Nestlé Good food, Good life

Half-Year Report
January–June 2022

**Nestlé.
We unlock the power of food
to enhance quality of life for everyone,
today and for generations to come.**

Letter to our shareholders

Dear fellow shareholders,

Foreword

The *Half-Year Report* contains certain financial performance measures not defined by IFRS, which are used by management to assess the financial and operational performance of the Group. It includes among others:

– Organic growth, Real internal growth and Pricing;
– Underlying Trading operating profit margin and Trading operating profit margin;
– Net financial debt;
– Free cash flow; and
– Underlying earnings per share as reported and in constant currency.

Management believes that these non-IFRS financial performance measures provide useful information regarding the Group's financial and operating performance.

The "*Alternative Performance Measures*" document published under www.nestle.com/investors/publications defines these non-IFRS financial performance measures.

Introduction

In the first half of the year, we delivered strong organic growth and a significant increase in underlying earnings per share. Our local teams implemented price increases in a responsible manner. Volume and product mix were resilient, based on our strong brands, differentiated offerings and leading market positions. We limited the impact of unprecedented inflationary pressures and supply chain constraints on our margin development through disciplined cost control and operational efficiencies. At the same time, investments behind capital expenditure, digitalization and sustainability increased significantly.

We are focused on creating shared value over both the short and long term. Growing food insecurity around the world and heightened climate concerns, following an increase in unusual weather patterns, underlines the importance of this strategic direction. Good for you and good for the planet are the two key strategic pillars that our company pursues in an unwavering manner, even in the face of significant short-term challenges.

Group results

Group sales

Organic growth was 8.1%. Pricing increased to 6.5% to reflect significant and unprecedented cost inflation. RIG was resilient at 1.7%, given the high base of comparison in 2021 and supply chain constraints.

Organic growth was 6.9% in developed markets, with strong pricing and positive RIG. Organic growth in emerging markets was 10.0%, with increased pricing and solid RIG.

By product category, Purina PetCare was the largest contributor to organic growth, with continued momentum for science-based and premium brands *Purina Pro Plan*, *Purina ONE* and *Fancy Feast* as well as veterinary products. Sales in coffee grew at a high single-digit rate, with broad-based growth across brands and geographies, supported by a strong recovery of out-of-home channels. Confectionery reported double-digit growth, reflecting particular strength for *KitKat* and seasonal products. Growth in Infant Nutrition reached a high single-digit rate, with a return to positive growth in China and improving market share trends. Water posted double-digit growth, led by premium brands and a further recovery of out-of-home channels. Nestlé Health Science recorded high single-digit growth, driven by Medical Nutrition and healthy-aging products. Dairy reported mid single-digit growth, with strong sales developments for coffee creamers and affordable nutrition offerings. Prepared dishes and cooking aids posted low single-digit growth, following a high base of comparison in 2021, with continued strong demand for *Maggi*. Sales in vegetarian and plant-based food continued to grow at a double-digit rate, led by *Garden Gourmet*.

By channel, organic growth in retail sales remained robust at 6.7%. Within retail, e-commerce sales grew by 8.3%, building on growth of 19.2% in the first half of 2021. Organic growth in out-of-home channels reached 29.6%, with sales exceeding 2019 levels.

Net acquisitions increased sales by 1.0%, largely related to the acquisitions of the core brands of The Bountiful Company as well as Orgain. The impact on sales from foreign exchange was positive at 0.1%. Total reported sales increased by 9.2% to CHF 45.6 billion.

Underlying Trading operating profit

Underlying trading operating profit increased by 6.0% to CHF 7.7 billion. The underlying trading operating profit margin decreased by 50 basis points to 16.9% in constant currency and on a reported basis, reflecting time delays between cost inflation and pricing actions.

Gross margin decreased by 280 basis points to 46.0%, following significant broad-based inflation for commodity, packaging, freight and energy costs. Pricing, growth leverage and efficiencies helped to significantly offset the impact of cost inflation.

Distribution costs as a percentage of sales decreased by 10 basis points, mainly as a result of the divestment of the Nestlé Waters North America brands.

Marketing and administration expenses as a percentage of sales decreased by 210 basis points, supported by sales growth leverage and disciplined cost control. Marketing spend decreased temporarily, following a lower level of promotion and marketing activities in the context of supply chain constraints.

Restructuring expenses and net other trading items were CHF 1.0 billion, reflecting higher impairments. As a result, trading operating profit decreased by 4.3% to CHF 6.7 billion, and the trading operating profit margin decreased by 200 basis points on a reported basis to 14.7%.

Net financial expenses and Income tax

Net financial expenses increased by 4.5% to CHF 434 million, reflecting higher average net debt.

The Group reported tax rate increased by 680 basis points to 24.2% as a result of one-off items. The underlying tax rate increased by 70 basis points to 20.9%, mainly due to the geographic and business mix.

Net profit and Earnings per share

Net profit decreased by 11.7% to CHF 5.2 billion. Net profit margin decreased by 270 basis points to 11.5% as a result of one-off items, including higher impairments and taxes. As a consequence, earnings per share decreased by 9.5% to CHF 1.92 on a reported basis.

Underlying earnings per share increased by 8.1% in constant currency and by 7.3% on a reported basis to CHF 2.33. The increase was mainly the result of strong organic growth. Nestlé's share buyback program contributed 1.7% to the underlying earnings per share increase, net of finance costs.

Cash flow

Cash generated from operations decreased from CHF 5.8 billion to CHF 5.7 billion mainly due to an increase in working capital. The Group increased its inventory levels temporarily, due to significant supply chain constraints. Excluding the increase in working capital, cash generated from operations increased from CHF 7.9 billion to CHF 8.8 billion, driven by strong organic growth. Free cash flow decreased from CHF 2.8 billion to CHF 1.5 billion reflecting higher taxes and a temporary increase in capital expenditure to meet strong volume demand, particularly for Purina PetCare and coffee.

Share buyback program

In the first half, the Group repurchased CHF 6.9 billion of Nestlé shares as part of the three-year CHF 20 billion share buyback program, which began in January 2022.

Net debt

Net debt increased to CHF 48.5 billion as at June 30, 2022, compared to CHF 32.9 billion at December 31, 2021. The increase largely reflected the dividend payment of CHF 7.6 billion and share buybacks of CHF 6.7 billion.

Portfolio management

On April 1, 2022, Nestlé Health Science completed the acquisition of a majority stake in Orgain, a leader in plant-based nutrition. Orgain complements Nestlé Health Science's existing portfolio of nutrition products that support healthier lives. The deal is expected to be slightly accretive to Nestlé's organic growth, while slightly dilutive to the Group's underlying trading operating profit margin in 2022. The agreement includes the option for Nestlé Health Science to fully acquire Orgain in 2024.

On May 23, 2022, Nestlé Health Science agreed to acquire Puravida, a premium Brazilian nutrition and health lifestyle brand. The acquisition will enable Nestlé Health Science to expand its consumer health portfolio in Latin America.

On June 25, 2022, Nestlé Health Science agreed to acquire The Better Health Company. The acquisition includes the GO Healthy brand, New Zealand's leading supplement brand, and New Zealand Health Manufacturing, an Auckland-based manufacturing facility for vitamins, minerals and supplements. The acquisition will expand Nestlé Health Science's portfolio of vitamins, minerals and supplements in AOA.

