0.9293%	425,000
February 2024	3 month SONIA 0.9293%	51,400
September 2024	3 month SONIA 0.8393%	200,000
December 2024	3 month SONIA 0.9293%	24,529
		962,929

22. Leases

	2022 £000	2021 £000
Maturities of minimum lease payments		
Within one year	**16,292**	6,186
Between 2 - 5 years	**57,097**	17,666
More than 5 years	**87,530**	20,877
	160,919	44,729

Leases represent liabilities for assets used in the business and includes buildings, cars, fork lifts and some items of machinery.

Leases (continued)

The following amounts are the carrying value of lease liabilities and movements during the period:

	2022 £000	2021 £000
At beginning of the year	**41,907**	45,556
Additions	**121,418**	3,406
Accretion of interest	**1,048**	419
Payment	**(16,418)**	(7,321)
Liability adjustments	**(2,796)**	(153)
Outstanding at 31 December	**145,159**	41,907

Additions during the year include £113.4m relating to a contract for long term distribution and storage services.

23. Deferred taxation

	2022 £000
At beginning of year	**(37,236)**
Charged to the Profit and Loss Account	**(15,436)**
Utilised in year	**13,087**
At end of year	**(39,585)**

The provision for deferred taxation is made up as follows:

	2022 £000	2021 £000
Accelerated capital allowances	**(47,413)**	(43,791)
Movement in general provisions	**8,180**	6,736
Capitalised leased assets	**1,119**	1,028
Other timing differences	**(1,471)**	(1,209)
	(39,585)	(37,236)

The Company has an unrecognised deferred tax asset of £9,895,000 (2021 - £9,525,000) as at 31 December 2022. This amount has not been recognised as the directors are of the opinion that recoverability of this deferred tax asset is uncertain. This is in addition to the unrecognised deferred tax asset in respect of gross capital losses disclosed in note 10.

24. Provisions

	Post retirement benefits £000	Factory/ division reorganisation £000	Business restructuring £000	Total £000
At 1 January 2022	1,328	22,307	1,564	25,199
Charged to profit or loss	26	11,035	5,086	16,147
Charged to other comprehensive income	166	-	-	166
Utilised in year	(112)	(1,879)	(1,058)	(3,049)
Released in year	-	(2,994)	-	(2,994)
At 31 December 2022	1,408	28,469	5,592	35,469

Post retirement benefits

The post retirement benefits provision relates to post retirement medical benefits of a closed scheme (see note 30).

Factory/division restructuring

At 31 December 2021 there were provisions of £22,307,000 remaining in respect of factory restructuring. An additional provision for £11,035,000 was charged to the Profit and Loss Account in 2022. During the year £1,879,000 of these provisions were utilised and £2,994,000 released to the Profit and Loss Account resulting in total provisions of £28,469,000 being outstanding at 31 December 2022. It is anticipated that these will mainly be utilised within two years.

Business restructuring

Provisions in respect of business restructuring totalled £1,564,000 at 31 December 2021. During 2022 £1,058,000 of these provisions were utilised. Additional provisions of £5,086,000 were created during the year resulting in total provisions of £5,592,000 being outstanding at 31 December 2022.

25. Share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
259,944,000 (2021 - 259,944,000) Ordinary shares of £0.50 each	129,972	129,972

26. Reserves

Share premium account

The balance of the share premium account represents the premium paid in excess of the nominal value of the issued share capital of the Company.

Other reserves

The hedging reserve balance reflects the recognition of the results on effective hedge transactions.

Profit & loss account

This relates to the undistributed profits of the Company.

27. Equity compensation plan

Certain employees are eligible to receive long-term incentives in the form of equity compensation plans. Each unit granted gives the right to one Nestlé S.A. share.

Equity compensation plans are settled either by remittance of Nestlé S.A. shares (accounted for as equity-settled share-based payment transactions) or by the payment of an equivalent amount in cash (accounted for as cash-settled share-based payment transactions). As the shares are in Nestlé S.A. and not Nestlé UK Ltd., all charges for equity compensation plans are accrued in 'creditors due within one year' and the share value is subsequently invoiced to Nestlé UK Ltd. by Nestlé S.A.

	2022 **£000**	2021 £000
Cost of equity compensation plans		
Charged to profit or loss	**4,369**	4,487
	4,369	4,487

The cost of equity-settled share-based payments included in the above figures was £4,369000 (2021 - £4,487,000). There were no cash settled amounts in either year.

27. Equity compensation plan (continued)

Restricted Stock Unit Plan (RSUP)

Members of senior management are awarded Restricted Stock Units (RSU) that entitle participants to receive freely disposable Nestlé S.A. shares (accounted for as equity-settled share-based payment transactions) or an equivalent amount in cash (accounted for as cash-settled share-based payment transactions) at the end of a three year restriction period subject to service conditions.

	2022 Number	2021 Number
Number of RSU in units		
Outstanding at the beginning of the year	**106,937**	106,992
Granted during the year	**28,117**	37,864
Settled	**(36,583)**	(44,578)
Transfers to and from other group companies	**637**	7,533
Forfeited	**(1,354)**	(874)
Outstanding at the end of the year	**97,754**	106,937

The fair value of equity-settled RSU is determined on the basis of the market price of Nestlé S.A. shares at grant date, discounted at a risk-free interest rate and adjusted for the dividends that participants are not entitled to receive during the restricted period of three years. The weighted average fair value of the equity-settled RSU granted in 2022 is CHF 118.59 (2021 - CHF 97.20).

The range of exercise prices is from CHF97.20 to CHF118.59 (2021 CHF97.20 to CHF107.10). The weighted average remaining contractual life is 1.1 years (2021 - 1.2 years).

27. Equity compensation plan (continued)

Performance Share Unit Plan (PSUP)

As from 2014, members of senior management are awarded Performance Share Units (PSU) that entitle participants to receive freely disposable Nestlé S.A. shares (accounted for as equity-settled share-based payment transactions) or an equivalent amount of cash (accounted for as cash-settled share based payment transactions) at the end of a three year restriction period.

Upon vesting, the number of shares to be delivered will range from 0% to 200% of the initial grant and be determined by the degree by which the performance measures of the PSUP have been met. These measures are the relative Total Shareholder Return of the Nestlé S.A. share in relation to the STOXX Global 1800 Food and Beverage Net Return Index; and the growth of the underlying earnings per share in constant currencies. Each of the two measures has equal weighting in determining the vesting level of the initial PSU award.

	2022 Number	2021 Number
Number of PSU in units		
Outstanding at the beginning of the year	**9,641**	10,424
Granted during the year	**8,700**	6,312
Forfeited during the year	**-**	-
Settled	**(3,503)**	(7,095)
Transfers to and from other group companies	**-**	-
Outstanding at the end of the year	**14,838**	9,641

The fair value of the equity-settled PSU is determined using a valuation model which reflects the probability of over-achievement or under-achievement on the Total Shareholder Return measure, which is a market condition, and based on five-year historical data. The other inputs incorporated into the valuation model comprise the market price of Nestlé S.A. shares at the grant date, discounted at a risk-free interest rate and adjusted for the dividends that participants are not entitled to receive during the restricted period of three years. The weighted average fair value of the equity-settled PSU granted in 2022 is CHF 118.59 (2021 - CHF 97.20).

The range of exercise prices is from CHF97.20 to CHF118.59 (2021 CHF97.20 to CHF107.10). The weighted average remaining contractual life is 1.6 years (2021 - 1.1 years).

28. Contingent liabilities

At 31 December 2022 the Company had provided indemnities given in the normal course of business totalling £11,537,000 (2021 - £11,647,000).

The Company participates in a joint venture (see note 16). Under the terms of the partnership agreement the Company acts as guarantor for its share of the partnership pension scheme deficit. At 31 December 2022 the Company's share of the pension deficit amounted to £Nil, since the scheme was in a net surplus position (2021 - £Nil).

29. Capital commitments

At 31 December the Company had capital commitments as follows:

	2022 £000	2021 £000
Contracted for but not provided in these financial statements	**28,375**	26,239
	28,375	26,239

30. Pension commitments

The total pensions asset of £502,455,000 recorded on the Statement of Financial Position is made up of a funded surplus net of deferred tax of £507,790,000 detailed in note 30(a) and an unfunded deficit net of deferred tax of £5,335,000 detailed in note 30(b).

(a) Nestlé UK Pension Fund

Nestlé UK Ltd. participates in the Nestlé UK Pension Fund ("the Fund") which includes a defined benefit and a defined contribution section. Nestlé UK Ltd is the principal company participating in the Nestlé UK Pension Fund. Nestlé UK Ltd shall along with other participating employers pay contributions to the Fund in accordance with agreed Schedule of Contributions dated 4 November 2022. Nestlé UK Ltd also pays operational service charges to the Fund for administration of the Fund, and a share of this is recovered by Nestlé UK Ltd from each of the participating employers. There is no policy in place for Nestlé UK Ltd to recover any other defined benefit costs from other participating employers. The current defined benefit section provides career average benefits to employees on retirement based on their salary and the length of their service.

The Fund is a registered Pension scheme and is subject to the statutory scheme-specific funding requirements outlined in UK legislation, including the payment of levies to the Pension Protection Fund. It is established under trust and the responsibility for its governance lies with the Trustee who also agree the funding arrangements with the Company. Participating employers pay contributions to the Fund as sct out in the Schedule of Contributions dated 4 November 2022. As the principal employer Nestlé UK Ltd shall in the event of winding up of the scheme be liable for any deficit or have right to any surplus under IFRIC 14.

The last triennial funding valuation of the fund was carried out at 31 December 2021. The agreed deficit recovery contributions plan was completed in 2021.

An updated valuation of the entire scheme was prepared at 31 December 2022 by an independent qualified actuary for the purpose of IAS 19. At that date the assets exceeded the liabilities of the scheme by £641,827,000 (2021 - £1,088,369,000).

The Company has received legal advice in respect of the Fund which confirms that it has an unconditional right to any remaining surplus once all member benefits have been paid. As such, the surplus as at 31 December 2022 has been recognised in full and there are no additional minimum funding liabilities.

The main risks to which Nestlé UK Ltd is exposed in relation to the defined benefit section of the Nestlé UK Pension Fund are:

- Credit risk and interest rate risk on the Fund's investments in bonds. By investing in government bonds, where the credit risk is minimal, or at least investment grade corporate bonds the credit risk arising on bonds is mitigated. The interest rate the Fund is exposed to acts as a hedge against the corresponding risks associated with the Fund's liabilities, thereby reducing volatility in funding level, and it is therefore deemed appropriate to be exposed to interest rate risk in the bonds part of the portfolio.

30. Pension commitments (continued)

- Currency risk and other price risk on the Fund's investments in Pooled Investment Vehicles ('PIVs'). As some investments are held in overseas markets the Fund is exposed to currency risk which are mitigated through hedging mechanisms. Other price risks arise principally in relation to the Fund's investments in equities – directly or indirectly – and the Fund manages its exposure to other price risk by holding a diverse portfolio of investments across various markets.

- Longevity risk where life expectancy may improve compared with the assumptions used in valuing the Fund's liabilities, thereby increasing the scheme's liabilities. In order to minimise this risk mortality assumptions are reviewed with Company's actuarial advisors on a regular basis.

The Company made contributions totalling £47,186,000 to the defined benefit section of the fund during 2022 (2021 - £393,741,000). Company contributions in 2022 are forecast to be £48,709,000

	2022	2021
	£000	£000
The amounts recognised in the balance sheet are as follows		
Present value of funded obligations	**(3,512,227)**	(5,446,676)
Fair value of scheme assets	**4,154,053**	6,535,045
Gross surplus	**641,826**	1,088,369
Related deferred tax liability	**(134,036)**	(230,167)
Net surplus	**507,790**	858,202

	2022	2021
	£000	£000
Composition of plan assets		
Equity investments	**199,279**	762,508
Debt instruments	**3,430,288**	5,485,367
Cash and cash equivalents	**1,391,111**	1,559,936
Real estate	**266,558**	331,348
Hedge funds	**96,954**	284,111
Other	**(1,230,137)**	(1,888,225)
	4,154,053	6,535,045

Pension commitments (continued)

The Nestlé UK Pension Fund ('NUKPF') has an agreed strategic asset allocation ('SAA') in place and adherence to this is continually monitored by the Nestlé Pensions team who will notify and agree any departures from the SAA with the Defined Benefit Investment Committee ('DBIC'), a sub-committee of the NUKPF Trustee board, and also provide at least quarterly updates on investment performance and asset allocation to the DBIC. The DBIC will periodically review the SAA. The NUKPF estimated funding ratio on a technical provision basis is over 100% and this is reflected in the SAA with a target asset allocation against matching assets of 94.5%, with the remainder allocated to equities (5.0%) and cash (0.5%).

Contribution levels are reviewed as part of the triennial valuation process. Reflecting the funding level of the Fund there are no deficit contributions due from Nestlé UK Ltd to the Fund.

Included across the plan assets above are the Fund's investments as detailed below. The Fund's holding includes liability-driven investment, repurchase agreements and derivatives, such as swaps. These assets are intended to reduce key liability risks such as those in respect of interest and inflation rates. At the reporting date, the Fund's interest and inflation rate hedging ratios were approximately 90%.