Zone North America (NA)

Sales	CHF 12.1 billion
Organic growth	+9.6%
Real internal growth	–0.2%
Underlying Trading operating profit margin	18.8%
Underlying Trading operating profit margin	+30 basis points
Trading operating profit margin	15.1%
Trading operating profit margin	–260 basis points

- 9.6% organic growth: -0.2% RIG; 9.8% pricing.
- The underlying trading operating profit margin increased by 30 basis points to 18.8% as a result of the Nestlé Waters North America brands divestment.

Organic growth was 9.6%, with increased pricing of 9.8%. RIG was -0.2%, following a high base of comparison in 2021 and supply chain constraints. Net divestitures reduced sales by 7.1%, mainly due to the divestment of the Nestlé Waters North America brands. Foreign exchange had a positive impact of 4.3%. Reported sales in Zone North America increased by 6.8% to CHF 12.1 billion.

Organic growth in Zone North America was close to a double-digit rate, led by increased pricing, strong momentum in e-commerce and a further recovery of out-of-home channels. The Zone saw continued broad-based market share gains, particularly in pet food, coffee and creamers as well as premium water.

By product category, Purina PetCare was the largest growth contributor with strong momentum across channels and brands. *Purina Pro Plan*, including veterinary products, *Fancy Feast* and *Purina ONE* all posted strong double-digit growth, helped by continued innovation such as *Purina ONE Microbiome Balance*. Sales in Nestlé Professional and Starbucks out-of-home products grew at a strong double-digit rate. The beverages category, including Starbucks at-home products, *Coffee mate* and *Nescafé*, saw mid single-digit growth, following a high base of comparison in 2021. Sales in premium water grew at a double-digit rate, with strong momentum for *S.Pellegrino*, *Perrier* and *Essentia*. Infant formula recorded strong growth, following supply shortages in the market. Nestlé helped address the needs of parents and caregivers by importing essential infant formula products to the United States. Baby food also posted strong growth, fueled by new launches for *Gerber* in healthy snacking and high demand for organic plant-based offerings. Frozen food reported low single-digit growth, impacted by a high base of comparison in 2021 for frozen meals. *DiGiorno* and *Hot Pockets* saw solid demand, and growth in *Stouffer's* turned positive in the second quarter. Ready-to-drink *Nesquik* in the U.S. and confectionery in Canada saw double-digit growth, supported by new product launches.

The Zone's underlying trading operating profit margin increased by 30 basis points. Excluding the impact of the Nestlé Waters North America brands divestment, the Zone's margin development was negative as pricing did not fully offset significant cost inflation.

Zone Europe (EUR)

Sales	CHF 9.3 billion
Organic growth	+7.1%
Real internal growth	+2.1%
Underlying Trading operating profit margin	17.3%
Underlying Trading operating profit margin	–140 basis points
Trading operating profit margin	16.1%
Trading operating profit margin	–280 basis points

- 7.1% organic growth: 2.1% RIG; 4.9% pricing.
- The underlying trading operating profit margin decreased by 140 basis points to 17.3%.

Organic growth was 7.1%. Pricing reached 4.9%. RIG remained solid at 2.1%, despite a high base of comparison in 2021 and supply chain constraints. Foreign exchange negatively impacted sales by 5.7%. Reported sales in Zone Europe increased by 2.9% to CHF 9.3 billion.

Zone Europe reported high single-digit organic growth, reflecting increased pricing, a further recovery of out-of-home channels and innovation. The Zone continued to see market share gains, particularly in pet food, coffee and Infant Nutrition.

By product category, the key growth driver was Purina PetCare, fueled by premium brands *Gourmet*, *Purina ONE* and *Purina Pro Plan*, including veterinary products. Growth was broad-based across channels, particularly in e-commerce and pet specialty stores. *Gourmet Revelations*, the recently launched super-premium cat food, saw strong demand. Sales in Nestlé Professional grew at a double-digit rate, led by beverages. Water posted double-digit growth, driven by *S.Pellegrino*, *Perrier* and *Acqua Panna*. Sales in Infant Nutrition grew at a double-digit rate, based on strong momentum for human milk oligosaccharides (HMOs) products. Confectionery reported mid single-digit growth, with strong demand for *KitKat* across most geographies and *Baci* in Italy. Coffee posted low single-digit growth, led by *Nescafé* soluble coffee. *Starbucks by Nespresso* and other Nespresso-compatible capsules saw further market share gains in the retail segment. Culinary reported a sales decrease, impacted by negative growth in pizza and noodles. *Garden Gourmet* plant-based products continued to see strong momentum, reflecting new product launches.

The Zone's underlying trading operating profit margin decreased by 140 basis points. Significant cost inflation more than offset pricing, growth leverage and disciplined cost control.

Zone Asia, Oceania and Africa (AOA)

Sales	CHF 9.3 billion
Organic growth	+8.2%
Real internal growth	+2.1%
Underlying Trading operating profit margin	23.5%
Underlying Trading operating profit margin	–90 basis points
Trading operating profit margin	23.2%
Trading operating profit margin	–100 basis points

– 8.2% organic growth: 2.1% RIG; 6.1% pricing.
– The underlying trading operating profit margin decreased by 90 basis points to 23.5%.

Organic growth reached 8.2%, with RIG of 2.1%. Pricing increased to 6.1%, with broad-based contributions from all geographies and categories. Foreign exchange reduced sales by 3.0%. Reported sales in Zone AOA increased by 5.2% to CHF 9.3 billion.

Organic growth in Zone AOA accelerated to a high single-digit rate, driven by increased pricing, a further recovery of out-of-home channels and strong supply chain execution. The Zone saw market share gains across categories, particularly in culinary, portioned and ready-to-drink coffee as well as dairy.

South-East Asia posted mid single-digit growth, with positive contributions from most geographies, led by Malaysia. *Nescafé*, particularly ready-to-drink offerings, as well as *Maggi* and *KitKat* saw strong demand. South Asia recorded broad-based double-digit growth, due to distribution expansion and increased brand equity, particularly for *Maggi*, *KitKat* and *Nescafé*. Growth in Middle East and Africa was close to a double-digit rate, based on strong momentum for affordable offerings in Central and West Africa. Japan reported mid single-digit growth, based on solid demand for coffee and Purina PetCare. Sales in South Korea grew at a double-digit rate, driven by Starbucks products. Oceania reported high single-digit growth, fueled by new product launches, including *KitKat Dark Tablet* and the relaunch of *Nescafé* coffee mixes.

By product category, culinary was the largest growth contributor, led by *Maggi*. Coffee posted high single-digit growth, with continued strong demand for *Nescafé* and Starbucks products. Sales in Nestlé Professional grew at a double-digit rate. Infant Nutrition reported mid single-digit growth, with a broad-based recovery in the second quarter. Sales in cocoa and malt beverages as well as confectionery saw double-digit growth, based on strong demand for *Milo* and *KitKat*. Purina PetCare recorded high single-digit growth, with continued momentum for *Purina ONE*, *Purina Pro Plan* and *Felix*.

The Zone's underlying trading operating profit margin decreased by 90 basis points. Significant cost inflation more than offset pricing, growth leverage and disciplined cost control.