	2022	2021
	£000	£000
Cash collateral held elsewhere	**(244)**	1,670
Exchange cleared swaps - other assets	**10,571**	1,863
Swaps	**45,661**	22,275
Funds - short term investments	**336,925**	198,514
Government bonds	**312,156**	513,741
Index-linked government bonds	**2,179,468**	4,203,880
	2,884,537	4,941,943

	2022	2021
	£000	£000
Cash collateral due to/from broker	**59,354**	(17,227)
Repurchase agreements	**(949,830)**	(1,324,102)
Swap liabilities	**(114,914)**	(7,669)
	(1,005,390)	(1,348,998)

Total LDI funds	**1,879,147**	3,592,945

Pension commitments (continued)

Net surplus in the scheme

	2022 £000	2021 £000
At 1 January	**1,088,369**	182,539
Current service cost	**(42,668)**	(45,634)
Net interest credit	**21,017**	6,044
Actuarial (losses)/gains	**(465,105)**	559,527
Contributions - special	**-**	348,000
Contributions - normal	**47,186**	45,741
Administrative expenses	**(6,973)**	(7,848)
At 31 December	**641,826**	1,088,369

Amounts recognised in the Profit and Loss Account to arrive at operating profit

	2022 £000	2021 £000
Current service cost	**(42,761)**	(45,727)
Administrative expenses	**(6,973)**	(7,848)
Defined benefit scheme	**(49,734)**	(53,575)
Defined contribution scheme	**(26,410)**	(22,707)
Unfunded defined benefit scheme	**(165)**	(299)
Recovery from affiliate companies for the defined benefit scheme	**35,885**	32,331
Recognised in operating profit	**(40,424)**	(44,250)

Amounts recognised in the Profit and Loss Account in interest receivable and similar income

	2022 £000	2021 £000
Net interest income on defined benefit obligations	**21,017**	6,044
	21,017	6,044

30. Pension commitments (continued)

Reconciliation of fair value of plan liabilities

	2022 £000	2021 £000
At 1 January	**(5,446,676)**	(5,775,281)
Current service cost	**(42,668)**	(45,634)
Plan participants contributions	**(93)**	(93)
Interest expense on defined benefit obligation	**(100,973)**	(82,805)
Changes in demographic assumptions	**135,465**	(68,900)
Changes in financial assumptions	**1,953,966**	217,240
Effect of experience adjustments	**(219,582)**	101,388
Benefits paid	**208,334**	207,409
At 31 December	**(3,512,227)**	(5,446,676)

Reconciliation of fair value of plan assets

	2022 £000	2021 £000
At 1 January	**6,535,046**	5,957,820
Interest on plan assets	**121,990**	88,849
Contributions by employer	**47,186**	393,741
Contributions by scheme participants	**93**	93
Administrative expenses	**(6,973)**	(7,848)
Remeasurements - return on scheme assets	**(2,334,954)**	309,800
Benefits paid	**(208,334)**	(207,409)
At 31 December	**4,154,054**	6,535,046

The cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income was £1,500,127,000 (2021 - £1,035,022,000). The Company expects to pay £48,709,000 to its defined benefit plans during 2023.

30. **Pension commitments (continued)**

The principal actuarial assumptions at the balance sheet date were as follows:

	2022	2021
Discount rate (Defined benefit obligation)	**4.96%**	1.89%
Discount rate (Service cost)	**5.1%**	1.95%
Price inflation	**3.15%**	3.25%
Future increases in salaries	**2.8%**	2.95%
Future increases in pensions	**3.0%**	3.05%
Life expectancy of a male member aged 65	**21.0 years**	21.2 years
Life expectancy of a female member aged 65	**23.8 years**	23.7 years

The discount rate assumption was derived using an updated methodology at 31 December 2022 and is based on a corporate bond curve with a "Single Agency" approach incorporated.

The weighted average duration of the benefit payments reflected in the fair value of the Fund's liabilities is 18 years.

Sensitivity analysis

The sensitivity of the fair value of plan liabilities to a change in the assumptions adopted in the valuation is as follows:

	2022 £000 Increase by 0.5% p.a.	**2022 £000 Decrease by 0.5% p.a.**	2021 £000 Increase by 0.5% p.a.	2021 £000 Decrease by 0.5% p.a.
Change in discount rate	**(3,307,062)**	**(3,740,240)**	(5,020,405)	(5,932,878)
Change in salary increase	**(3,512,227)**	**(3,512,227)**	(5,446,676)	(5,446,676)
Change in pension increase	**(3,685,001)**	**(3,365,724)**	(5,717,523)	(5,175,488)
Change in member mortality assumption by 1 year	**(3,371,221)**	**(3,659,450)**	(5,176,670)	(5,711,283)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated.

Pension commitments (continued)

The five year history of the defined benefit obligation and plan assets is as follows:

	2022	2021	2020	2019	2018
	£000	£000	£000	£000	£000
Defined benefit obligation	**(3,512,227)**	(5,446,676)	(5,775,281)	(5,345,512)	(4,798,027)
Plan assets	**4,154,053**	6,535,045	5,957,820	5,351,320	4,794,473
Scheme surplus/(deficit)	**641,826**	1,088,369	182,539	5,808	(3,554)
Experience adjustments on plan liabilities	**218,582**	(101,388)	(79,173)	(26,098)	(864)
Experience adjustments on plan assets	**(2,334,954)**	309,800	572,291	513,380	(154,033)

The employer is liable to pay contributions to the fund in accordance with the current schedule of contributions. These depend on the scheme section that the employee participates in. The employer contribution rates range from 5% for the DC start scheme to 14.9% for the DB Core plus scheme.
There are no deficit contributions due under the current Schedule of Contributions.

(b) Other personnel obligations

The Company has the following liability in respect of the unfunded pension fund:

	2022	2021
	£000	£000
Pension liability	**(6,974)**	(11,030)
Deferred tax	**1,639**	2,096
Net deficit	**(5,335)**	(8,934)

The principal actuarial assumptions at the balance sheet date were as follows:

	2022	2021
Discount rate (Defined benefit obligation)	**4.96%**	1.89%
Discount rate (Service cost)	**5.1%**	1.95%
Price inflation	**3.15%**	3.25%
Future increases in salaries	**2.8%**	2.95%
Future increases in pensions	**3.0%**	3.05%
Life expectancy of a male aged 65	**21.0 years**	21.2 years

Pension commitments (continued)

The amounts recognised in the Profit and Loss Account within operating profit are as follows:

	2022 £000	2021 £000
Current service cost	**(165)**	(299)
	(165)	(299)

The amounts recognised in interest payable and similar charges are as follows:

	2022 £000	2021 £000
Interest on obligations	**(200)**	(212)
	(200)	(212)

(c) Post-retirement benefits

The Company provides certain post-retirement benefits, mainly healthcare to 96 (2021 - 99) pensioned former employees. The plan is unfunded and the liability in respect of these benefits is assessed by a qualified independent actuary on a bi-annual basis.

The gross liability reported is £1,408,000 (2021 - £1,328,000) and is disclosed within "Provisions for liabilities and charges" in the Balance Sheet (see note 24).

The following table sets out the key assumptions used for the scheme:

	2022	2021
Core price inflation	**2.95%**	2.70%
Discount rate	**4.26%**	2.03%
Future increases in salaries	**2.95%**	2.95%
Future increases in pensions	**3.0%**	3.05%
Medical expense inflation	**5.5%**	5.25%
Life expectancy of a male aged 65	**21.0 years**	21.3 years

Pension commitments (continued)

The amounts recognised in interest payable and similar charges are as follows:

	2022 £000	2021 £000
Interest on obligations	**(26)**	(24)
	(26)	(24)

Assumed medical expense inflation has an effect on the amounts reported for the Post-retirement medical Scheme. A 50 basis point change in assumed medical expense inflation would have the following effect on the Company's Post-retirement Medical Scheme:

	2022 £000 Increase by 0.5% p.a.	**2022 £000 Decrease by 0.5% p.a.**	2021 £000 Increase by 0.5% p.a.	2021 £000 Decrease by 0.5% p.a.
Gross liability at year-end	**(1,466)**	**(1,353)**	(1,389)	(1,270)

(d) Long term sickness and disability scheme

The Company operates a Long Term Sickness and Disability Scheme. The reserve in respect of any liabilities is assessed by a qualified independent actuary and is included in creditors: amounts falling due within one year (note 20)

The following table sets out the key assumptions used for the scheme.

	2022	2021
Core price inflation	**3.5%**	3.25%
Discount rate	**4.26%**	2.03%
Benefit increases	**3.00%**	2.75%

31. Related party transactions

During the year the Company had the following transactions with related parties.

	Sales 2022 £000	Sales 2021 £000	**Expenses 2022 £000**	Expenses 2021 £000
Entities with control, joint control or significant influence				
Cereal Partners UK	**40,975**	27,277	**199,960**	187,515
Herta S.A.S.	**-**	661	**-**	21,349
	40,975	27,938	**199,960**	208,864

	Sales 2022 £000	Sales 2021 £000	Expenses 2021 £000
Other related parties			
Lactalis Nestlé Chilled Dairy Co Ltd	**-**	70	
Lactalis Nestlé Ultra Frais Marques	**265**	150	
Independent Vetcare Ltd	**-**	-	21
	265	220	21

	Receivables outstanding 2022 £000	Receivables outstanding 2021 £000	**Creditors outstanding 2022 £000**	Creditors outstanding 2021 £000
Entities with control, joint control or significant influence				
Cereal Partners UK	**1,406**	2,283	**16,629**	12,683
Herta S.A.S.	**-**	165	**-**	968
	1,406	2,448	**16,629**	13,651

Related party transactions (continued)

	Receivables outstanding 2022 £000	Receivables outstanding 2021 £000
Other related charges		
Lactalis Nestlé Chilled Dairy Co Ltd	**7**	16
Lactalis Nestlé Ultra Frais Marques	**3**	7
	10	23

Contributions to the Nestlé UK Pension Fund are disclosed in note 30.

32. Post balance sheet events

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

33. Controlling party

Nestlé Holdings (U.K.) PLC, a company registered in England and Wales, is the Company's immediate parent company and the holding company for some other Nestlé S.A. group companies based in the United Kingdom.

The largest and smallest group into which the results of this Company are consolidated is that headed by Nestlé S.A., a company incorporated in Switzerland. Copies of group accounts can be obtained from CH-1800 Vevey, Switzerland.

Financial Statements 2022

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Principal exchange rates

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

Consolidated income statement for the year ended December 31, 2022

In millions of CHF

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

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

In millions of CHF

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

Consolidated balance sheet as at December 31, 2022

before appropriations

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

Consolidated balance sheet as at December 31, 2022

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

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

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

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

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

In millions of CHF

	Share capital	Treasury shares	Translation reserve	Other reserves	Retained earnings	**Total equity attributable to shareholders of the parent**	Non-controlling interests	**Total equity**
Equity as at January 1, 2021	**288**	**(6 643)**	**(24 397)**	**(365)**	**76 812**	**45 695**	**819**	**46 514**
Profit for the year	—	—	—	—	16 905	**16 905**	291	**17 196**
Other comprehensive income for the year	—	—	2 131	523	2 718	**5 372**	(6)	**5 366**
Total comprehensive income for the year	—	—	2 131	523	19 623	**22 277**	285	**22 562**
Dividends	—	—	—	—	(7 681)	**(7 681)**	(302)	**(7 983)**
Movement of treasury shares	—	(6 551)	—	—	72	**(6 479)**	—	**(6 479)**
Equity compensation plans	—	222	—	—	(80)	**142**	(1)	**141**
Changes in non-controlling interests [(a)]	—	—	—	—	(382)	**(382)**	(214)	**(596)**
Reduction in share capital [(b)]	(6)	6 778	—	—	(6 772)	**—**	—	**—**
Total transactions with owners	(6)	449	—	—	(14 843)	**(14 400)**	(517)	**(14 917)**
Other movements [(c)]	—	—	—	(203)	(229)	**(432)**	—	**(432)**
Equity as at December 31, 2021	**282**	**(6 194)**	**(22 266)**	**(45)**	**81 363**	**53 140**	**587**	**53 727**
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**

(a) Movements reported under retained earnings include put options for the acquisition of non-controlling interests.
(b) Reduction in share capital, see Note 17.1.
(c) Other movements in Other reserves relate mainly to cash flow hedge transactions. In addition, Other movements in Retained earnings is explained further in Note 14 in the table of movement of carrying value of Associates and joint ventures.

Notes

1. Accounting policies

Accounting convention and accounting standards

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

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

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

Accounting policies

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

Key accounting judgments, estimates and assumptions

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

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

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

Foreign currencies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes in IFRS that may affect the Group after December 31, 2022
There are no standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods.

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

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

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

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

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

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

2.1 Modification of the scope of consolidation

Acquisitions
In 2022, the significant acquisition was:
- Orgain, North America – nutritional health products (Nutrition and Health Science) – 51%, April.

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

In 2021, the significant acquisition was:
- Core brands and related business of The Bountiful Company, mainly North America – vitamins, minerals and nutritional supplements (Nutrition and Health Science) – 99.4%, early August.

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

Disposals

In 2022, there was no significant disposal.

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

In 2021, there was one significant disposal:
- Nestlé Waters North America, USA and Canada – regional spring water brands, purified water and beverage delivery service businesses (Water) – 100%, end of March.

2.2 Acquisitions of businesses

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

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

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

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

The goodwill arising on acquisitions and the cash outflow are:

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

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

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

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

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

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

Acquisition-related costs
Acquisition-related costs have been recognized under Other operating expenses in the income statement (see Note 4.2) for an amount of CHF 46 million (2021: CHF 55 million).

2.3 Disposals of businesses

There were no significant disposals of business during the year.

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

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

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

2.4 Acquisitions of non-controlling interests

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

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

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

3. Analyses by segment

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

Segment reporting

Basis for segmentation

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

The CODM considers the business from both a geographic and product perspective, through geographic Zones as well as Globally Managed Businesses (GMB). Zones and GMBs that meet the quantitative threshold of 10% of total sales, trading operating profit or assets for all operating segments, are presented on a stand-alone basis as reportable segments. Even though it does not meet the reporting threshold, Nespresso is voluntarily reported separately considering its financial contribution to the Group. As of January 1, 2022, following the creation of Zone North America (NA) and Zone Greater China (GC) the Group is organized into five Zones and two significant GMBs. Therefore, the Group's reportable segments are:

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

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

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

Revenue and results by segment

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

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

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

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

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

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

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

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

Unallocated items
Unallocated items represent items whose allocation to a segment or product would be arbitrary. They mainly comprise:
- corporate expenses and related assets/liabilities;
- research and development costs and related assets/liabilities; and
- some goodwill and intangible assets.

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

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

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

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

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

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

3.1 Operating segments
Revenue and results

In millions of CHF — 2022

	Sales [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)
Nespresso	6 448	1 388	1 309	(79)	(24)	(7)	(290)
Nestlé Health Science	6 602	899	(596)	(1 495)	(41)	(42)	(287)
Other businesses [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)**

In millions of CHF — 2021 *

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

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

(a) Inter-segment sales are not significant.
(b) Trading operating profit before Net other trading income/(expenses).
(c) Included in Trading operating profit.
(d) Composed of businesses not under the direct control of the Zones or GMBs and Group procurement activities.
(e) Refer to the Segment reporting accounting policies above for the definition of unallocated items.