Zone Latin America (LATAM)

Sales	CHF 5.7 billion
Organic growth	+13.6%
Real internal growth	+4.2%
Underlying Trading operating profit margin	21.1%
Underlying Trading operating profit margin	+10 basis points
Trading operating profit margin	20.5%
Trading operating profit margin	+70 basis points

- 13.6% organic growth: 4.2% RIG; 9.4% pricing.
- The underlying trading operating profit margin increased by 10 basis points to 21.1%.

Organic growth was 13.6%, with increased pricing of 9.4%. RIG remained strong at 4.2%, following high single-digit growth in 2021. Foreign exchange had a positive impact of 4.3%. Reported sales in Zone Latin America increased by 17.9% to CHF 5.7 billion.

Zone Latin America maintained double-digit organic growth, with broad-based contributions across geographies and categories. Growth was supported by increased pricing, a further recovery of out-of-home channels and sustained momentum for retail sales. The Zone saw market share gains in Infant Nutrition, pet food and coffee creamers.

Sales in Brazil grew at a double-digit rate, with strong momentum for confectionery, cocoa and malt beverages as well as Infant Nutrition. Mexico reported high single-digit growth, with strong sales developments for Purina PetCare, *Nescafé* and *Carnation*. Sales in Chile grew at a double-digit rate, led by confectionery, Purina PetCare and coffee. Colombia and the Plata Region also saw strong growth, supported by volumes.

By product category, confectionery was the largest growth contributor, reflecting strong demand for *KitKat* and key local brands, particularly *Garoto* in Brazil. Sales in Purina PetCare grew at a double-digit rate, fueled by *Dog Chow*, *Cat Chow* and *Purina Pro Plan*. Distribution of *Purina ONE* continued to expand across the Zone. Coffee reported broad-based double-digit growth, supported by *Nescafé* soluble coffee, *Nescafé Dolce Gusto* and the further roll-out of Starbucks products. Sales in Nestlé Professional grew at a strong double-digit rate, with particular strength for beverages. Infant Nutrition saw high single-digit growth, based on solid momentum for *Nido* and *NAN*. Dairy posted mid single-digit growth, led by fortified milks and dairy culinary solutions.

The Zone's underlying trading operating profit margin increased by 10 basis points. Pricing, growth leverage and disciplined cost control more than offset cost inflation.

Zone Greater China (GC)

Sales	CHF 2.7 billion
Organic growth	+2.3%
Real internal growth	+1.6%
Underlying Trading operating profit margin	15.0%
Underlying Trading operating profit margin	+100 basis points
Trading operating profit margin	15.1%
Trading operating profit margin	+120 basis points

– 2.3% organic growth: 1.6% RIG; 0.7% pricing.
– The underlying trading operating profit margin increased by 100 basis points to 15.0%.

Organic growth was 2.3%, with RIG of 1.6%. Pricing reached 0.7%, turning positive in the second quarter. Foreign exchange had a positive impact of 3.8%. Reported sales in Zone Greater China increased by 6.0% to CHF 2.7 billion.

Zone Greater China reported low single-digit organic growth, impacted by COVID-19-related movement restrictions. Growth was supported by robust demand in e-commerce channels and continued innovation.

By product category, coffee posted mid single-digit growth. Starbucks products and *Nescafé* soluble coffee saw continued momentum. Culinary reported mid single-digit growth, helped by increased distribution and new product launches. Confectionery recorded mid single-digit growth, led by strong sales development for *Shark* wafer chocolate and solid demand for *Hsu Fu Chi*. Purina PetCare posted high single-digit growth, with particular strength for *Mon Petit*, *Fancy Feast* and recently launched *DentaLife*. Growth in Infant Nutrition turned positive, with improving market share trends. The business saw a strong recovery in the second quarter, particularly for *NAN* and *illuma*. Nestlé Professional reported a sales decrease, reflecting restrictions on out-of-home channels.

The Zone’s underlying trading operating profit margin increased by 100 basis points. Favorable mix and disciplined cost control more than offset cost inflation.

Nespresso

Sales	CHF 3.2 billion
Organic growth	+2.6%
Real internal growth	–1.6%
Underlying Trading operating profit margin	24.3%
Underlying Trading operating profit margin	–170 basis points
Trading operating profit margin	23.7%
Trading operating profit margin	–200 basis points

– 2.6% organic growth: -1.6% RIG; 4.2% pricing.
– The underlying trading operating profit margin decreased by 170 basis points to 24.3%.

Organic growth was 2.6%, with increased pricing of 4.2%. RIG was -1.6% following strong double-digit growth in 2021 during the pandemic. Foreign exchange negatively impacted sales by 1.7%. Reported sales in Nespresso increased by 1.0% to CHF 3.2 billion.

Nespresso reported low single-digit organic growth, following strong double-digit growth in 2021. Out-of-home channels saw further recovery, with strong demand for the *Momento* system. The *Vertuo* system saw sustained momentum and is now sold in 44 countries. Innovation continued to resonate with consumers with new product launches, including the summer collection of *Barista Creations Liminha over Ice* and *Exotic Liminha over Ice*.

By geography, North America posted double-digit growth with continued market share gains. Europe reported a sales decrease, following a high base of comparison in 2021. Other regions combined recorded high single-digit growth.

In the second quarter, Nespresso obtained global certification as a B Corp, reflecting the business's ongoing commitment to sustainability and transparency.

The underlying trading operating profit margin of Nespresso decreased by 170 basis points, impacted by investments in the roll-out of the *Vertuo* system and cost inflation.

Nestlé Health Science

Sales	CHF 3.2 billion
Organic growth	+6.6%
Real internal growth	+4.4%
Underlying Trading operating profit margin	13.7%
Underlying Trading operating profit margin	+20 basis points
Trading operating profit margin	3.2%
Trading operating profit margin	–1020 basis points

– 6.6% organic growth: 4.4% RIG; 2.2% pricing.
– The underlying trading operating profit margin increased by 20 basis points to 13.7%.

Organic growth was 6.6%, with robust RIG of 4.4% and increased pricing of 2.2%. Net acquisitions increased sales by 57.2%, largely related to the acquisition of the core brands of The Bountiful Company as well as Orgain. Foreign exchange positively impacted sales by 1.7%. Reported sales in Nestlé Health Science increased by 65.5% to CHF 3.2 billion.

Nestlé Health Science posted high single-digit organic growth, building on strong sales developments in 2020 and 2021. Growth was supported by innovation, geographic expansion and market share gains.

Consumer Care posted mid single-digit growth. Healthy-aging products grew at a double-digit rate, supported by *Boost* and *Nutren*. Vitamins, minerals and supplements reported low single-digit growth, following a high base of comparison and supply chain constraints. Sales of *Pure Encapsulations*, a super-premium offering recommended by healthcare professionals, grew at a double-digit rate. Vital Proteins saw robust demand, helped by geographic expansion. Orgain, the newly acquired plant-based nutrition business, posted strong double-digit growth, based on innovation and increased distribution.

Medical Nutrition reported double-digit growth, with strong sales developments for pediatric products, *Althéra*, *Alfaré* and *Alfamino*. *Zenpep* posted strong growth with market share gains. *Palforzia*, the peanut allergy treatment, saw further patient adoption.

By geography, sales in North America grew at a high single-digit rate. Europe saw positive growth. Other regions combined posted double-digit growth.

The underlying trading operating profit margin of Nestlé Health Science increased by 20 basis points. Growth leverage and acquisition synergies more than offset cost inflation and growth investments.