Invested capital and other information

In millions of CHF

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

In millions of CHF

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

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

(a) Composed of businesses not under the direct control of the Zones or GMBs and Group procurement activities.
(b) Refer to the Segment reporting accounting policies above for the definition of unallocated items.
(c) Included in Operating profit.
(d) Included in Trading operating profit.

3.2 Products
Revenue and results

In millions of CHF

2022	Sales	Underlying Trading operating profit (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)**

In millions of CHF

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

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

(a) Trading operating profit before Net other trading income/(expenses).
(b) Included in Trading operating profit.
(c) Refer to the Segment reporting accounting policies above for the definition of unallocated items.

Invested capital and other information

In millions of CHF

	Invested capital	Goodwill and intangible assets	Impairment of goodwill and non-commercialized intangible assets (b)	Impairment of intangible assets (c)
				2022
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)**

In millions of CHF

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

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

(a) Refer to the Segment reporting accounting policies above for the definition of unallocated items.
(b) Included in Operating profit.
(c) Included in Trading operating profit.

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

In millions of CHF

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

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

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

In millions of CHF

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

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

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

In millions of CHF

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

3.5 Geography

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

The analysis of sales is stated by customer location.

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

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

3.6 Customers

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

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

Other trading income/(expenses)

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

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

Other operating income/(expenses)

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

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

4.1 Net other trading income/(expenses)

In millions of CHF

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

(a) Including impairment and/or reversal of impairment of assets held for sale.
(b) Excluding impairment of non-commercialized intangible assets.
(c) In 2022, including mainly:
i) CHF 1373 million related to Palforzia (see Note 9.1) – Nestlé Health Science operating segment; and
ii) CHF 311 million related to the Freshly's brand before disposal (see Notes 2.1 and 14) – Zone NA operating segment.
(d) In 2021, including contract termination related to the restructuring of the Wyeth business.
(e) In 2022, the outbreak of the war in Ukraine in late February 2022 (see Note 2) impacted Other trading expenses as follows:
i) CHF 106 million impairment of property, plant and equipment (Zone EUR and Nespresso operating segments), mainly related to assets under construction which would not be completed, points of sale which have been closed, and other assets where there were indicators of impairment;
ii) CHF 54 million of various claims and onerous contracts; and
iii) CHF 67 million of miscellaneous trading expenses.

4.2 Net other operating income/(expenses)

In millions of CHF

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

(a) In 2022, including CHF 136 million of hyperinflation adjustments.
In 2021, including the reassessment of CHF 264 million of a contingent consideration liability related to a business combination.
(b) In 2022, mainly includes CHF 553 million related to Palforzia's non-commercialized intangibles assets (see Note 9.1).
(c) Miscellaneous operating expenses include among other expenses of transitional services provided to disposed businesses and natural disasters, particularly in 2021 with costs related to COVID-19 of around CHF 100 million, primarily safety related costs (gloves, masks, cleaning and sanitizing, screening and vaccines among others). COVID-19 costs are part of the underlying trading profit in 2022.

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

5. Net financial income/(expense)

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

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

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

6. Inventories

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

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

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

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

7. Trade and other receivables/payables

7.1 Trade and other receivables

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

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

The Group considers a trade receivable to be credit impaired when one or more detrimental events have occurred such as:
- significant financial difficulty of the customer; or
- it is becoming probable that the customer will enter bankruptcy or other financial reorganization.

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

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

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

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

7.2 Trade and other payables by type

Recognition and measurement

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

Supplier finance arrangements

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

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

In millions of CHF	2022	2021
Due within one year		
Trade payables	15 798	15 625
Social security and sundry taxes and levies	1 766	1 872
Other payables	2 959	3 410
	20 523	**20 907**

8. Property, plant and equipment

Property, plant and equipment comprise owned and leased assets.

In millions of CHF

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

8.1 Owned assets

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

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

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

Land is not depreciated.

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

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

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

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

In millions of CHF

	Land and buildings	Machinery and equipment	Tools, furniture and other equipment	Vehicles	Assets under construction and advance payments	**Total**
Net carrying amount						
At January 1, 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)**
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)**
Net carrying amount						
At January 1, 2021	8 538	9 738	1 583	86	3 285	**23 230**
Additions [a]	394	776	432	15	3 445	**5 062**
Acquisitions through business combinations	164	73	23	1	41	**302**
Reclassification from assets under construction	471	1 281	248	14	(2 014)	**—**
Depreciation	(411)	(1 360)	(597)	(26)	—	**(2 394)**
Impairments	(117)	(137)	(23)	(3)	—	**(280)**
Disposals	(23)	(30)	(21)	(1)	(1)	**(76)**
Classification (to)/from held for sale and disposals of businesses	(35)	(21)	3	3	(1)	**(51)**
Currency retranslations and others	—	(89)	(17)	3	(51)	**(154)**
At December 31, 2021	**8 981**	**10 231**	**1 631**	**92**	**4 704**	**25 639**
Gross value	14 954	27 412	6 637	314	4 704	**54 021**
Accumulated depreciation and impairments	(5 973)	(17 181)	(5 006)	(222)	—	**(28 382)**

(a) Including borrowing costs.

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

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

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

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

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

8.2 Leases – Group as a lessee

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

The Group recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date, except for short-term leases of 12 months or less which are expensed in the income statement on a straight-line basis over the lease term.

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

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

ROU assets are included in the heading Property, plant and equipment, and the lease liability is included in the headings current and non-current Financial debt.

8.2a Description of lease activities

Real estate leases

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

Vehicles leases

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

Other leases

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

8.2b Right-of-use assets

In millions of CHF	Land and buildings	Vehicles	Other	**Total**
Net carrying amount				
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)**
At December 31, 2022	**2 203**	**152**	**246**	**2 601**
Net carrying amount				
At January 1, 2021	2 264	186	160	**2 610**
Additions	532	89	149	**770**
Depreciation	(487)	(95)	(80)	**(662)**
Impairments	(56)	—	—	**(56)**
Classification (to)/from held for sale and change of scope of consolidation, net	37	(4)	2	**35**
Currency retranslations and others	17	(7)	(1)	**9**
At December 31, 2021	**2 307**	**169**	**230**	**2 706**

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

8.2c Other lease disclosures

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

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

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

9. Goodwill and intangible assets

Goodwill

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

Intangible assets

This heading includes intangible assets that are internally generated or acquired, either separately or in a business combination, when they are identifiable and can be reliably measured. Internally generated intangible assets (mainly management information system software) are capitalized provided that there is an identifiable asset that will be useful in generating future benefits in terms of savings, economies of scale, etc. Payments made to third parties in order to in-license or acquire intellectual property rights, compounds and products are capitalized as non-commercialized intangible assets, as they are separately identifiable and are expected to generate future benefits.

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

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

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

Research and development

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

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

In millions of CHF	Goodwill	Brands and intellectual property rights	Operating rights and others	Management information systems	Total intangible assets	of which internally generated
Net carrying amount						
At January 1, 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 [a]	**(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)
At December 31, 2022	**31 262**	**13 278**	**5 997**	**962**	**20 237**	**889**
of which indefinite useful life [b]	—	13 002	4 428	—	**17 430**	—
of which non-commercialized intangible assets	—	56	198	—	**254**	—
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)
Net carrying amount						
At January 1, 2021	**27 620**	13 778	5 326	1 044	**20 148**	949
Expenditure	—	3	206	252	**461**	232
Acquisitions through business combinations	**3 025**	2 756	530	20	**3 306**	—
Amortization	—	(42)	(69)	(273)	**(384)**	(243)
Impairments [a]	**(353)**	(1 743)	(172)	(2)	**(1 917)**	(2)
Disposals	—	—	—	(1)	**(1)**	(1)
Classification (to)/from held for sale and disposals of businesses	**(67)**	—	(1)	(1)	**(2)**	—
Currency retranslations	**787**	447	161	4	**612**	13
At December 31, 2021	**31 012**	**15 199**	**5 981**	**1 043**	**22 223**	**948**
of which indefinite useful life [b]	—	13 589	4 415	—	**18 004**	—
of which non-commercialized intangible assets	—	566	209	—	**775**	—
At December 31, 2021						
Gross value	**34 830**	17 038	6 555	5 089	**28 682**	4 687
Accumulated amortization and impairments	**(3 818)**	(1 839)	(574)	(4 046)	**(6 459)**	(3 739)

(a) In 2022, total impairment of intangible assets of CHF 2252 million includes CHF 1926 million related to *Palforzia's* intangible assets (see Note 9.1.1) including CHF 553 million of non-commercialized intangible assets and CHF 311 million related to Freshly brand before disposal (see Note 2.1).
In 2021, total impairment of goodwill of CHF 353 million relates to the Nutrition CGU in Greater China (see Note 9.1.1) and total impairment of intangible assets of CHF 1917 million includes CHF 1613 million related to the Wyeth brands impairment (see Note 9.1.1) and CHF 168 million of non-commercialized intangible assets.
(b) Of which CHF 4412 million (2021: CHF 4397 million) are perpetual rights to market, sell and distribute certain Starbucks' consumer and food service products globally, classified under the caption Operating rights and others.

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

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

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

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

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

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

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

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

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

9.1 Impairment

9.1.1 Impairment charge during the year

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

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

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

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

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

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

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

9.1.2 Annual impairment tests

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

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

2022 (b)	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
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%
Beverages 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**					

2021	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
CGU							
PetCare Zone AMS	7 311	220	5 years	6.3%	Stable	1.6%	5.6%
Nutrition Zone AOA (excluding Greater China)	5 355	1 258	5 years	3.8%	Stable	2.3%	9.3%
Food Zone AMS	3 350	2 189	5 years	7.0%	Stable	1.8%	6.2%
Nestlé Health Science	5 699	5 711	5 years	9.5%	Improvement	2.5%	6.3%
Beverages Zone AMS	1 150	4 071	5 years	3.3%	Stable	1.9%	6.2%
Subtotal	22 865	13 449					
Other CGUs	8 147	4 555					
Total	**31 012**	**18 004**					

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

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

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

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

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

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

10. Employee benefits

10.1 Employee remuneration

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

10.2 Post-employment benefits

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

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

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

Pensions and retirement benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In millions of CHF

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

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

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

In millions of CHF

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

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

(a) Before asset ceiling.

10.2c Movement in the present value of defined benefit obligations

In millions of CHF

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

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

10.2d Movement in fair value of defined benefit plan assets

In millions of CHF

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

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

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

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

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

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

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

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

10.2e Unrecognized assets

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

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

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

10.2f Expenses recognized in the income statement

In millions of CHF

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

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

In millions of CHF

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

10.2h Principal financial actuarial assumptions

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

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

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

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

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

Expressed in years

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

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

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

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

In millions of CHF

		EUR	NA	AOA	LATAM	GC	Total
2022	As reported	13 486	3 224	1 261	841	35	**18 847**
	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**
2021	As reported	19 378	5 131	1 500	921	42	**26 972**
	Discount rates						
	Increase of 50 basis points	17 957	4 844	1 441	873	41	**25 156**
	Decrease of 50 basis points	20 978	5 450	1 573	974	44	**29 019**
	Expected rates of salary increases						
	Increase of 50 basis points	19 478	5 170	1 530	925	44	**27 147**
	Decrease of 50 basis points	19 278	5 095	1 478	917	41	**26 809**
	Expected rates of pension adjustments						
	Increase of 50 basis points	20 363	5 131	1 534	930	43	**28 001**
	Decrease of 50 basis points	18 871	5 131	1 474	914	43	**26 433**
	Medical cost trend rates						
	Increase of 50 basis points	19 379	5 138	1 501	947	42	**27 007**
	Decrease of 50 basis points	19 376	5 125	1 499	897	42	**26 939**
	Mortality assumption						
	Setting forward the tables by 1 year	18 596	5 023	1 477	895	42	**26 033**
	Setting back the tables by 1 year	20 156	5 223	1 528	948	43	**27 898**

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

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

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

Expressed in years

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

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

11. Provisions and contingencies

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

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

11.1 Provisions

In millions of CHF

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

(a) Including discounting of provisions.

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

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

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

11.2 Contingencies

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

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

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

12. Financial instruments

Financial assets – Classes and categories
The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Group classifies financial assets in the following categories:
- measured at amortized cost;
- measured at fair value through the income statement (abbreviated as FVTPL, fair value through profit or loss); and
- measured at fair value through Other comprehensive income (abbreviated as FVOCI).

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

Financial assets – Recognition and derecognition
The settlement date is used for initial recognition and derecognition of financial assets as these transactions are generally under contracts whose terms require delivery within the time frame established by regulation or convention in the market place (regular-way purchase or sale). Financial assets are derecognized when substantially all the Group's rights to cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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

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

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

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

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

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

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

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

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

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

Financial liabilities at amortized cost

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

Subsequent to initial measurement, financial liabilities are recognized at amortized cost. The difference between the initial carrying amount of the financial liabilities and their redemption value is recognized in the income statement over the contractual terms using the effective interest rate method. This category includes the following classes of financial liabilities: trade and other payables; commercial paper; bonds; lease liabilities and other financial liabilities.

Financial liabilities at amortized cost are classified as current or non-current depending whether these are due within 12 months after the balance sheet date or beyond.

Financial liabilities are derecognized (in full or partly) when either the Group is discharged from its obligation, they expire, are cancelled or replaced by a new liability with substantially modified terms.

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

In millions of CHF

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

(a) Carrying amount of these instruments is a reasonable approximation of their fair value. For bonds included in financial debt, see Note 12.1d.
(b) Liquid assets are composed of cash and cash equivalents and short-term investments.
(c) Include derivatives held in hedge relationships and those that are undesignated (categorized as held-for-trading), see Note 12.2d.

12.1b Fair value hierarchy of financial instruments

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

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

(a) Contingent consideration on acquisition.