Business as a force for good: Improving the lives of lower-income consumers through affordable nutrition
Supply chain disruptions and inflationary pressures have been exacerbated by the war in Ukraine and extreme weather events related to climate change. People's purchasing power has been reduced. In this context, offering affordable, nutritious food to lower-income consumers is more important than ever.

Working to make nutritious food products affordable and accessible is part of Nestlé's mission. The company focuses on four areas:

- Micronutrient deficiencies are widespread globally. Nestlé helps tackle the issue through **micronutrient fortification** based on local needs. In Pakistan, for example, one out of two children are deficient in iron. The company recently launched *BUNYAD* IRON+, an affordable dairy-based drink fortified with a new source of iron that is more easily absorbed in the body. In the Central and West Africa Region (CWAR), where iron deficiency is also widespread, Nestlé fortifies *Maggi* bouillon with iron and iodine. These products are used widely and regularly in the region to add flavor to home-cooked meals. Last year, Nestlé sold 82 billion fortified servings of affordable *Maggi* bouillon in CWAR alone. Nestlé also addresses inadequacies in macronutrients, like fiber, healthy fats and protein, through its products.
- To increase the **availability and accessibility** of affordable nutrition products, Nestlé aims to offer them at a price people can afford on their daily wages. It's also about making products available wherever consumers shop. In remote areas around the world, Nestlé leverages different channels specific to local markets to distribute its affordable nutrition products. The traditional open markets in CWAR, where *Maggi* bouillon is sold, is just one example.
- Nestlé works on **value chain optimization** to keep costs low and secure supply. It sources ingredients from local producers and strives to minimize food waste. *Nestlé Cerevita* Instant Sour Porridge, for instance, is an affordable nutritious solution for consumers in southern Africa. It uses high-quality ingredients that are locally and sustainably sourced. Production of the product leverages existing roller drying and dry-mixing technologies. In this way, Nestlé minimizes production costs and provides a porridge that is adapted to local consumer taste preferences and nutritional requirements.
- Nestlé is expanding its **nutrition education programs and partnerships** to help consumers. For example, its 'Live Strong with Iron' campaign in CWAR promotes the awareness and consumption of iron-rich foods. In Australia, Nestlé developed and produced the first custom-made product for Foodbank, a food relief organization. The *Maggi* Hearty One Pot Recipe Mix is used in combination with the fresh ingredients Foodbank provides and has added flavor to one million meals so far. The product is helping fight food insecurity and minimizing food waste at the same time.

Outlook
Full-year 2022 outlook updated: we expect organic sales growth between 7% and 8%. The underlying trading operating profit margin is now expected around 17.0%. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

Paul Bulcke
Chairman of the Board

U. Mark Schneider
Chief Executive Officer

Key figures (consolidated)

Key figures in CHF

In millions (except for data per share)	January–June 2022	January–June 2021
Results		
Sales	45 580	41 755
Underlying Trading operating profit *	7 683	7 251
as % of sales	16.9%	17.4%
Trading operating profit *	6 684	6 987
as % of sales	14.7%	16.7%
Profit for the period attributable to shareholders of the parent (Net profit)	5 247	5 945
as % of sales	11.5%	14.2%
Balance sheet and cash flow statement		
Total Equity [(a)]	45 213	46 401
Net financial debt */[(a)]	48 460	38 494
Operating cash flow	3 935	4 669
Free cash flow *	1 472	2 823
Capital additions	3 357	2 553
Data per share		
Weighted average number of shares outstanding (in millions of units)	2 729	2 799
Basic earnings per share	1.92	2.12
Market capitalization	**301 156**	**321 428**

Principal key figures in USD and EUR (illustrative)

Income statement and cash flow statement figures translated at weighted average rate;
Balance sheet figures at ending June exchange rate

In millions (except for data per share)	January–June 2022	January–June 2021	January–June 2022	January–June 2021
	in USD	in USD	in EUR	in EUR
Sales	48 220	45 975	44 169	38 150
Underlying Trading operating profit *	8 129	7 984	7 446	6 625
Trading operating profit *	7 071	7 693	6 477	6 384
Profit for the period attributable to shareholders of the parent (Net profit)	5 551	6 545	5 084	5 431
Total Equity [(a)]	47 296	50 370	45 300	42 314
Basic earnings per share	2.03	2.34	1.86	1.94
Market capitalization	315 033	348 924	301 742	293 114

* Certain financial performance measures are not defined by IFRS. For further details, refer to the document “Alternative Performance Measures” published under www.nestle.com/investors/publications.

(a) Situation as at June 30.

Consolidated income statement for the six months ended June 30, 2022

In millions of CHF	Notes	January–June 2022	January–June 2021
Sales	3	**45 580**	**41 755**
Other revenue		178	171
Cost of goods sold		(24 633)	(21 399)
Distribution expenses		(4 169)	(3 858)
Marketing and administration expenses		(8 465)	(8 625)
Research and development costs		(808)	(793)
Other trading income	5	67	145
Other trading expenses	5	(1 066)	(409)
Trading operating profit	3	**6 684**	**6 987**
Other operating income	5	194	315
Other operating expenses	5	(259)	(436)
Operating profit		**6 619**	**6 866**
Financial income		90	27
Financial expense		(524)	(443)
Profit before taxes, associates and joint ventures		**6 185**	**6 450**
Taxes		(1 499)	(1 121)
Income from associates and joint ventures	6	716	717
Profit for the period		**5 402**	**6 046**
of which attributable to non-controlling interests		155	101
of which attributable to shareholders of the parent (Net profit)		5 247	5 945
As percentages of sales			
Trading operating profit		14.7%	16.7%
Profit for the period attributable to shareholders of the parent (Net profit)		11.5%	14.2%
Earnings per share (in CHF)			
Basic earnings per share		1.92	2.12
Diluted earnings per share		1.92	2.12

Consolidated statement of comprehensive income for the six months ended June 30, 2022

In millions of CHF	January–June 2022	January–June 2021
Profit for the period recognized in the income statement	**5 402**	**6 046**
Currency retranslations, net of taxes	697	3 067
Changes in cash flow hedge and cost of hedge reserves, net of taxes	156	91
Share of other comprehensive income of associates and joint ventures	209	46
Items that are or may be reclassified subsequently to the income statement	1 062	3 204
Remeasurement of defined benefit plans, net of taxes	61	1 469
Fair value changes on equity instruments, net of taxes	(64)	56
Share of other comprehensive income of associates and joint ventures	208	353
Items that will never be reclassified to the income statement	205	1 878
Other comprehensive income for the period	**1 267**	**5 082**
Total comprehensive income for the period	**6 669**	**11 128**
of which attributable to non-controlling interests	162	109
of which attributable to shareholders of the parent	6 507	11 019

Consolidated balance sheet as at June 30, 2022

In millions of CHF	June 30, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	5 364	6 988
Short-term investments	883	7 007
Inventories	14 972	11 982
Trade and other receivables	11 553	11 155
Prepayments	873	575
Derivative assets	404	278
Current income tax assets	1 392	1 204
Assets held for sale	198	68
Total current assets	**35 639**	**39 257**
Non-current assets		
Property, plant and equipment	29 057	28 345
Goodwill	32 239	31 012
Intangible assets	22 781	22 223
Investments in associates and joint ventures	12 098	11 806
Financial assets	2 755	2 824
Employee benefits assets and reimbursement rights	1 934	2 417
Deferred tax assets	1 100	1 258
Total non-current assets	**101 964**	**99 885**
Total assets	**137 603**	**139 142**

In millions of CHF	Notes	June 30, 2022	December 31, 2021
Liabilities and equity			
Current liabilities			
Financial debt		15 535	10 092
Derivative liabilities		421	464
Trade and other payables		20 426	20 907
Accruals		5 066	5 051
Provisions		517	532
Current income tax liabilities		2 506	2 962
Liabilities directly associated with assets held for sale		4	12
Total current liabilities		**44 475**	**40 020**
Non-current liabilities			
Financial debt		38 492	36 482
Derivative liabilities		464	—
Employee benefits liabilities		3 080	3 779
Provisions		1 073	1 106
Deferred tax liabilities		4 087	3 794
Other payables		719	234
Total non-current liabilities		**47 915**	**45 395**
Total liabilities		**92 390**	**85 415**
Equity			
Share capital	8	275	282
Treasury shares		(5 554)	(6 194)
Translation reserve		(21 533)	(22 266)
Other reserves		126	(45)
Retained earnings		71 135	81 363
Total equity attributable to shareholders of the parent		**44 449**	**53 140**
Non-controlling interests		764	587
Total equity		**45 213**	**53 727**
Total liabilities and equity		**137 603**	**139 142**

Consolidated cash flow statement for the six months ended June 30, 2022

In millions of CHF	Notes	January–June 2022	January–June 2021
Operating activities			
Operating profit	7	6 619	6 866
Depreciation and amortization		1 756	1 671
Impairment		741	177
Net result on disposal of businesses		52	(212)
Other non-cash items of income and expense		171	27
Cash flow before changes in operating assets and liabilities	7	**9 339**	**8 529**
Decrease/(increase) in working capital		(3 059)	(2 171)
Variation of other operating assets and liabilities		(583)	(592)
Cash generated from operations		**5 697**	**5 766**
Interest paid		(438)	(386)
Interest and dividend received		28	18
Taxes paid		(1 931)	(1 359)
Dividends and interest from associates and joint ventures		579	630
Operating cash flow		**3 935**	**4 669**
Investing activities			
Capital expenditure		(2 372)	(1 908)
Expenditure on intangible assets		(113)	(119)
Acquisition of businesses, net of cash acquired	2	(1 161)	(724)
Disposal of businesses, net of cash disposed of	2	2	3 696
Investments (net of divestments) in associates and joint ventures		(104)	(661)
Inflows/(outflows) from treasury investments		6 281	1 885
Other investing activities		22	181
Investing cash flow		**2 555**	**2 350**
Financing activities			
Dividend paid to shareholders of the parent	8	(7 618)	(7 681)
Dividends paid to non-controlling interests		(173)	(159)
Acquisition (net of disposal) of non-controlling interests		(499)	(27)
Purchase (net of sale) of treasury shares [(a)]		(6 796)	(3 183)
Inflows from bonds and other long term financial debt		3 182	5 077
Outflows from bonds, lease liabilities and other long term financial debt		(1 315)	(1 571)
Inflows/(outflows) from short term financial debt		4 978	30
Financing cash flow		**(8 241)**	**(7 514)**
Currency retranslations		123	128
Increase/(decrease) in cash and cash equivalents		**(1 628)**	**(367)**
Cash and cash equivalents at beginning of year [(b)]		6 992	5 235
Cash and cash equivalents at end of period		**5 364**	**4 868**

(a) Mostly relates to share buyback programs launched in 2022 and 2020.
(b) At January 1, 2022, cash and cash equivalents included CHF 4 million of cash and cash equivalents classified as assets held for sale.

Consolidated statement of changes in equity for the six months ended June 30, 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 period	—	—	—	—	5 945	**5 945**	101	**6 046**
Other comprehensive income for the period	—	—	3 065	129	1 880	**5 074**	8	**5 082**
Total comprehensive income for the period	—	—	3 065	129	7 825	**11 019**	109	**11 128**
Dividends	—	—	—	—	(7 681)	**(7 681)**	(159)	**(7 840)**
Movement of treasury shares	—	(2 962)	—	—	6	**(2 956)**	—	**(2 956)**
Equity compensation plans	—	209	—	—	(128)	**81**	(2)	**79**
Changes in non-controlling interests [(a)]	—	—	—	—	(246)	**(246)**	(12)	**(258)**
Reduction in share capital [(b)]	(6)	6 778	—	—	(6 772)	**—**	—	**—**
Total transactions with owners	(6)	4 025	—	—	(14 821)	**(10 802)**	(173)	**(10 975)**
Other movements [(c)]	—	—	—	(55)	(211)	**(266)**	—	**(266)**
Equity as at June 30, 2021	**282**	**(2 618)**	**(21 332)**	**(291)**	**69 605**	**45 646**	**755**	**46 401**
Equity as at January 1, 2022	**282**	**(6 194)**	**(22 266)**	**(45)**	**81 363**	**53 140**	**587**	**53 727**
Profit for the period	—	—	—	—	5 247	**5 247**	155	**5 402**
Other comprehensive income for the period	—	—	696	359	205	**1 260**	7	**1 267**
Total comprehensive income for the period	—	—	696	359	5 452	**6 507**	162	**6 669**
Dividends	—	—	—	—	(7 618)	**(7 618)**	(173)	**(7 791)**
Movement of treasury shares	—	(6 892)	—	—	(57)	**(6 949)**	—	**(6 949)**
Equity compensation plans	—	197	—	—	(123)	**74**	(1)	**73**
Changes in non-controlling interests [(a)]	—	—	—	—	(578)	**(578)**	189	**(389)**
Reduction in share capital [(b)]	(7)	7 335	—	—	(7 328)	**—**	—	**—**
Total transactions with owners	(7)	640	—	—	(15 704)	**(15 071)**	15	**(15 056)**
Other movements [(c)]	—	—	37	(188)	24	**(127)**	—	**(127)**
Equity as at June 30, 2022	**275**	**(5 554)**	**(21 533)**	**126**	**71 135**	**44 449**	**764**	**45 213**

(a) Movements reported under Retained earnings include put options for the acquisition of non-controlling interests (see Note 2.2).
(b) Reduction in share capital, see Note 8.
(c) Other movements in Other reserves relate mainly to cash flow hedge transactions.

Notes

1. Accounting policies

Basis of preparation
These Condensed Interim Financial Statements are the unaudited Condensed Interim Consolidated Financial Statements (hereafter "the Condensed Interim Financial Statements") of Nestlé S.A., a company registered in Switzerland, and its subsidiaries for the six-month period ended June 30, 2022. They have been prepared in accordance with International Accounting Standard IAS 34 – Interim Financial Reporting, and should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2021.

The accounting conventions and accounting policies are the same as those applied in the Consolidated Financial Statements for the year ended December 31, 2021 (as described in Note 1 and highlighted with a grey background in the relevant notes), except for the changes in accounting standards and changes in presentation mentioned below.

The preparation of the Condensed Interim Financial Statements requires Group Management to exercise judgment and to make estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities and disclosures. The key sources of estimation uncertainty within these Condensed Interim Financial Statements remain the same as those applied to the Consolidated Financial Statements for the year ended December 31, 2021, except for the effects of the war in Ukraine (see Note 11). The impacts of the war remain difficult to predict or quantify, and actual results and outcomes could differ from the judgements and estimates taken into account in these Condensed Interim Financial Statements.