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

12.1c Changes in liabilities arising from financing activities

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

12.1d Bonds

In millions of CHF

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

In millions of CHF

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

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

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

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

12.2 Financial risks

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

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

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

12.2a Credit risk

Credit risk management

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

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

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

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

Credit rating of financial assets

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

In millions of CHF	2022	2021
A– and above	6 432	14 328
BBB+, BBB and BBB–	722	803
BB+ and below	1 455	937
Not rated [(a)]	1 640	1 029
	10 249	**17 097**

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

12.2b Liquidity risk

Liquidity risk management

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

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

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

Contractual maturities of financial liabilities and derivatives (including interest)

In millions of CHF

		In the first year	In the second year	In the third to the fifth year	After the fifth year	Contractual amount	Carrying amount
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
2021	**Trade and other payables**	**(20 912)**	**(120)**	**(87)**	**(24)**	**(21 143)**	**(21 141)**
	Commercial paper [(a)]	(4 311)	—	—	—	(4 311)	(4 303)
	Bonds [(a)]	(3 109)	(3 483)	(12 020)	(23 894)	(42 506)	(36 529)
	Lease liabilities	(635)	(485)	(966)	(1 089)	(3 175)	(2 930)
	Other financial debt	(2 729)	(118)	(43)	(7)	(2 897)	(2 812)
	Total financial debt	**(10 784)**	**(4 086)**	**(13 029)**	**(24 990)**	**(52 889)**	**(46 574)**
	Financial liabilities (excluding derivatives)	**(31 696)**	**(4 206)**	**(13 116)**	**(25 014)**	**(74 032)**	**(67 715)**
	Non-currency derivative assets	151	8	—	—	159	159
	Non-currency derivative liabilities	(12)	(1)	—	—	(13)	(13)
	Gross amount receivable from currency derivatives	21 011	53	1 771	2 764	25 599	25 309
	Gross amount payable from currency derivatives	(21 272)	(92)	(1 907)	(2 831)	(26 102)	(25 641)
	Net derivatives	**(122)**	**(32)**	**(136)**	**(67)**	**(357)**	**(186)**
	of which derivatives under cash flow hedges [(b)]	151	1	—	—	152	152

(a) Commercial paper of CHF 3829 million (2021: CHF 4240 million) and bonds of CHF 864 million (2021: CHF 874 million) have maturities of less than three months.
(b) The periods when the cash flow hedges affect the income statement do not differ significantly from the maturities disclosed above.

12.2c Market risk

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

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

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

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

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

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

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

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

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

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

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

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

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

12.2d Derivative assets and liabilities and hedge accounting

Derivative financial instruments

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

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

Hedge accounting

The Group designates and documents the use of certain derivatives and other financial assets or financial liabilities as hedging instruments against changes in fair values of recognized assets and liabilities (fair value hedges) and highly probable forecast transactions (cash flow hedges). The effectiveness of such hedges is assessed at inception and verified at regular intervals and at least on a quarterly basis to ensure that an economic relationship exists between the hedged item and hedging instrument.

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

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

Fair value hedges

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

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

Cash flow hedges

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

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

Undesignated derivatives

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

Derivatives by hedged risks

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

(a) The carrying amount of the hedged item recognized in the statement of financial position is approximately equal to the notional of the hedging instruments.
(b) Represent amounts that would be offset in case of default, insolvency or bankruptcy of counterparties.

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

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

Impact on the income statement of fair value hedges

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

In millions of CHF	2022	2021
on hedged items	592	292
on hedging instruments	(593)	(290)

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

12.2e Capital risk management

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

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

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

13. Taxes

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

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

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

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

13.1 Components of taxes recognized in the income statement

In millions of CHF

	2022	2021
Current taxes [a]	(2 566)	(2 616)
Deferred taxes	(48)	(346)
Taxes reclassified to other comprehensive income	(9)	765
Taxes reclassified to equity	(107)	(64)
Total taxes	**(2 730)**	**(2 261)**

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

13.2 Reconciliation of taxes recognized in the income statement

In millions of CHF

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

(a) The weighted average applicable tax rate in 2022 increased compared to 2021 as a result of a change in the geographical mix of profits.
(b) In 2021, the prior years' tax credits resulted from a revision of prior year tax exposure due to progress on resolving audits and agreeing the tax treatment of major intercompany transactions with the tax authorities in certain jurisdictions.

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

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

In millions of CHF

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

In millions of CHF

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

13.4 Unrecognized deferred taxes

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

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

In millions of CHF

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

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

13.5 Developments in international taxation

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

14. Associates and joint ventures

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

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

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

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

(a) In 2022, additional recognition of an increase of the Group's share of the net assets in IVC Evidensia following the merger with VetStrategy in November 2021.
In 2021, mainly the impact of the share buyback program in L'Oréal. In addition, the Group's stake in IVC Evidensia was diluted following the merger of IVC Evidensia with VetStrategy in November. The increase of the Group's share of the net assets of the combined entity is included under Other associates (CHF 250 million). The corresponding gain on the partial deemed disposal of IVC Evidensia was recognized under the heading Income from associates and joint ventures.

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

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

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

Income from associates and joint ventures

In millions of CHF	2022	2021
Share of results	1 094	1 206
Impairment	(109)	3
Profit on partial disposal of L'Oréal shares [(a)]	—	7 184
Profit on disposal of Other associates [(b)]	55	258
	1 040	**8 651**

(a) Includes a cumulative loss of CHF 13 million recognized by L'Oréal in its accumulated Other comprehensive income reserves and a cumulative loss of CHF 506 million recognized by the Group in its currency translation reserve that has been recycled to the income statement.
(b) Includes a profit on the partial deemed disposal of the Group's stake in IVC Evidensia (see footnote (a) of the previous table of Note 14).

14.1 Associate – L'Oréal

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

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

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

Summarized financial information of L'Oréal

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

Reconciliation of the carrying amount

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

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

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

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

15. Earnings per share

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

16. Cash flow statement

16.1 Operating profit

In millions of CHF

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

16.2 Non-cash items of income and expense

In millions of CHF

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

16.3 Decrease/(increase) in working capital

In millions of CHF

	2022	2021
Inventories	(3 428)	(1 414)
Trade and other receivables	(321)	(824)
Prepayments and accrued income	9	(94)
Trade and other payables	492	2 115
Accruals	115	44
	(3 133)	**(173)**

16.4 Variation of other operating assets and liabilities

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

16.5 Reconciliation of free cash flow and net financial debt

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

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

16.6 Cash and cash equivalents at end of year

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

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

17. Equity

17.1 Share capital issued

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

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

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

17.2 Conditional share capital

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

17.3 Treasury shares

Number of shares in millions of units

	2022	2021
Purpose of holding		
Share buyback program	77.6	50.9
Long-Term Incentive Plans	4.3	4.5
	81.9	**55.4**

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

17.4 Number of shares outstanding

Number of shares in millions of units

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

17.5 Translation reserve and other reserves

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

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

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

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

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

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

17.8 Other comprehensive income

In millions of CHF

2022

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

In millions of CHF

2021

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

17.9 Reconciliation of the other reserves

In millions of CHF

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

17.10 Dividend

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

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

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

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

18. Transactions with related parties

18.1 Compensation of the Board of Directors and the Executive Board

Board of Directors

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

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

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

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

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

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

In millions of CHF	2022	2021
Chair's compensation	3	3
Other Board members		
Remuneration – cash	3	3
Shares	3	3
Total (a)	**9**	**9**

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

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

In millions of CHF	2022	2021
Remuneration – cash	18	14
Bonus – cash	13	11
Bonus – shares *	4	5
Equity compensation plans [a]	17	14
Pension	3	3
Total [b]	**55**	**47**

(a) Equity compensation plans are equity-settled share-based payment transactions whose cost is recognized over the vesting period as required by IFRS 2.
(b) For the detailed disclosures regarding the remunerations of the Executive Board that are required by Swiss law, refer to the Compensation report of Nestlé S.A. with the audited sections highlighted with a blue bar.

* or American Depositary Receipts.

18.2 Transactions with associates and joint ventures
The main transactions with associates and joint ventures are:
- royalties received on brand licensing (see Note 14.3);
- dividends and interest received as well as loans granted (see Note 14);
- purchases and sales of finished and unfinished goods.

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

19. Guarantees

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

20. Effects of hyperinflation

The 2022 and 2021 figures include the following countries considered as hyperinflationary economies:
- Argentina;
- Iran;
- Venezuela;
- Zimbabwe;
- Lebanon;
- Syria; and
- Türkiye since 2022.

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

21. Events after the balance sheet date

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

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

Companies of the Nestlé Group, joint arrangements and associates

In the context of the SIX Swiss Exchange Directive on Information relating to Corporate Governance, the principal affiliated companies are disclosed if they meet at least two of the following three disclosure criteria:
1) The amount exceeds **CHF 40 million or equivalent** on:
   - total sales/services for operating companies;
   - financial/property income for sub-holding, financial and property companies;
   - the share held by the Group in their profit for joint ventures and associates; and/or
2) The amount exceeds **CHF 20 million or equivalent** on:
   - the total balance sheet for affiliated companies;
   - the Group's investment for joint ventures and associates; and/or
3) The average number of employees during the financial year is **equal or greater than 250 FTE.**

Entities directly held by Nestlé S.A. that fall below the disclosure criteria are listed with a °.
A main operating entity in a given country that falls below the disclosure criteria is listed with a NiM.

All companies listed below are fully consolidated except for:
1) Joint ventures accounted for using the equity method;
2) Joint operations accounted for in proportion to the Nestlé contractual specified share (usually 50%);
3) Associates accounted for using the equity method.

Countries within the continents are listed according to the alphabetical order of the country names.
The percentage of capital shareholding corresponds to voting powers unless stated otherwise.
Δ Companies listed on the stock exchange
◊ Sub-holding, financial and property companies

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

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	44 856 144
Nestlé Waters Management & Technology S.A.S.		Issy-les-Moulineaux		100%	EUR	10 538 113
Nestlé Waters Marketing & Distribution S.A.S.		Issy-les-Moulineaux		100%	EUR	26 740 940
Nestlé Waters Supply Est S.A.S.		Issy-les-Moulineaux		100%	EUR	17 539 660
Nestlé Waters Supply Sud S.A.S.		Issy-les-Moulineaux		100%	EUR	7 309 106
Société Industrielle de Transformation de Produits Agricoles S.A.S.		Issy-les-Moulineaux		100%	EUR	9 718 000
Cereal Partners France SNC	1)	Issy-les-Moulineaux		50%	EUR	3 000 000
L'Oréal S.A.	Δ3)	Paris	20.1%	20.1%	EUR	107 082 474
Listed on the Paris stock exchange, market capitalization EUR 179.1 billion, quotation code (ISIN) FR0000120321						
Lactalis Nestlé Produits Frais S.A.S.	3)	Laval		40%	EUR	69 208 832
Georgia						
Nestlé Georgia LLC	NiM	Tbilisi		100%	CHF	700 000
Germany						
Nestlé Deutschland AG		Frankfurt am Main		100%	EUR	214 266 628
Nestlé Product Technology Centre Lebensmittelforschung GmbH		Freiburg i. Br.		100%	EUR	52 000
Nestlé Purina PetCare Deutschland GmbH		Bonn		100%	EUR	30 000

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

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

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Montenegro						
Nestle Adriatic Crna Gora d.o.o.	NiM	Podgorica		100%	EUR	5 307
Netherlands						
East Springs International N.V.	◊	Amsterdam		100%	EUR	25 370 000
MCO Health B.V.		Almere		100%	EUR	418 000
Nespresso Nederland B.V.		Amsterdam		100%	EUR	680 670
Nestlé Nederland B.V.		Amsterdam		100%	EUR	11 346 000
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	12 222 327 814
Slovak Republic						
Nestlé Slovensko s.r.o.		Prievidza		100%	EUR	13 277 568
Slovenia						
Nestlé Adriatic Trgovina d.o.o.	NiM	Ljubljana		100%	EUR	8 763
Spain						
Nestlé España S.A.		Esplugues de Llobregat		100%	EUR	100 000 000
Nestlé Global Services Spain, S.L.		Esplugues de Llobregat		100%	EUR	3 000
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						
Entreprises Maggi S.A.	◊	Cham	100%	100%	CHF	100 000
Intercona Re AG	◊	Châtel-St-Denis		100%	CHF	35 000 000
Nestlé Enterprises SA		Vevey		100%	CHF	3 514 000
Nestlé Nespresso SA		Vevey		100%	CHF	2 000 000
Nestlé Operational Services Worldwide SA		Vevey		100%	CHF	100 000
Nestlé Orange Holdings GmbH	°◊	Cham	100%	100%	CHF	20 000
Nestlé Suisse S.A.	NiM	Vevey		100%	CHF	250 000
Nestlé Ventures SA	°◊	Vevey	100%	100%	CHF	250 000
Nestlé Waters (Suisse) SA		Henniez		100%	CHF	5 000 000
Nestrade SA		La Tour-de-Peilz		100%	CHF	6 500 000
Nutrition-Wellness Venture SA	°◊	Vevey	100%	100%	CHF	100 000
Société des Produits Nestlé S.A.		Vevey	100%	100%	CHF	8 900 000
Sofinol S.A.		Manno		100%	CHF	3 000 000
CPW Operations S.à r.l.	°1)	Prilly	50%	50%	CHF	40 000
Türkiye						
Erikli Su ve Mesrubat Sanayi ve Ticaret A.S.		Bursa		100%	TRY	20 700 000
Nestlé Türkiye Gida Sanayi A.S.		Istanbul		99.9%	TRY	35 000 000
Dikey Vitamin Kozmetik ve Gida Takviveleri Pazarlama Ticaret A.S.	3)	Istanbul		37.5%	TRY	5 694 070
Ukraine						
LLC Lviv Confectionery Factory "Svitoch"		Lviv		100%	UAH	88 111 060
LLC Nestlé Ukraine		Kyiv		100%	UAH	799 965
LLC Technocom		Kharkiv	100%	100%	UAH	119 658 066
PJSC Volynholding		Torchyn		100%	UAH	100 000
United Kingdom						
Lily's Kitchen Ltd		London		100%	GBP	1 164
Mindful Chef Ltd		London		69.6%	GBP	534
Nespresso UK Ltd		Gatwick		100%	GBP	275 000
Nestlé Holdings (UK) PLC	◊	Gatwick		100%	GBP	77 940 001
Nestlé NB Financing (International) Ltd	°◊	Gatwick	100%	100%	CHF	2
Nestlé NB Financing (UK) Ltd	°◊	Gatwick	100%	100%	CHF	2
Nestlé Purina UK Commercial Operations Ltd		Gatwick		100%	GBP	10 001
Nestlé Purina UK Manufacturing Operations Ltd		Gatwick		100%	GBP	44 000 000
Nestlé UK Ltd		Gatwick		100%	GBP	129 972 342
Nestlé VP LLP	°	London	<0.1%	100%	GBP	0
Nestlé Waters UK Ltd		Gatwick		100%	GBP	640
Tailsco Ltd		London		83.1%	GBP	17
The Nature's Bounty Co. Ltd		Manchester		99.8%	GBP	1 089
Cereal Partners UK	1)	Herts		50%	GBP	—
Phagenesis Ltd	°3)	Manchester	29.2%	29.2%	GBP	16 146