Changes in presentation – analyses by segment
As of January 1, 2022, the Group is organized into five geographical Zones following the creation of Zone North America (NA) and Zone Greater China (GC) and two Globally Managed Businesses, and therefore from that date the Group's reportable segments are:
- Zone North America (NA);
- Zone Europe (EUR);
- Zone Asia, Oceania and Africa (AOA) – including Middle East and North Africa (MENA) previously included in Zone EMENA;
- Zone Latin America (LATAM);
- Zone Greater China (GC);
- Nespresso; and
- Nestlé Health Science.

Other business activities and operating segments continue to be combined and presented in Other businesses.

2021 comparatives have been restated (see Note 3).

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). These amendments had no material impact on the Condensed Interim Financial Statements.

2. Scope of consolidation, acquisitions and disposals of businesses

2.1 Modification of the scope of consolidation

Acquisitions

The significant acquisition during the 2022 interim period is:

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

There were no other significant acquisitions during the first six months of 2022. There were no significant acquisitions during the comparative period.

Cash outflows for the 2022 interim period are mainly related to the Orgain acquisition and those of the comparative period to non-significant acquisitions.

Disposals

There is no significant disposal during the 2022 interim period.

The significant disposal during the 2021 interim period was:

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

Cash inflows of the 2022 interim period are related to non-significant disposals when for the comparative period it was related to the Nestlé Waters North America disposal.

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**	**Total**
Inventories	172	9	**181**	**31**
Other assets	36	16	**52**	**—**
Property, plant and equipment	3	6	**9**	**13**
Intangible assets [(a)]	623	53	**676**	**269**
Financial debt	(3)	(8)	**(11)**	**(8)**
Other liabilities	(63)	(16)	**(79)**	**(31)**
Deferred taxes	(40)	(13)	**(53)**	**—**
Fair value of identifiable net assets/(liabilities)	**728**	**47**	**775**	**274**

(a) Mainly intellectual property rights, customer lists, trademarks and trade names, composed of CHF 105 million (2021: CHF 22 million) of finite life and of CHF 571 million (2021: CHF 247 million) of indefinite life intangible assets.

Since the valuation of the assets and liabilities of recently 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	Total
Fair value of consideration transferred	**896**	**252**	**1 148**	**733**
Non-controlling interests [(a)]	193	(1)	**192**	**—**
Subtotal	1 089	251	**1 340**	**733**
Fair value of identifiable net (assets)/liabilities	(728)	(47)	**(775)**	**(274)**
Goodwill	**361**	**204**	**565**	**459**

(a) Non-controlling interests were measured based on the fair value of the net assets acquired considering the refinancing in full by a Nestlé intercompany loan of the financial debt (CHF 333 million) existing at closing.

In millions of CHF

			2022	2021
	Orgain	Other	Total	Total
Fair value of consideration transferred	**896**	**252**	**1 148**	**733**
Cash and cash equivalents acquired	6	(9)	**(3)**	**(2)**
Consideration payable	—	(4)	**(4)**	**(21)**
Payment of consideration payable on prior years acquisitions	—	20	**20**	**14**
Cash outflow on acquisitions	**902**	**259**	**1 161**	**724**

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 medical nutrition. It is expected to be deductible for tax purposes.

Sales for the period of Orgain included in the 2022 Condensed Interim Financial Statements amount to CHF 129 million. The Group's total sales for the period would have amounted to CHF 45 698 million if the acquisition had been effective January 1, 2022. The contribution of Orgain to the profit of the Group is not significant.

Acquisition-related costs

Acquisition-related costs have been recognized under other operating expenses in the income statement (see Note 5.2) for an amount of CHF 21 million (2021: CHF 11 million).

2.3 Disposals of businesses

There is no significant disposal of business during the 2022 interim period. The gain on disposal of businesses of the 2021 interim period 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	January–June 2022			January–June 2021
	Total	Nestlé Waters North America	Other	**Total**
Cash, cash equivalents and short-term investments	**9**	57	—	**57**
Inventories	**11**	135	11	**146**
Trade and other receivables, prepayments and other assets	**3**	463	12	**475**
Property, plant and equipment	**24**	1 985	23	**2 008**
Goodwill and intangible assets	**35**	811	4	**815**
Financial assets	**—**	257	—	**257**
Financial liabilities	**(10)**	(383)	(5)	**(388)**
Trade and other payables, accruals and other liabilities	**(4)**	(706)	(14)	**(720)**
Employee benefits and provisions	**(3)**	(242)	(5)	**(247)**
Deferred tax liabilities	**—**	(103)	—	**(103)**
Non-controlling interests	**—**	—	(9)	**(9)**
Net assets disposed of	**65**	**2 274**	**17**	**2 291**
Cumulative other comprehensive income items, net, reclassified to income statement	**1**	1 064	—	**1 064**
Profit/(loss) on disposals, net of disposal costs	**(52)**	176	36	**212**
Total disposal consideration, net of disposal costs	**14**	**3 514**	**53**	**3 567**
Cash and cash equivalents disposed of	**(9)**	(57)	—	**(57)**
Shares in an associate	**—**	—	(15)	**(15)**
Consideration receivable/refundable	**(3)**	147	(6)	**141**
Receipt of consideration receivable on prior years' disposals	**—**	—	60	**60**
Cash inflow on disposals, net of disposal costs	**2**	**3 604**	**92**	**3 696**

3. Analyses by segment

3.1 Operating segments

Revenue and results

In millions of CHF — January–June 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	12 138	2 284	1 829	(455)	(33)	(41)	(348)
Zone EUR	9 283	1 606	1 494	(112)	(85)	(14)	(411)
Zone AOA	9 335	2 198	2 170	(28)	(5)	(10)	(290)
Zone LATAM	5 659	1 196	1 160	(36)	(6)	(4)	(178)
Zone GC	2 677	400	403	3	2	(6)	(93)
Nespresso	3 190	777	757	(20)	(8)	—	(143)
Nestlé Health Science	3 167	435	101	(334)	(6)	(8)	(144)
Other businesses (d)	131	(5)	(3)	2	—	—	(20)
Unallocated items (e)	—	(1 208)	(1 227)	(19)	(1)	(4)	(129)
Total	**45 580**	**7 683**	**6 684**	**(999)**	**(142)**	**(87)**	**(1 756)**

In millions of CHF — January–June 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	11 364	2 104	2 007	(97)	(9)	(4)	(324)
Zone EUR	9 022	1 686	1 705	19	(16)	(30)	(399)
Zone AOA	8 878	2 162	2 146	(16)	(6)	(4)	(294)
Zone LATAM	4 798	1 008	951	(57)	(14)	(1)	(158)
Zone GC	2 524	352	352	—	—	(1)	(92)
Nespresso	3 158	822	811	(11)	(1)	(8)	(152)
Nestlé Health Science	1 914	258	256	(2)	—	(1)	(92)
Other businesses (d)	97	7	(75)	(82)	(8)	(1)	(20)
Unallocated items (e)	—	(1 148)	(1 166)	(18)	6	(12)	(140)
Total	**41 755**	**7 251**	**6 987**	**(264)**	**(48)**	**(62)**	**(1 671)**

* 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) Mainly corporate expenses as well as research and development costs.