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Africa						
Algeria						
Nestlé Algérie SpA	°	Alger	<0.1%	49%	DZD	650 000 000
Nestlé Industrie Algérie SpA	°	Alger	49%	49%	DZD	1 100 000 000
Angola						
Nestlé Angola Lda	NiM	Luanda		100%	AOA	1 791 870 000
Burkina Faso						
Nestlé Burkina Faso S.A.		Ouagadougou		100%	XOF	50 000 000
Cameroon						
Nestlé Cameroun S.A.		Douala		100%	XAF	4 323 960 000
Côte d'Ivoire						
Nestlé Côte d'Ivoire S.A.	Δ	Abidjan		88.1%	XOF	5 517 600 000
Listed on the Abidjan stock exchange, market capitalization XOF 182.0 billion, quotation code (ISIN) CI0009240728						
Egypt						
Food and Beverage Trading Egypt LLC		Cairo		99.9%	EGP	2 000 000
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		94.7%	MAD	156 933 000
Mozambique						
Nestlé Mocambique Lda	°	Maputo	<0.1%	100%	MZN	2 631 711 200

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Nigeria						
Nestlé Nigeria Plc	Δ	Ilupeju	4.5%	70.7%	NGN	396 328 126
Listed on the Nigerian Stock Exchange, market capitalization NGN 871.9 billion, quotation code (ISIN) NGNESTLE0006						
Senegal						
Nestlé Sénégal S.A.		Dakar		100%	XOF	1 620 000 000
South Africa						
Nestlé (South Africa) (Pty) Ltd		Johannesburg		100%	ZAR	759 735 000
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	50.6%	100%	ARS	18 370 089 000
Bolivia						
Industrias Alimentícias Fagal S.R.L.		Santa Cruz	1.5%	100%	BOB	175 556 000
Nestlé Bolivia S.A.	NiM	Santa Cruz	<0.1%	100%	BOB	191 900
Brazil						
Chocolates Garoto Ltda		Vila Velha		100%	BRL	575 615 927
Nestlé Brasil Ltda		São Paulo	74%	100%	BRL	2 821 056 388
Nestlé Nordeste Alimentos e Bebidas Ltda		Feira de Santana	15.8%	100%	BRL	1 674 270 610
SOCOPAL – Sociedade Comercial de Corretagem de Seguros e de Participações Ltda	°	São Paulo	100%	100%	BRL	2 155 600
Tradal Brazil Comércio, Importações e Exportações Ltda		São Paulo		100%	BRL	15 577 426
Dairy Partners Americas Brasil Ltda	1)	São Paulo	49%	49%	BRL	595 806 368
Canada						
Atrium Innovations Inc.		Westmount (Québec)		100%	CAD	229 364 710
Bountiful Canada Vitamins ULC		Vancouver (British Columbia)		99.8%	CAD	200
Nestlé Canada Inc.		Toronto (Ontario)		100%	CAD	99 938 540
Cayman Islands						
Hsu Fu Chi International Limited	◊	Grand Cayman		60%	SGD	7 950 000
Chile						
Chocolates del Mundo S.A.		Quilicura		99.8%	CLP	1 592 620 167
Nestlé Chile S.A.		Santiago de Chile	99.8%	99.8%	CLP	11 832 926 000
Aguas CCU – Nestlé Chile S.A.	3)	Santiago de Chile		49.8%	CLP	49 799 375 321
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						
Compañia Nestlé Costa Rica S.A.		Heredia		100%	CRC	18 000 000

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Cuba						
Nescor, S.A.	°	Artemisa	50.9%	50.9%	USD	32 200 000
Dominican Republic						
Nestlé Dominicana S.A.		Santo Domingo	98.5%	99.9%	DOP	1 657 445 000
Silsa Dominicana S.A.	°	Santo Domingo	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						
Manantiales La Asunción, S.A.P.I. de C.V. [c]		Ciudad de México		40%	MXN	1 035 827 492
Marcas Nestlé, S.A. de C.V.		Ciudad de México		100%	MXN	500 051 000
Nespresso México, S.A. de C.V.		Ciudad de México		100%	MXN	210 050 000
Nestlé México, S.A. de C.V.		Ciudad de México		100%	MXN	4 407 532 730
Nicaragua						
Compañía Centroamericana de Productos Lácteos, S.A.		Managua		92.6%	NIO	10 294 900
Nestlé Nicaragua, S.A.		Managua		100%	USD	150 000
Panama						
Nestlé Centroamerica, S.A.		Ciudad de Panamá		100%	USD	10 588 706
Nestlé Panamá, S.A.		Ciudad de Panamá		100%	PAB	7 911 294

[c] Voting powers amount to 51%

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

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

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Asia						
Afghanistan						
Nestlé Afghanistan Ltd	°	Kabul	100%	100%	USD	1 000 000
Bahrain						
Nestlé Bahrain Trading WLL	NiM	Manama		49%	BHD	200 000
Bangladesh						
Nestlé Bangladesh Limited		Dhaka	99.4%	100%	BDT	100 000 000
Greater China Region						
Dongguan Hsu Chi Food Co., Limited		Dongguan		60%	HKD	700 000 000
Guangzhou Refrigerated Foods Limited		Guangzhou		95.5%	CNY	390 000 000
Nestlé (China) Limited	◊	Beijing		100%	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	Δ	New Delhi	34.3%	62.8%	INR	964 157 160
Listed on the Bombay Stock Exchange, market capitalization INR 1890.3 billion, quotation code (ISIN) INE239A01016						
Indonesia						
P.T. Nestlé Indonesia		Jakarta		91.7%	IDR	152 753 440 000
P.T. Wyeth Nutrition Sduaenam		Jakarta		99.2%	IDR	2 500 000 000
Iran						
Nestlé Iran (Private Joint Stock Company)		Tehrān		95.9%	IRR	358 538 000 000

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
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
Listed on the Kuala Lumpur stock exchange, market capitalization MYR 32.8 billion, quotation code (ISIN) MYL4707OO005						
Nestlé Asean (Malaysia) Sdn. Bhd.		Petaling Jaya		72.6%	MYR	42 000 000
Nestlé Manufacturing (Malaysia) Sdn. Bhd.		Petaling Jaya		72.6%	MYR	132 500 000
Nestlé Products Sdn. Bhd.		Petaling Jaya		72.6%	MYR	28 500 000
Myanmar						
Nestlé Myanmar Limited	NiM	Yangon		95%	USD	9 469 600
Oman						
Nestlé Oman Trading LLC		Muscat		49%	OMR	300 000
Pakistan						
Nestlé Pakistan Ltd	Δ	Lahore		61.6%	PKR	453 495 840
Listed on the Pakistan Stock Exchange, market capitalization PKR 266.2 billion, quotation code (ISIN) PK0025101012						

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Palestinian Territories						
Nestlé Trading Private Limited Company	°	Bethlehem	97.5%	97.5%	JOD	200 000
Philippines						
Nestlé Business Services AOA, Inc.	°	Bulacan	100%	100%	PHP	70 000 000
Nestlé Philippines, Inc.		Cabuyao	100%	100%	PHP	2 300 927 400
Wyeth Philippines, Inc.		Makati City	100%	100%	PHP	743 134 900
CPW Philippines, Inc.	°1)	Makati City	50%	50%	PHP	7 500 000
Qatar						
Nestlé Qatar Trading LLC		Doha	49%	49%	QAR	1 680 000
Saudi Arabia						
Al Manhal Water Factory Co. Ltd		Riyadh		90%	SAR	7 000 000
Nestlé Saudi Arabia LLC		Jeddah		75%	SAR	27 000 000
Pure Water Factory Co. Ltd		Madinah		90%	SAR	5 000 000
Springs Water Factory Co. Ltd		Dammam		89.8%	SAR	5 000 000
Singapore						
Nestlé Singapore (Pte) Ltd		Singapore		100%	SGD	1 000 000
Nestlé TC Asia Pacific Pte Ltd	°◊	Singapore	100%	100%	JPY	10 000 000 000
					SGD	2
Wyeth Nutritionals (Singapore) Pte Ltd		Singapore		100%	SGD	220 506 420
Sri Lanka						
Nestlé Lanka PLC	Δ	Colombo	91.9%	91.9%	LKR	537 254 630
Listed on the Colombo stock exchange, market capitalization LKR 48.6 billion, quotation code (ISIN) LK0128N00005						
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

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

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Oceania						
Australia						
Nestlé Australia Ltd		Sydney		100%	AUD	274 000 000
Cereal Partners Australia Pty Ltd	1)	Sydney		50%	AUD	107 800 000
Fiji						
Nestlé (Fiji) Pte Ltd	NiM	Lami		100%	FJD	3 000 000
French Polynesia						
Nestlé Polynésie S.A.S.	NiM	Papeete		100%	XPF	5 000 000
New Caledonia						
Nestlé Nouvelle-Calédonie S.A.S.	NiM	Nouméa		100%	XPF	64 000 000
New Zealand						
Nestlé New Zealand Limited		Auckland		100%	NZD	300 000
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	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 Region		
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	

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

Lausanne, 15 February 2023

Report of the statutory auditor

Report on the audit of the consolidated financial statements

Opinion

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

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

Basis for opinion

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

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

Key audit matters

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

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

Measurement of revenue as it relates to trade spend

Risk	As described in Notes 1 and 3 of the consolidated financial statements, revenue from the sale of goods is recognized when control of the goods has transferred to the customer and is measured net of discounts, allowances and promotional rebates (collectively 'trade spend'). For certain trade spend arrangements settled retrospectively, management estimates the level of trade spend using judgments based on historical experience and the specific terms of the agreements with the customers. The measurement of revenue, therefore, involves estimates related to various arrangements with a broad customer base across different countries. Organic growth, which represents sales growth after removing, among other things, the impact of acquisitions, divestitures and exchange rate movements, is an important component in the determination of measurable financial objectives linked to management incentive schemes. There is a risk of revenue being misstated, through error, misinterpretation or misapplication of accounting standards and policies or intentional manipulation, as a result of the pressure that local management may feel to achieve growth targets. The nature of the misstatements may include bias in estimates, unrecorded accruals, or the misclassification of trade spend in the income statement. We deemed the measurement of trade spend to be a key audit matter due to the materiality and complexity in estimating the amount of trade spend that is ultimately claimed by customers. The estimates require the use of assumptions that are complex, given the high volume and diversity of trade spend arrangements as well as the uncertainty related to future outcomes, including changes in buying patterns resulting from the current economic environment.

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Our audit response	Our audit procedures included the following: **Accounting policies:** We assessed the Group's revenue recognition accounting policies, including the recognition and classification criteria for trade spend. **Processes and controls:** We gained an understanding of the types of arrangements, processes, systems and internal controls related to trade spend. – We tested the integrity of the general IT control environment relating to the most significant IT system relevant to revenue recognition and tested selected IT application controls. – We tested selected internal controls in some markets related to measuring and accounting for trade spend. **Data analytics:** We evaluated quarterly trends of sales and trade spend. We performed relationship analysis focused on the change in trade spend as a percentage of sales to assess the level of trade spend by category, and by customer, in the context of the local markets. For a sample of trade spend, we considered if those items were classified according to the Group's accounting policies. **Test of details:** For a sample of trade spend arrangements, we reconciled key inputs and assumptions used in the estimates with internal and external sources of information, such as the contracts with the relevant customers or other third-party support. We recalculated the accrual and income statement amounts to test mathematical accuracy. We reviewed manual journal entries impacting trade spend to identify significant or unusual items and obtained underlying documentation. We assessed the ageing of trade spend accruals. We tested transactions with customers recorded after the reporting date to assess the completeness of accruals and assessed whether recorded in the correct period. **Assessing disclosure:** We assessed the disclosure provided in Note 1 and Note 3 of the consolidated financial statements in relation to the relevant accounting standards.

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

Carrying value of goodwill and intangibles assets

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

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

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

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

Our audit response	Our audit procedures included the following:

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

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

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

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

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

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

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

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

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

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

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

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

Completeness and valuation of uncertain tax positions

Risk	Nestlé's global footprint results in significant complexity as its worldwide operations are subject to a diversity of international tax regulations. The cross-border activity and scrutiny of the transfer pricing applied to intercompany transactions vary by tax jurisdiction. In addition to the complexity of its tax environment, there is a level of unpredictability of tax authority's assessment of Nestlé's tax filings, which inherently results in the application of management judgment in ascertaining reasonable estimates, which may lead to liabilities for uncertain tax positions being understated or overstated. The identification and valuation of uncertain tax positions is a key audit matter because of the significant level of judgment and expertise required to interpret local country tax legislation and corresponding risks. Nestlé's policy on uncertain tax position can be found in Notes 1 and 13 of the consolidated financial statements.
Our audit response	Our audit procedures included the following: **Processes and controls:** We gained an understanding of the processes for identifying, measuring, and recognizing uncertain tax positions both centrally and locally, and confirmed the existence of controls in the process. **Historical comparisons and current context:** We obtained an understanding of the current macro-economic context that may affect uncertain tax positions which are recognized or unrecognized. We validated our understanding of the current environment in relation to other key areas of the audit. Furthermore, our tax specialists, including transfer pricing specialists, considered impacts of changes in tax legislation or business operations in the identification, measurement and recognition of uncertain tax positions. We reviewed available information related to significant on-going tax audits. We reviewed the recognized and unrecognized positions in comparison to tax audits' outcomes, when available, and gained an understanding if there were any deviations in the outcome compared to amounts recognized.

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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.

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Other information

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

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

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

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

Board of Directors' responsibilities for the consolidated financial statements

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

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

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

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

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

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

Financial information – 5-year review

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

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

(a) Certain financial performance measures, that are not defined by IFRS, are used by management to assess the financial and operational performance of the Group. The "Alternative Performance Measures" document published under https://www.nestle.com/investors/publications provides the definition of these non-IFRS financial performance measures.
(b) Calculated on the basis of the dividend for the year concerned, which is paid in the following year, and on high/low stock prices.
(c) As proposed by the Board of Directors of Nestlé S.A.

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

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Income statement for the year ended December 31, 2022

In millions of CHF

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

Balance sheet as at December 31, 2022

before appropriations

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

Notes to the annual accounts

1. Accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

2. Income from Group companies

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

3. Profit on disposal and revaluation of assets

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

4. Financial income

In millions of CHF	2022	2021
Income on loans to Group companies	135	125
Other financial income	55	55
	190	**180**

5. Financial expenses

In millions of CHF	2022	2021
Expenses related to loans from Group companies	(3)	—
Other financial expenses	(24)	(8)
	(27)	**(8)**

6. Taxes

In millions of CHF	2022	2021
Direct taxes	(57)	(154)
Prior-year adjustments	21	480
Withholding taxes on income from foreign sources	(39)	(58)
	(75)	**268**

7. Cash and cash equivalents

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

8. Other current receivables

In millions of CHF

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

9. Financial assets

In millions of CHF

	2022	2021
Loans to Group companies	17 636	12 403
Other investments	36	77
	17 672	**12 480**

10. Shareholdings

In millions of CHF

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

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

11. Interest-bearing liabilities

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

In millions of CHF

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

12. Other current liabilities

In millions of CHF

	2022	2021
Amounts owed to Group companies	330	5 677
Other liabilities	293	216
	623	**5 893**

13. Provisions

In millions of CHF

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

14. Share capital

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

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

15. Changes in equity

In millions of CHF

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

16. Treasury shares

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

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

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

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

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

17. Contingencies

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

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

In millions of CHF

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

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

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

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

19. Full-time equivalents

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

20. Shares

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

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

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

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

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

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

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

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

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

21. Events after the balance sheet date

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

Proposed appropriation of profit

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

(a) The amount of CHF 7 882 000 000 proposed to be distributed as dividend for 2021 was reduced by CHF 263 816 717 due to 94 220 256 treasury shares held by the Nestlé Group at the dividend payment date.
(b) Depending on the number of shares issued as of the last trading day with entitlement to receive the dividend (April 21, 2023). No dividend is paid on treasury shares held by the Nestlé Group.

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

The Board of Directors

Cham and Vevey, February 15, 2023

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Building a better working world

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

Lausanne, 15 February 2023

Report of the statutory auditor

Report on the audit of the financial statements

Opinion

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

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

Basis for opinion

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

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

Key audit matters

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

Other information

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

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

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

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

Board of Directors' responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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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.

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

J. B. Uhl

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

CEREAL PARTNERS U.K.

STRATEGIC REPORT, MEMBERS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

CEREAL PARTNERS U.K.

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

INTRODUCTION

The members present the Strategic report for the year ended 31 December 2022.

BUSINESS REVIEW

The performance achieved during the year is set out in the Profit and Loss account on page 9.

Turnover increased year on year by 3.5% compared to the RTE Cereal Market value growth of 1.4% as manufacturer price increases linked to global commodity and energy inflation were passed on to consumers as higher retail prices.

The results of the Partnership show a pre-tax loss of £771,000; (2021 – profit of £5,512,000).

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business of the Partnership and the execution of its strategy are subject to a number of risks and uncertainties, including a difficult economic environment, a strong competitive environment, currency fluctuations, further trade consolidation, product innovation, employee retention and volatility in input costs.

The members of the Partnership are aware of these risks and strategic decisions are made to manage these risks appropriately. These will include monitoring of the performance of key brands, review of costs and the credit exposure to customers. The decision-making process and the assessment of business performance is supported by the experience of the management team, regular sales volume and value data and monthly management accounts, split by business channel.

The Partnership has exposure to the risk of currency, commodity, and energy price fluctuations. These risks are managed by the regular monitoring of fluctuations and entering into forward currency contracts, grain futures and energy futures to hedge requirements as appropriate.

The group internal audit department monitors the operational risks of all parts of the business on a rotation/sample basis and will recommend improvements to business processes and controls to assist in the mitigation of identified business risks.

The Partnership is in a net current liability position and is reliant on its members, Nestlé UK Limited and General Mills Canada Holding Three Corporation for continued support – refer to note 1.2 for further details.

STAKEHOLDER REVIEW

Under section 172 of the UK Companies Act 2006 ('Section 172') the senior leadership team must act in the way that they consider, in good faith, would be most likely to promote the success of the company. In doing so, our senior leadership team must have regard to members and the other matters set out in Section 172. The following section is our Section 172 statement, which describes how the senior leadership team of this Company have had regard to these matters when performing their duty.

The Partnership has considered Sections 172(1) (a) to (f) listed below:

(a) the likely consequences of any decision in the long term

The Partnership takes a long-term view and makes decisions in order to continue to provide good food, good life and continue our quality and competitiveness for consumers for now and the future.

(b) the interests of the Partnership's employees

As a business, CPUK is guided by its values which are rooted in respect for ourselves, for each other, respect for diversity and respect for the future. CPUK is firmly committed to having a diverse workforce that is reflective of society and its consumer base as well as having an open dialogue and collaborative approach with all our employees. We promote a speak up culture and we provide opportunities for employees to provide feedback on areas that they would like to see further development and improvement. Learning and development is integral to our employee's growth and this is reflected by our Professional Development standards.

c) the need to foster the Partnership's business relationships with suppliers, customers, and others

As part of promoting a culture of inclusion, among other activities, we have embedded diversity and inclusion (D&I) in our supply chain by changing the procurement buyer mindset, spreading awareness of supplier diversity importance with our suppliers, and recognising the impact we can have on D&I within our supply chain. We have also engaged with the UK Government to address obesity with collaboration and education.

d) the impact of the Partnership's operations on the community and the environment

The Partnership acquires 100% of its grid supplied electricity from renewable sources provided by two wind farms in line with the plan to net zero by 2025.

e) the desirability of the Partnership maintaining a reputation for high standards of business conduct

CPUK prides itself on strong corporate business principles which ensure that the Partnership maintains standards in line with and above local regulations.

f) the need to act fairly between employees of the Partnership

We are a diverse business that does not tolerate racism, harassment, or discrimination of any kind. We have an established network of BAME colleagues to help lead learning events and inform further CPUK diversity approach. Through gender pay gap reporting we can see where we need to take action to drive equity in our workforce. With focus on Wellbeing, we are constantly covering topics such as mental health awareness and the support available. Ethics is an important part of our culture and we make sure that everyone is up to date with our values.

This report was approved by the members on 24 May 2023 and signed on their behalf.

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Matthieu Weber	Benjamin A Backberg
Director of Nestlé UK Limited	Director & Secretary of General Mills Canada Holding Three Corporation

CEREAL PARTNERS U.K.

**MEMBERS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The members present their report and the financial statements for the year ended 31 December 2022.

STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE MEMBERS' REPORT AND THE FINANCIAL STATEMENTS

The members are responsible for preparing the Strategic Report, the Members' Report and the Partnership financial statements in accordance with applicable law and regulations.

The Partnerships (Accounts) Regulations 2008 require the members to prepare partnership financial statements for each financial year in accordance with Part 15 and Chapter 1 of Part 16 of the Companies Act 2006. Under that law the members have elected to prepare the Partnership financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing the Partnership financial statements, the members are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Assess the qualifying partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the qualifying partnership or to cease operations or have no realistic alternative but to do so.

The members are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the partnership and to prevent and detect fraud and other irregularities.

PRINCIPAL ACTIVITIES

The principal activity of Cereal Partners UK (the Partnership) is the manufacture and sale of breakfast cereals in the UK and Ireland.

RESULTS AND DISTRIBUTIONS

The loss for the year, after taxation, amounted to £771,000; (2021 - profit of £5,512,000).

The members recommend no distribution be paid in 2022 (2021 - £5,512,000).

MEMBERS

The members who served during the year were:

Nestlé UK Limited
General Mills Canada Holding Three Corporation

GOING CONCERN

The Partnership's business activities, together with the factors likely to affect its future development and position, are set out in the Business review section of the members' report on pages 1 to 5.

The Partnership is expected to generate positive cash flows on its own account for the foreseeable future. The Partnership participates in the Nestlé centralised cash pooling arrangements.

Notwithstanding net current liabilities of £22,253,000 at 31 December 2022 (2021: £12,711,000) the financial statements have been prepared on a going concern basis for the following reasons:

The members have prepared cash flow forecasts to 24 May 2024 which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its members to meet its liabilities as they fall due for that period.

Nestlé SA and General Mills Canada Holding Three Corporation, have each provided the partnership with an undertaking that for at least twelve months from the date of the approval of these financial statements, they will continue to provide financial and other support to enable the Partnership to continue in operational existence for the foreseeable future and that repayment of the Partnership loans will not be sought if it would impede the Partnership's ability to meet it's obligations to third parties and operate as a going concern.

On the basis of their assessment of the Partnership's financial position and performance, the members have a reasonable expectation that the Partnership will be able to continue in operational existence for the foreseeable future and at least until 24 May 2024 and have accordingly adopted the going concern basis of accounting in the preparation of these financial statements.

FUTURE DEVELOPMENTS

The external environment is expected to remain competitive and challenging in 2023.

ENVIRONMENTAL MATTERS

The Partnership will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The Partnership has compiled with all applicable legislation and regulations

EMPLOYEE INVOLVEMENT

The Partnership fully supports the rights of individuals to seek, obtain and hold employment without discrimination on the grounds of race, colour, religion, origin, sex, sexual orientation, disability or marital status. The Partnership seeks to provide a working environment free of any harassment or intimidation. Policies relating to training, career development and succession are applied equally to disabled and able-bodied employees. Employees who become disabled are retained, where possible, through redeployment and retraining, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Occupational Health and Safety continued to receive the same high profile in 2022 with a commitment across all areas of the business to sustain the continual improvement in performance. Proactive preventative Occupational Health and Safety systems auditing continued and demonstrates increasing performance and the development of plans to continue with a continual increase in performance.

GREENHOUSE GAS EMISSIONS, ENERGY CONSUMPTION AND ENERGY EFFICIENT ACTION

The Partnership is committed to reduce its impact on the environment and has taken steps to switch to renewable energy and to reduce air emission. The Partnership obtains part of its power consumption from onshore wind farms and other renewable sources within the Nestlé group.

Energy usage for 2022 was 775,806 GJ (2021 - 770,978 GJ) and the greenhouse gas emissions were 42,088t CO_2 (2021 - 42,272t).

The Partnership measures emissions intensity with the ratio of Tonnes of CO_2 per tonne of production. In 2022 this was 0.58 (2021 - 0.55)

The Partnership uses the Nestlé group policy document to enable it to be able to calculate energy usage and CO_2 emissions. Energy usage is obtained from a variety of sources including external invoices and both external and internal information.

The CO_2 emissions calculation is based on energy consumption and CO_2 emission factors.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are members at the time when this Members' report is approved has confirmed that:

- So far as that member is aware, there is no relevant audit information of which the Partnership's Auditor is unaware, and
- That member has taken all the steps that ought to have been taken as a member in order to be aware of any relevant audit information and to establish that the Partnership's Auditor is aware of that information.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to have been reappointed and Ernst & Young LLP will therefore continue in office.

This report was approved by the members on 24 May 2023 and signed on their behalf.

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Matthieu Weber
Director of Nestlé UK Limited
1 City Place
Gatwick
RH6 0PA
United Kingdom

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Benjamin A Backberg
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1300-1969 Upper Water Street
Purdy's Wharf
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B3J 3R7
Canada

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CEREAL PARTNERS U.K.

Opinion

We have audited the financial statements of Cereal Partners U.K. for the year ended 31 December 2022 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying Partnerships.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the qualifying partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the qualifying partnership's ability to continue as a going concern for a period to 24 May 2024.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the qualifying partnership's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The members are responsible for the other information contained with the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006 as applied to qualifying partnerships

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the members' report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the strategic report and the members' report have been prepared in accordance with applicable legal requirements;

Matters on which we are required to report by exception

In light of the knowledge and understanding of the qualifying partnership and its environment obtained in the course of the audit, we have identified no material misstatements in the strategic report or members' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to qualifying partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

Responsibilities of members

As explained more fully in the Members' Responsibilities Statement set out on page 3, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine 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 members are responsible for assessing the partnership'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 members either intend to liquidate the Partnership or to cease operations, or have 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 ISAs (UK) 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the qualifying Partnership and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Partnership and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006 as applied to qualifying partnerships). In addition, the qualifying partnership has to comply with laws and regulations relating to its operations, including health and safety, food safety, employees, pensions, data protection and anti-bribery and corruption.

- We understood how the qualifying partnership is complying with those frameworks by making enquiries of management to understand how the qualifying partnership maintains and communicates its policies and procedures in these areas, and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities.