Other information

In millions of CHF	January–June 2022		January–June 2021 *	
	Impairment of goodwill and non-commercialized intangible assets (c)	Impairment of intangible assets (d)	Impairment of goodwill and non-commercialized intangible assets (c)	Impairment of intangible assets (d)
Zone NA	—	(285)	—	(22)
Zone EUR	—	—	—	(21)
Zone AOA	—	—	—	—
Zone LATAM	—	—	—	(13)
Zone GC	—	—	—	—
Nespresso	—	—	—	—
Nestlé Health Science	—	(314)	—	—
Other businesses (a)	—	—	—	(73)
Unallocated items (b)	—	—	—	—
Total	**—**	**(599)**	**—**	**(129)**

* 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) Mainly corporate and research and development assets.
(c) Included in Operating profit.
(d) Included in Trading operating profit.

3.2 Products

Revenue and results

In millions of CHF — January–June 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	12 335	2 915	2 873	(42)	(14)	(7)
Water	1 792	175	176	1	1	(2)
Milk products and Ice cream	5 443	1 192	1 174	(18)	(2)	(2)
Nutrition and Health Science	7 689	1 502	1 106	(396)	(9)	(18)
Prepared dishes and cooking aids	6 137	974	599	(375)	(52)	(10)
Confectionery	3 595	498	464	(34)	(11)	(6)
PetCare	8 589	1 635	1 519	(116)	(54)	(38)
Unallocated items (c)	—	(1 208)	(1 227)	(19)	(1)	(4)
Total	**45 580**	**7 683**	**6 684**	**(999)**	**(142)**	**(87)**

In millions of CHF — January–June 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	11 648	2 905	2 767	(138)	(24)	(14)
Water	2 291	204	143	(61)	(6)	—
Milk products and Ice cream	5 205	1 309	1 290	(19)	—	—
Nutrition and Health Science	6 060	1 079	1 068	(11)	1	(7)
Prepared dishes and cooking aids	5 919	962	997	35	(3)	(3)
Confectionery	3 229	372	317	(55)	(14)	(34)
PetCare	7 403	1 568	1 571	3	(8)	8
Unallocated items (c)	—	(1 148)	(1 166)	(18)	6	(12)
Total	**41 755**	**7 251**	**6 987**	**(264)**	**(48)**	**(62)**

* 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) Mainly corporate expenses as well as research and development costs.

Other information

In millions of CHF	January–June 2022		January–June 2021 *	
	Impairment of goodwill and non-commercialized intangible assets (b)	Impairment of intangible assets (c)	Impairment of goodwill and non-commercialized intangible assets (b)	Impairment of intangible assets (c)
Powdered and Liquid Beverages	—	—	—	(112)
Water	—	—	—	—
Milk products and Ice cream	—	—	—	(8)
Nutrition and Health Science	—	(314)	—	—
Prepared dishes and cooking aids	—	(285)	—	(3)
Confectionery	—	—	—	(6)
PetCare	—	—	—	—
Unallocated items (a)	—	—	—	—
Total	**—**	**(599)**	**—**	**(129)**

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

(a) Mainly corporate and research and development assets.
(b) Included in Operating profit.
(c) Included in Trading operating profit.

3.3 Sales by geographic area (country and type of market)

In millions of CHF	January–June 2022	January–June 2021
NA	**15 315**	**13 353**
United States	14 064	12 268
Canada	1 251	1 085
EUR	**10 884**	**10 744**
France	1 786	1 898
United Kingdom	1 621	1 574
Germany	1 134	1 200
Switzerland	531	554
Rest of EUR	5 812	5 518
AOA	**10 581**	**9 997**
Philippines	1 324	1 335
India	951	838
Rest of AOA	8 306	7 824
LATAM	**5 876**	**4 960**
Brazil	1 792	1 356
Mexico	1 637	1 449
Rest of LATAM	2 447	2 155
GC	**2 924**	**2 701**
Greater China	2 924	2 701
Total sales	**45 580**	**41 755**
of which developed markets	26 200	24 292
of which emerging markets	19 380	17 463

3.4 Reconciliation from Underlying Trading operating profit to profit before taxes, associates and joint ventures

In millions of CHF	January–June 2022	January–June 2021
Underlying Trading operating profit [(a)] **as per Note 3.1**	**7 683**	**7 251**
Net other trading income/(expenses) as per Note 5.1	(999)	(264)
Trading operating profit as per Note 3.1	**6 684**	**6 987**
Net other operating income/(expenses)	(65)	(121)
Operating profit	**6 619**	**6 866**
Net financial income/(expense)	(434)	(416)
Profit before taxes, associates and joint ventures	**6 185**	**6 450**

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

4. Seasonality

The business of the Group is not highly cyclical. Seasonal evolutions in some countries or product groups are generally compensated within the Group.

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

5.1 Net other trading income/(expenses)

In millions of CHF	January–June 2022	January–June 2021
Other trading income	**67**	**145**
Restructuring costs	(87)	(62)
Impairment of property, plant and equipment and intangible assets (a)	(741)	(177)
Litigations and onerous contracts	(110)	(92)
Miscellaneous trading expenses	(128)	(78)
Other trading expenses	**(1 066)**	**(409)**
Total net other trading income/(expenses)	**(999)**	**(264)**

(a) In January-June 2022: including i) CHF 314 million related to intellectual property rights – Nestlé Health Science operating segment; ii) CHF 285 million related to a brand – Zone NA operating segment; and iii) CHF 71 million related to property plant and equipment in Russia (see Note 11) – Zone EUR and Nespresso operating segments.

5.2 Net other operating income/(expenses)

In millions of CHF	Notes	January–June 2022	January–June 2021
Profit on disposal of businesses	2	5	224
Miscellaneous operating income		189	91
Other operating income		**194**	**315**
Loss on disposal of businesses	2	(57)	(12)
Impairment of goodwill and non-commercialized intangible assets		—	—
Miscellaneous operating expenses (a)		(202)	(424)
Other operating expenses		**(259)**	**(436)**
Total net other operating income/(expenses)		**(65)**	**(121)**

(a) In January–June 2021 included mainly costs related to COVID-19 of about CHF 55 million, primarily to safety related costs (gloves, masks, cleaning and sanitizing, screening and vaccines among others) as well as natural disasters and transitional services provided to disposed businesses. Those COVID-19 costs are presented as part of the underlying trading operating profit in January–June 2022 (mainly in Cost of goods sold).

6. Share of results of associates and joint ventures

This item mainly includes our share of the estimated results of L'Oréal as well as the share of results of our joint ventures and other associates.

7. Cash flow before changes in operating assets and liabilities

In millions of CHF	January–June 2022	January–June 2021
Profit for the period	**5 402**	**6 046**
Income from associates and joint ventures	(716)	(717)
Taxes	1 499	1 121
Financial income	(90)	(27)
Financial expense	524	443
Operating profit	**6 619**	**6 866**
Depreciation of property, plant and equipment	1 539	1 490
Impairment of property, plant and equipment	142	48
Amortization of intangible assets	217	181
Impairment of intangible assets	599	129
Net result on disposal of businesses	52	(212)
Net result on disposal of assets	2	(121)
Non-cash items in financial assets and liabilities	176	82
Equity compensation plans	62	69
Other	(69)	(3)
Non-cash items of income and expense	**2 720**	**1 663**
Cash flow before changes in operating assets and liabilities	**9 339**	**8 529**

8. Equity

8.1 Share capital

The share capital changed in 2022 and 2021 as a consequence of share buyback programs launched in January 2020 and 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.