- We assessed the susceptibility of the qualifying partnership's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue to be a fraud risk. We identified a risk in relation to the measurement of arrangements with customers recorded as deductions from revenue and the manipulation of such agreements through management override of controls arising from pressure to achieve operating profit performance targets, which in turn drives management's remuneration. The procedures included testing, on a sample basis, agreements, settlements of deductions and underlying calculations of arrangements with customers. We incorporated data analytics into our testing of manual journals, including segregation of duties, and into our testing of revenue recognition. We tested specific transactions back to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved testing journals identified by specific risk criteria.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the qualifying partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to qualifying partnerships. Our audit work has been undertaken so that we might state to the qualifying partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the qualifying partnership's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst + Young LLP

Kester Rogers (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date:
24 May 2023

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Turnover	2	**256,860**	248,066
Costs of Sales		**(108,559)**	(98,869)
Gross Profit		**148,301**	149,197
Distribution costs		**(81,462)**	(78,678)
Administrative costs	4	**(62,702)**	(62,227)
Operating Profit	3	**4,137**	8,292
Interest receivable and similar income	8	**6,138**	4,419
Interest payable and similar charges	7	**(11,046)**	(7,199)
(Loss)/Profit before tax		**(771)**	5,512
(Loss)/Profit for the year		**(771)**	5,512

All amounts relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
(Loss)/Profit for the financial year		**(771)**	5,512
Other comprehensive income			
Actuarial (loss)/gain on defined benefit scheme	17	**(15,625)**	34,351
Other comprehensive (expense)/income for the year		**(15,625)**	34,351
Total comprehensive (loss)/income for the year		**(16,396)**	39,863

The notes on pages 13 to 26 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note		2022 £'000		2021 £'000
Fixed Assets					
Tangible assets	10		**79,056**		83,284
			79,056		83,284
Current assets					
Stocks	11	**18,902**		17,141	
Debtors	12	**6,506**		5,516	
Cash at bank and in hand		**447**		363	
		25,855		23,020	
Creditors: amounts falling due within one year	13	**(48,108)**		(35,731)	
Net current liabilities			**(22,253)**		(12,711)
Net assets excluding pension scheme			**56,803**		70,573
Defined benefit pension scheme surplus	17		**1,410**		11,615
Net assets			**58,213**		82,188
Represented by:					
Members' capital: Amounts (from)/to members falling due within one year	14		**(9,744)**		31,565
Members' capital: Loans to members falling due within one year	14		**153,000**		114,000
Members' other interests: Other capital and reserves	14		**(85,043)**		(63,377)
Total members' interests			**58,213**		82,188

The financial statements were approved and authorised for issue by the members and were signed on their behalf on 24 May 2023.

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Matthieu Weber
Director of Nestlé UK Limited

DocuSigned by:
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Benjamin A Backberg
Director & Secretary of General Mills Canada Holding Three Corporation

The notes on pages 13 to 26 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Members' Capital £'000	Hedging Reserve £'000	Retained Earnings £'000	Total Equity £'000
As at 1 January 2022	**145,565**	**189**	**(63,566)**	**82,188**
Comprehensive loss for the year				
Loss for the year	-	-	**(771)**	**(771)**
Other comprehensive (loss)/income for the year				
Movement of hedging reserve	-	**(189)**	**431**	**242**
Actuarial losses on pension scheme	-	-	**(15,625)**	**(15,625)**
Total other comprehensive loss	-	**(189)**	**(15,194)**	**(15,383)**
Total comprehensive loss	-	**(189)**	**(15,965)**	**(16,154)**
Contributions by and distributions to owners				
Distributions	-	-	**(5,512)**	**(5,512)**
Members' loans	**39,000**	-	-	**39,000**
Amounts due from members within one year	**(41,309)**	-	-	**(41,309)**
Total transactions with owners	**(2,309)**	-	**(5,512)**	**(7,821)**
As at 31 December 2022	**143,256**	**-**	**(85,043)**	**58,213**

	Members' Capital £'000	Hedging Reserve £'000	Retained Earnings £'000	Total Equity £'000
As at 1 January 2021	**127,736**	**189**	**(87,075)**	**40,850**
Comprehensive income for the year				
Profit for the year	-	-	**5,512**	**5,512**
Other comprehensive income for the year				
Actuarial gains on pension scheme	-	-	**34,351**	**34,351**
Total other comprehensive income	-	-	**34,351**	**34,351**
Total comprehensive income for the year	-	-	**39,863**	**39,863**
Contributions by and distributions to owners				
Distributions	-	-	**(16,354)**	**(16,354)**
Members' loans	**(19,000)**	-	-	**(19,000)**
Amounts due from members within one year	**36,829**	-	-	**36,829**
Total transactions with owners	**17,829**	-	**(16,354)**	**1,475**
As at 31 December 2021	**145,565**	**189**	**(63,566)**	**82,188**

The notes on pages 13 to 26 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
(Loss)/Profit for the financial year		**(771)**	5,512
Adjustments for:			
Depreciation of tangible assets		**11,421**	11,695
Loss on disposal of tangible assets		**57**	45
Interest payable		**11,046**	7,199
Interest receivable		**(6,138)**	(4,419)
(Increase)/decrease in stocks		**(1,761)**	433
(Increase)/decrease in debtors		**(1,131)**	418
Decrease/(increase) in amounts owed by group undertakings		**141**	(131)
Increase/(decrease) in creditors		**11,953**	(10,840)
Increase/(decrease) in amounts owed to group undertakings		**424**	(357)
(Decrease)/increase in net pension liabilities		**(4,810)**	950
Members' interests working capital movements	14	**(41,309)**	36,829
Net cash (used in)/generated from operating activities		**(20,878)**	47,334
Cash flows from investing activities			
Purchases of tangible fixed assets		**(7,250)**	(9,336)
Net cash used in investing activities		**(7,250)**	(9,336)
Cash flows from financing activities			
Distributions		**(5,512)**	(16,354)
Increase/(decrease) in member loans	14	**39,000**	(19,000)
Interest and similar charges paid		**(5,276)**	(2,489)
Net cash generated from/(used in) financing activities		**28,212**	(37,843)
Increase in cash and cash equivalents		**84**	155
Cash and cash equivalents at beginning of year		**363**	208
Cash and cash equivalents at the end of year		**447**	363

The notes on pages 13 to 26 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS102").

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the partnership's accounting policies.

The following principal accounting policies have been applied:

1.2 Going concern

The Partnership's business activities, together with the factors likely to affect its future development and position, are set out in the Business review section of the members' report on pages 1 to 5.

The Partnership is expected to generate positive cash flows on its own account for the foreseeable future. The Partnership participates in the Nestlé centralised cash pooling arrangements.

Notwithstanding net current liabilities of £22,253,000 at 31 December 2022 (2021: £12,711,000) the financial statements have been prepared on a going concern basis for the following reasons:

The members have prepared cash flow forecasts to 24 May 2024 which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its members to meet its liabilities as they fall due for that period.

Nestlé SA and General Mills Canada Holding Three Corporation, have each provided the partnership with an undertaking that for at least twelve months from the date of the approval of these financial statements, they will continue to provide financial and other support to enable the Partnership to continue in operational existence for the foreseeable future and that repayment of the Partnership loans will not be sought if it would impede the Partnership's ability to meet it's obligations to third parties and operate as a going concern.

On the basis of their assessment of the Partnership's financial position and performance, the members have a reasonable expectation that the Partnership will be able to continue in operational existence for the foreseeable future and at least until 24 May 2024 and have accordingly adopted the going concern basis of accounting in the preparation of these financial statements.

1.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the partnership and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- The Partnership has transferred the significant risks and rewards of ownership to the buyer;
- The goods have been despatched;
- The Partnership retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the Partnership will receive the consideration due under the transaction;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1.4 Intangible fixed assets and amortisation

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

1.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Partnership adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the partnership. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets on the following basis. The estimated useful lives range as follows:

Freehold property	-	25 to 35 years
Plant and machinery	-	5 to 20 years
Computer equipment	-	3 to 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

1.6 Leases

At inception the Partnership assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

i. Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined, the incremental borrowing rate is used.

Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset and are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

ii. Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving inventory. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.9 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Partnership's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.10 Hedging

The Partnership has entered into currency forward contracts to manage its exposure to fluctuations in the value of foreign currencies. In addition, the Partnership utilises the futures market to stabilise the long term price of major raw materials.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other Comprehensive Income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in Other Comprehensive income is included in the initial cost or other carrying amount of the asset or liability; alternatively, when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.11 Foreign currency translation

Functional and presentation currency

The Partnership's functional and presentational currency is GBP and all financial information is rounded to the nearest '000.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transaction.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Exchange gains and losses are recognised in the Profit and Loss account.

During its normal course of business the Partnership enters into a number of forward exchange contracts. These transactions are initially recorded at the rate stated in the relevant foreign exchange contact. At the balance sheet date any gains or losses arising on retranslation are recognised in the Profit and Loss account. The corresponding debtor or creditor is included in other debtors or creditors respectively.

1.12 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.13 Finance Costs

Finance costs are charged to the Profit and Loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

1.14 Pensions

The Partnership operates a closed defined benefit pension scheme. The assets of the scheme are held separately from those of the Partnership in an independently administered fund.

Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

The scheme surplus, to the extent that it is recoverable, or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of comprehensive income, actuarial gains and losses.

Further disclosure relating to the Partnership defined benefit pension scheme is given in note 18 to these financial statements.

The Partnership also participates in the Nestlé UK Pension Fund which includes a defined benefit and a defined contribution scheme. The assets of the scheme are held separately from those of the partnership.

The Partnership is unable to identify its share of the underlying assets and liabilities of the Nestlé scheme on a consistent and reasonable basis. It therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Profit and Loss account represents the contributions paid to the scheme in respect of the accounting period.

For additional information regarding the Nestlé UK Pension Fund please refer to note 18 to these financial statements.

1.15 Taxation

No account is taken of either current taxation on profits or deferred taxation arising on timing differences within these financial statements. All taxation is dealt with as appropriate in the financial statements of the members.

1.16 Distributions

Distributions unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Partnership. Unpaid distributions that do not meet these criteria are disclosed in the notes to the financial statements.

1.17 Interest Income

Interest income is recognised in the Profit and Loss account using the effective interest method.

1.18 Borrowing Costs

All borrowing costs are recognised in the Profit and Loss account in the year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1.19 Provisions for Liabilities

Provisions are made where an event has taken place that gives the Partnership a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss account in the year that the partnership becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2. ANALYSIS OF TURNOVER

	2022 £'000	2021 £'000
Analysis of turnover by country of destination:		
United Kingdom	**236,339**	229,481
Rest of Europe	**18,905**	17,531
Rest of the World	**1,616**	1,054
	256,860	248,066

3. OPERATING PROFIT

	2022 £'000	2021 £'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	**11,421**	11,695
Operating lease expense	**1,682**	1,587
Auditor's remuneration	**96**	91
Loss on sale of fixed assets	**57**	45

4. ADMINISTRATIVE COSTS

Administrative costs include £2,276,000 (2021 - £ nil) of restructuring costs which consists of severance payments in respect of employees who have left the Partnership.

5. EMPLOYEES

	2022 £'000	2021 £'000
Staff costs were as follows:		
Wages and salary costs	**32,068**	29,144
Social security costs	**3,441**	2,985
Pension costs	**4,891**	6,201
	40,400	38,330

Total staff costs disclosed above include amounts paid to key management personnel for normal compensation of £1,657,000 (2021: £1,581,000), and compensation for loss of office of £210,000 (2021: nil).

The average monthly number of employees, including the members, during the year was as follows:

	2022 No.	2021 No.
Production	**521**	536
Sales and administration	**97**	104
	618	640

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

6. MEMBERS' REMUNERATION

No directors of the members received any emoluments in respect of their management of the Partnership (2021 : £ nil).

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2022 £'000	2021 £'000
Pension guarantee levy	519	519
Other financial expenses payable to joint venture partners	325	269
Interest payable to joint venture partners	4,301	1,634
Interest payable on pension scheme liabilities	5,803	4,709
Other costs	98	68
	11,046	7,199

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022 £'000	2021 £'000
Interest on pension fund assets	6,108	4,419
Other	30	-
	6,138	4,419

9. INTANGIBLE FIXED ASSETS

	Systems Development £'000	Total £'000
Cost or valuation		
As at 1 January 2022 and 31 December 2022	8,523	8,523
Amortisation		
As at 1 January 2022 and 31 December 2022	8,523	8,523
Net Book Value as at 31 December 2022	-	-
Net Book Value as at 31 December 2021	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

10. TANGIBLE FIXED ASSETS

	Freehold Property £'000	Plant and Machinery £'000	Construction In Progress £'000	Total £'000
Cost or valuation				
As at 1 January 2022	**52,466**	**237,989**	**5,245**	**295,700**
Additions	**262**	**5,868**	**1,120**	**7,250**
Disposals	**-**	**(746)**	**-**	**(746)**
As at 31 December 2022	**52,728**	**243,111**	**6,365**	**302,204**
Accumulated Depreciation				
As at 1 January 2022	**28,149**	**184,267**	**-**	**212,416**
Charge for the period	**1,383**	**10,038**	**-**	**11,421**
Disposals	**-**	**(689)**	**-**	**(689)**
As at 31 December 2022	**29,532**	**193,616**	**-**	**223,148**
Net Book Value as at 31 December 2022	**23,196**	**49,495**	**6,365**	**79,056**
Net Book Value as at 31 December 2021	24,317	53,722	5,245	83,284

11. STOCKS

	2022 £'000	2021 £'000
Raw Materials and consumables	**5,248**	4,325
Finished goods and goods for resale	**13,654**	12,816
	18,902	17,141

During 2022 £101,102,000 (2021: £98,734,000) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

12. DEBTORS

	2022 £'000	2021 £'000
Amounts owed by group undertakings	**268**	409
Other debtors	**339**	439
Taxes and social security	**2,538**	2,633
Prepayments and accrued income	**3,219**	2,018
Financial instruments	**142**	17
	6,506	5,516

13. CREDITORS: Amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors		
Amounts owed to group undertakings	**40,843**	31,226
Other creditors	**2,952**	2,528
Tax and social security	**3,675**	1,169
	638	808
	48,108	35,731

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. RECONCILIATION OF MEMBERS' INTERESTS

	Other Interests			Loans & Other Debts			
	Members' Other Capital	**Other Reserves**	**Total Other Interests**	**Members' Loan Accounts**	**Members' Working Capital Balances**	**Total Loans & Other Debts**	**Total Members' Interest**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
			(63,377)				
At 1 January 2022	5,512	(68,889)	**(771)**	114,000	31,565	**145,565**	**82,188**
Loss for the year	(771)	-			-	-	**(771)**
Reclass of hedging reserve	-	242	**242**	-	-	-	**242**
Actuarial loss on defined benefit pension scheme	-	(15,625)	**(15,625)**	-	-	-	**(15,625)**
Distributions	(5,512)	-	**(5,512)**	-	-	-	**(5,512)**
Loan & working capital movements	-	-	-	39,000	(41,309)	**(2,309)**	**(2,309)**
At 31 December 2022	**(771)**	**(84,272)**	**(85,043)**	**153,000**	**(9,744)**	**143,256**	**58,213**

Members' loans and other debts comprise:	**2022 £'000**	**2021 £'000**
Amounts due from members and members' group companies	**(18,878)**	**(14,663)**
Amount due to Nestlé SA group cash pooling	**5,881**	**39,106**
Amounts due to members and members' group companies	**3,253**	**7,122**
Members' working capital	**(9,744)**	**31,565**
Amounts due to members – loans payable within twelve months	**153,000**	**114,000**
Total loans & other debts	**143,256**	**145,565**

15. DISTRIBUTIONS

	2022 £'000	2021 £'000
Distributions to members	**5,512**	16,354

16. CAPITAL COMMITMENTS

As at 31 December 2022 the partnership had capital commitments as follows:

	2022 £'000	2021 £'000
Contracted for but not provided in these financial statements	**327**	421

17. PENSION COMMITMENTS

The Partnership operates a defined benefit pension scheme, the Cereal Partners UK Pension Fund (the Fund) which is closed to new members, but open to the accrual of new benefits for current employee members.

The Fund is a registered pension scheme and is subject to the statutory scheme-specific funding requirements of UK legislation including payment of levies to the Pension Protection Fund. It is established under trust and the responsibility for its governance lies with the trustees. The trustees are responsible for the payment of benefits and the management of the Fund's assets which are held separately from the Partnership.

The funding plan for the Fund is to hold assets equal to the value of the benefits earned by its members, based on a set of actuarial assumptions. These assumptions differ from those used to calculate the partnership's accounting figures, and therefore produce different results. Funding assumptions are required to include a margin for prudence that is not present in accounting assumptions, and the funding discount rate is based on the Fund's stated investment strategy (as opposed to the yields available on corporate bonds). If there is an assessed shortfall against the funding plan, then the partnership and trustees agree on deficit contributions to make good the deficit over a period of time.

Contributions are set based on funding valuations carried out every three years. The latest completed triennial actuarial funding valuation was carried out with an effective date of 31 December 2020. This valuation indicated that on a funding basis, there was a deficit of £19.1m. As a result, deficit contributions of £5.0m payable by 31 March 2022 and £4.9 m payable by 31 March 2023 were agreed. The effective date of the next valuation is 31 December 2023.

At 31 December 2022 the Partnership reported a balance sheet asset of £1,410,000 (2021 £11,615,000) in respect of the Fund. The reduction of the balance sheet position was driven by the net impact of the volatility seen in LDI and bond markets in Q3 2022 following the change of Prime Minister and the impact this had on Fund asset values and DBO.

A full actuarial valuation of the fund was carried out as at 31 December 2020. The results of this valuation have been used and updated for the purpose of FRS 102 accounting for the period to 31 December 2022 by a qualified independent actuary to take account of the requirements of FRS 102 in order to assess the liabilities of the Partnership at the balance sheet date. Fund assets are stated at their market value at the balance sheet date. As required by FRS 102 the valuation uses the projected unit method, under which the current service cost will tend to increase as a percentage of pensionable payroll as members of the Fund approach retirement.

Following the Amendment dated 8 November 2012 to the Trust Deed & Rules of the Fund, the Partnership believes that it has an unconditional right to any remaining surplus once all member benefits have been paid and, as such, any future surplus will be recognised in full on the balance sheet.

The amount recognised in the balance sheet is as follows:

	2022	2021
	£'000	£'000
Present value of Defined Benefit Obligations	**(206,790)**	(310,156)
Fair value of Fund assets	**208,200**	321,771
Surplus/(deficit)	**1,410**	11,615

17. PENSIONS (Continued)

A breakdown of the Fund's investments is detailed below. The Fund holds liability-driven investment pooled funds, which hold gilt repurchase agreements and derivatives, including swaps. These assets are intended to reduce key liability risks such as those in respect of interest and inflation rates. At the reporting date, the Fund's target interest and inflation rate hedging ratios were 80% on the funding basis.

	2022 £'000	2021 £'000
UK Equities	**2,550**	10,090
Overseas Equities	**31,472**	71,435
Debt Instruments	**146,847**	192,053
Diversified Growth Fund	**2,426**	5,698
Real Estate	**18,412**	21,686
Cash and cash equivalents	**6,226**	19,760
Others	**267**	1,049
Total Fund Assets	**208,200**	321,771

Movement of Fund surplus

	2022 £'000	2021 £'000
Surplus/(deficit) at 1 January	**11,615**	(21,496)
Current service cost	**(3,003)**	(3,292)
Net interest income/(cost)	**305**	(290)
Actuarial (losses)/gains	**(15,625)**	34,351
Contributions paid – normal	**3,464**	2,861
Contributions paid – extraordinary	**5,000**	-
Other administration costs	**(499)**	(519)
Prior year service cost	**153**	-
Fund surplus at 31 December	**1,410**	11,615

Changes in the present value of Defined Benefit Obligations are as follows:

	2022 £'000	2021 £'000
Present value of Defined Benefit Obligations at 1 January	**(310,156)**	(329,282)
Current service cost	**(3,003)**	(3,292)
Prior year service cost	**153**	-
Contributions from Fund members	**(97)**	(101)
Interest on Fund liabilities	**(5,803)**	(4,709)
Changes in demographic assumptions	**2,622**	4,484
Changed in financial assumptions	**112,011**	15,576
Effect of experience adjustments	**(11,902)**	(1,891)
Benefits paid	**9,449**	9,059
Other	**(64)**	-
Present value of Defined Benefit Obligation at 31 December	**(206,790)**	(310,156)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

17. PENSIONS (Continued)

Changes in fair value of Fund assets are as follows:

	2022 **£'000**	2021 £'000
Fair value of Fund assets at 1 January	**321,771**	307,786
Interest on Fund assets	**6,108**	4,419
Actuarial (loss)/gain on Fund assets	**(118,356)**	16,182
Employer contributions – normal	**3,464**	2,861
Employer contributions – extraordinary	**5,000**	-
Fund member contributions	**97**	101
Other administrative costs	**(499)**	(519)
Benefits paid	**(9,449)**	(9,059)
Other	**64**	-
Fair value of Fund assets at 31 December	**28,200**	321,771

The cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income is £84,514,000 (2021: £68,889,000).

The Partnership expects to pay £4,549,000 in regular contributions and £4,900,000 in deficit contributions to the Fund in 2023.

Principal actuarial assumptions expressed as a weighted average and expected returns.

	2022 **£'000**	2021 £'000
Discount rate	**4.8%**	1.90%
Future salary increases	**2.25%**	2.30%
Future pension increases	**3.05%**	3.10%
Price inflation	**3.10%**	3.20%
Life expectancy of a current male pensioner aged 65	**21.4 years**	21.6 years
Life expectancy of a current female pensioner aged 65	**22.7 years**	22.9 years
Life expectancy of a future male retiree upon reaching 65	**24.0 years**	24.1 years
Life expectancy of a future female retiree upon reaching 65	**25.4 years**	25.5 years
Expected return on fund assets	**5.10%**	2.70%

The weighted average duration of the benefit payments reflected in the FRS 102 value of the Fund's liabilities is 17 years.

The following amounts have been recognised within operating costs for the years to 31 December 2022 and 2021.

	2022 **£'000**	2021 £'000
Current service cost	**3,003**	3,292
Prior year service cost	**(153)**	-
Other administrative costs	**499**	519
Total expense in operating cost	**3,349**	3,811

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

17. PENSIONS (Continued)

	2022 £'000	2021 £'000
Interest on Fund liabilities	**5,803**	4,709
Total expense in financing costs	**5,803**	4,709

	2022 £'000	2021 £'000
Interest receivable on Fund assets	**6,108**	4,419
Total interest in financing income	**6,108**	4,419

Sensitivity Analysis

The calculation of the Defined Benefit Obligation (DBO) is sensitive to assumptions set out above.

The following table summarises the impact of a change in these assumptions of half of one percent (0.5%).

	Increase by 0.50% DBO £'000	Decrease by 0.50% DBO £'000
Discount rate	193,952	221,085
Salary increases	208,089	205,529
Pension increases	213,589	199,952

	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Defined Benefit Obligation	**(206,790)**	(310,156)	(329,282)	(292,348)	(255,358)
Fund assets	**208,200**	321,771	307,786	281,842	254,875
	1,410	11,615	(21,496)	(10,506)	(483)

Historical Fund Deficit

The five- year history of experience gains and losses on Fund liabilities is as follows:

	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Experience gain/(loss) on Fund liabilities	**11,966**	1,891	(2,448)	1,065	2,358
% of the present value of Fund liabilities	**5.8%**	0.06%	-0.07%	0.36%	0.92%

Cereal Partners UK participates in the Nestlé UK Pension Fund (the Fund), which includes a defined benefit and a defined contribution section. The Partnership made contributions of £124,000 to the Fund during 2022 (2021 - £410,000).

Cereal Partners UK is unable to identify its share of the underlying assets and liabilities of the Fund, as each employee is exposed to actuarial risks associated with the current and former employees of other entities participating in the fund. Contributions to the Fund have therefore been accounted for as if it were a defined contribution arrangement. An update of the whole Fund was prepared at 31 December 2022 by an independent qualified actuary for the purposes of IAS19. At that date the assets exceeded the liabilities by £641,827,000 (2021 - £1,088,369,000). The full asset has been disclosed in the accounts of Nestlé UK Ltd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

18. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Other	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Less than one year	**1,147**	1,116	**362**	495
Between one and five years	**1,020**	2,104	**322**	684
	2,167	3,220	**684**	1,179

19. RELATED PARTY TRANSACTIONS

Cereal Partners UK is a jointly owned venture of Nestlé U.K. Limited and General Mills Canada Holding Three Corporation. The ultimate parent of Nestlé U.K. Limited is Nestlé S.A and the ultimate parent of General Mills Canada Holding Three Corporation is General Mills Inc. Nestlé U.K. Ltd and Nestlé Ireland Ltd act as undisclosed agent for Cereal Partners U.K.

	Sales		Expenses	
Entities with control, joint control, or significant influence	**2022**	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Nestlé U.K. Ltd	**199,960**	187,515	**28,313**	34,239
General Mills Inc.	**-**	-	**313**	327
CPW SA	**1,349**	1,248	**10,809**	9,845
	201,309	188,763	**39,435**	44,411
Other related parties				
Nestlé Ireland Ltd	**11,953**	10,920	**1,612**	2,063
CPW SARL	**-**	-	**119**	8
CP France	**114**	120	**14,249**	14,433
CP Israel	**532**	498	**-**	-
CP Germany	**386**	308	**-**	-
CP Poland	**-**	-	**1,303**	1,052
CP Gida Ticaret Limited Sirket	**1**	-	**-**	-
Nestlé Suisse	**61**	67	**-**	-
Nestlé Portugal	**86**	112	**1,552**	-
Nestlé Austria	**67**	57	**-**	-
Nestlé Malta	**90**	105	**-**	-
Nestlé Middle East	**151**	161	**182**	167
Nestlé SA	**-**	-	**259**	259
Nestlé Nestec SA	**1,067**	994	**14**	10
Nestlé Australia	**1,117**	549	**-**	-
Nestlé France	**-**	-	**70**	89
Nestlé Globe Centre	**-**	-	**1,222**	1,078
Nestlé Netherlands	**-**	-	**12**	14
Nestlé Operational Services Worldwide			**113**	109
Nestlé World Trade Corporation	**142**	282	**16,570**	14,303
Nestlé Sweden	**2,266**	1,990	**-**	-
Nestlé Denmark	**570**	503	**-**	-
Nestlé Finland	**709**	689	**-**	-
Nestlé Enterprises S.A., Bus. Growth Sol.	**103**	-	**-**	-
Nestlé Deutschland	**-**	-	**13**	-
Nestlé USA	**-**	-	**5**	-
Nestlé Nespresso	**-**	-	**4**	-
	19,415	17,355	**37,299**	33,585

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

19. RELATED PARTY TRANSACTIONS (Continued)

	Debtors		Creditors	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Entities with control, joint control, or significant influence				
Nestlé U.K. Ltd	**16,630**	12,683	**1,639**	3,418
General Mills Inc.	**-**	-	**(86)**	131
CPW SA	**105**	90	**869**	795
	16,735	12,773	**2,422**	4,344
Other related parties				
Nestlé Ireland Ltd	**1,319**	1,250	**144**	88
CPW SARL	**-**	-	**45**	1
CP Germany	**83**	17	**-**	-
CP France	**17**	117	**1,855**	1,460
CP Poland	**-**	-	**184**	272
CP Turkey	**1**	-	**-**	-
Nestlé Australia	**224**	106	**-**	-
Nestlé Austria	**11**	8	**-**	-
Nestlé Suisse	**11**	9	**-**	-
Nestlé Malta	**18**	18	**-**	-
Nestlé Australia	**-**	167	**-**	-
Nestlé Portugal	**12**	32	**30**	702
Nestlé Nestrade SA	**-**	41	**1,078**	2,406
Nestlé Osem Food Industries	**-**	33	**-**	-
Nestlé Osem Investments Ltd	**61**	45	**-**	-
Nestlé Finland	**70**	48	**-**	-
Nestlé Globe Centre	**-**	-	**108**	88
Nestlé Nestec SA	**306**	249	**-**	2
Nestlé Operational Services Worldwide	**-**	-	**30**	22
Nestlé Middle East	**6**	10	**-**	-
Nestlé Sweden	**226**	106	**-**	166
Nestlé Denmark	**27**	40	**-**	-
Nestlé Nederland BV	**-**	-	**1**	2
Nestlé France	**-**	-	**10**	24
Nestlé NESA BGS	**19**	-	**-**	-
Nestlé Germany	**-**	-	**13**	-
	2,411	2,296	**3,498**	5,233

20. CONTROLLING PARTY

In the opinion of the members there is no overall controlling party.