At June 30, 2022, the share capital of Nestlé S.A. is composed of 2 750 000 000 registered shares with a nominal value of CHF 0.10 each.

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 20 billion started and is expected to be completed by the end of December 2024. The volume of monthly share buybacks depends on market conditions. Should any extraordinary dividend payments or sizeable acquisitions take place during the period of the share buyback, the amount of the share buyback will be reduced accordingly.

8.2 Dividend

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.

9. Fair value of financial instruments

9.1 Fair value hierarchy

In millions of CHF	June 30, 2022	December 31, 2021
Derivative assets	134	139
Bonds and debt funds	539	5 161
Equity and equity funds	275	332
Other financial assets	56	68
Derivative liabilities	(46)	(11)
Prices quoted in active markets (Level 1)	**958**	**5 689**
Derivative assets	270	139
Bonds and debt funds	500	545
Equity and equity funds	317	358
Other financial assets	624	608
Derivative liabilities	(839)	(453)
Valuation techniques based on observable market data (Level 2)	**872**	**1 197**
Financial assets	174	169
Financial liabilities [(a)]	—	(23)
Valuation techniques based on unobservable input (Level 3)	**174**	**146**
Total financial instruments at fair value	**2 004**	**7 032**

(a) Related to a contingent consideration remeasurement in 2021 and 2022 for a 2020 acquisition.

The fair values categorized in level 2 above were determined as follows:
- Derivatives are valued based on discounted contractual cash flows using risk adjusted discount rates and relying on observable market data for interest rates and foreign exchange rates; and
- The other level 2 investments are based on a valuation model derived from the most recently published observable financial prices for similar assets in active markets.

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

9.2 Carrying amount and fair value

As at June 30, 2022, the carrying amount of bonds issued is CHF 38.8 billion (December 31, 2021: CHF 36.5 billion), compared to a fair value of CHF 35.5 billion (December 31, 2021: CHF 37.7 billion). This fair value is categorized as level 2, measured on the basis of quoted prices.

For all other financial assets and liabilities, the carrying amount is a reasonable approximation of the fair value.

10. Bonds

In millions of CHF							January–June 2022
Issuer		Face value in millions	Coupon	Effective interest rates	Year of issue/ maturity	Comments	Amount
New issues							
Nestlé Finance International Ltd., Luxembourg	EUR	600	0.88%	0.95%	2022–2027		617
	EUR	600	1.25%	1.33%	2022–2031		615
	EUR	800	1.50%	1.63%	2022–2035		813
Nestlé Holdings, Inc., USA	GBP	300	2.13%	2.25%	2022–2027	(a)	370
	GBP	600	2.50%	2.53%	2022–2032	(a)	742
Total new issues							**3 157**
Repayments							
Nestlé Holdings, Inc., USA	USD	650	2.38%	2.50%	2017–2022		(614)
	USD	300	2.25%	2.35%	2017–2022		(284)
Other							(72)
Total repayments							**(970)**

(a) Subject to derivatives that create debts in the currency of the issuer.

11. Impacts of the war in Ukraine

Following the outbreak of the war in Ukraine in late February 2022, several countries imposed sanctions on Russia, Belarus and certain regions in Ukraine. There has been an abrupt change in the geopolitical situation, with significant uncertainty about the duration of the conflict, changing scope of sanctions and retaliation actions including new laws.

These new circumstances strongly limit the freedom of Nestlé Russia Region businesses to operate, and lead to a distortion and significant volatility in the level of activity.

The war has also contributed to an increase in volatility in currency markets, energy prices, raw material and other input costs, as well as supply chain tensions and an increase of inflation in many countries. Risks related to cybersecurity, reputation loss, potential additional sanctions, export controls and other regulations (including restrictions on the transfer of funds to and from Russia) have increased. The ongoing war could further affect production and consumer demand or lead to additional impairment charges or loss of assets.

The Group has assessed the consequences of the war on the Condensed Interim Financial Statements, specifically considering the impacts on key judgements and significant estimates as detailed on page 77 of the Consolidated Financial Statements of the Nestlé Group 2021. The Group will continue to monitor these areas of increased risk for material changes.

11.1 Assessment of Control

In accordance with IFRS 10 Consolidated Financial Statements 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 entities in these countries.

11.2 Impairment of Goodwill, intangible assets and property, plant and equipment

Impairment reviews have been performed considering the impact of sanctions and the company's portfolio adjustment.

The reviews of intangible assets and goodwill CGUs (as defined in Note 9 of the Consolidated Financial Statements of the Nestlé Group 2021) did not result in a need for impairment even considering a significant reduction of operations in Russia.

The reviews of property, plant and equipment for impairment involved assets under construction which would not be completed, points of sale which have been closed, and other assets where there were indications that they might be impaired.

As a result, an impairment charge of CHF 71 million related to property plant and equipment in Russia (assets under construction and leased property) has been recognized in Other trading expenses (see Note 5.1). No impairment was identified for assets in Ukraine.

11.3 Trade receivables and inventories

Customer receivables balances are reviewed closely and changes in creditworthiness are integrated into the assessment of credit risk and expected credit losses using the methodology described in Note 7 of the Consolidated Financial Statements of the Nestlé Group 2021.

Assessment of the net realizable value of inventories was reviewed considering the supply constraints and suspension of sales of certain brands.

An expense in allowance for expected credit losses and write-down of inventory for a total of CHF 20 million has been recognized as a consequence of these reviews.

12. Events after the balance sheet date

As at July 27, 2022, the Group has no subsequent events which either warrant a modification of the value of its assets and liabilities or any additional disclosure.

Principal exchange rates

CHF per		June 2022	December 2021	June 2021	January–June 2022	January–June 2021
				Ending rates		Weighted average rates
1 US Dollar	USD	0.956	0.915	0.921	0.945	0.908
1 Euro	EUR	0.998	1.034	1.097	1.032	1.094
100 Chinese Yuan Renminbi	CNY	14.274	14.344	14.273	14.568	14.011
100 Brazilian Reais	BRL	18.290	16.389	18.630	18.723	16.914
1 Pound Sterling	GBP	1.161	1.235	1.274	1.226	1.261
100 Mexican Pesos	MXN	4.740	4.470	4.656	4.649	4.497
100 Philippine Pesos	PHP	1.742	1.793	1.892	1.813	1.882
1 Canadian Dollar	CAD	0.741	0.718	0.744	0.744	0.729
100 Indian Rupee	INR	1.211	1.232	1.239	1.239	1.236

Shareholder information

Stock exchange listing
Nestlé S.A. shares are listed on the SIX Swiss Exchange (ISIN code: CH0038863350). American Depositary Receipts (ISIN code: US6410694060) representing Nestlé S.A. shares are offered in the USA by Citibank.

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The *Half-Year Report* is available online as a PDF in English, French and German.

www.nestle.com

October 19, 2022
2022 Nine-months Sales figures

February 16, 2023
2022 Full-Year Results

April 20, 2023
156th Annual General Meeting

The *Half-Year Report* contains forward looking statements which reflect Management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures, and regulatory developments.

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