Nestlé Good food, Good life

Half-Year Report
January–June 2021

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

We would like to thank the Nestlé team for their continued commitment to meeting consumer needs and their relentless focus on execution. Organic growth was strong across most geographies and categories, with robust momentum in retail sales and a return to growth in out-of-home channels. Through fast-paced innovation, strong brand support, increased digitalization and stringent portfolio management we have built the foundation for delivering consistent mid single-digit organic growth for years to come.

Nestlé continues to invest for future profitable growth. We are creating a global leader in vitamins, minerals and supplements with the acquisition of The Bountiful Company's core brands. The expansion of our partnership with Starbucks into ready-to-drink coffee will open new opportunities in a fast-growing segment. Our portfolio choices, strong execution and decisive actions on sustainability enable us to create value for all stakeholders.

Group results

Group sales

Organic growth reached 8.1%, with RIG of 6.8%. Pricing increased to 1.3%, reflecting input cost inflation.

Growth was broad-based across most geographies. Organic growth was 6.7% in developed markets, based mostly on RIG. Organic growth in emerging markets was 10.0%, with strong RIG and positive pricing.

By product category, the largest contributor to organic growth was coffee, fueled by strong demand for the three main brands *Nescafé*, *Nespresso* and *Starbucks*. Starbucks products posted 16.7% growth, with sales reaching CHF 1.4 billion across 79 markets. *Purina* PetCare saw double-digit growth led by science-based and premium brands *Purina Pro Plan*, *Purina ONE* and *Felix*, as well as veterinary products. Prepared dishes and cooking aids posted high single-digit growth, based on strong demand for *Maggi* and *Stouffer's*. Vegetarian and plant-based food offerings continued to see strong double-digit growth, led by *Garden Gourmet*. Dairy reported high single-digit growth, led by fortified milks, coffee creamers and ice cream. Confectionery recorded double-digit growth, supported by a strong sales development in impulse products. Sales in Nestlé Health Science grew at a double-digit rate, reflecting strong demand for vitamins, minerals and supplements and healthy-aging products. Infant Nutrition saw a sales decrease, impacted by lower birth rates in the context of the pandemic. Water returned to positive growth, led by international premium brands *S.Pellegrino* and *Perrier*.

By channel, organic growth in retail sales was 7.3%, moderating to a mid single-digit rate in the second quarter due to a high base of comparison in 2020. E-commerce sales grew by 19.2%, reaching 14.6% of total Group sales, with strong momentum in most categories particularly coffee, *Purina* PetCare and culinary. Organic growth in out-of-home channels was 21.3%, helped by the easing of movement restrictions in some geographies.

Net divestitures decreased sales by 3.1%, largely related to the divestments of Nestlé Waters North America brands, the Herta charcuterie business and the Yinlu peanut milk and canned rice porridge businesses. Foreign exchange reduced sales by 3.5%, reflecting the appreciation of the Swiss franc versus most currencies. Total reported sales increased by 1.5% to CHF 41.8 billion.

Underlying Trading operating profit

Underlying trading operating profit increased by 1.3% to CHF 7.3 billion. The underlying trading operating profit margin was 17.4%, unchanged versus the prior year in constant currency and on a reported basis.

Gross margin increased by 20 basis points to 48.8%. Consumer-facing marketing expenses* increased by 80 basis points to above 2019 levels, following reduced in-store activation in 2020. Cost inflation also impacted margin development in the second quarter. Operating leverage, structural cost reductions, increased pricing and lower COVID-19-related costs offset these increases.

Restructuring expenses and net other trading items increased by CHF 78 million to CHF 264 million, reflecting higher asset impairments. Trading operating profit increased by 0.2% to CHF 7.0 billion. The trading operating profit margin was 16.7%, a decrease of 20 basis points in constant currency and on a reported basis.

Net financial expenses and Income tax

Net financial expenses decreased by 6.9% to CHF 416 million, reflecting a lower cost of debt.

The Group reported tax rate decreased by 970 basis points to 17.4%, as a result of one-off items. The underlying tax rate decreased by 120 basis points to 20.2%, mainly due to the geographic and business mix.

Net profit and Earnings per share

Net profit grew by 1.1% to CHF 5.9 billion. Net profit margin decreased by 10 basis points to 14.2%, as a result of one-off income related to divestitures in 2020.

Underlying earnings per share increased by 10.5% in constant currency and increased by 8.3% on a reported basis to CHF 2.17. The increase was mainly the result of improved operating performance. Nestlé's share buyback program contributed 1.4% to the underlying earnings per share increase, net of finance costs. Earnings per share increased by 3.2% to CHF 2.12 on a reported basis.

Cash flow

Cash generated from operations was essentially unchanged at CHF 5.8 billion. Free cash flow decreased from CHF 3.3 billion to CHF 2.8 billion mainly due to 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 3.1 billion of Nestlé shares as part of the three-year CHF 20 billion share buyback program, which began in January 2020.

Net debt

Net debt increased to CHF 38.5 billion as at June 30, 2021, compared to CHF 31.3 billion at December 31, 2020. The increase reflected the dividend payment of CHF 7.7 billion and share buybacks of CHF 3.1 billion, which more than offset free cash flow generation and a net cash inflow from divestitures and acquisitions.

Portfolio management

Nestlé is transforming its global water business, sharpening its focus on international premium and mineral water brands and healthy hydration products. On March 5, 2021, Nestlé completed the acquisition of Essentia Water, a premium functional water brand in the U.S. On March 31, 2021, Nestlé completed the sale of its regional spring water brands, purified water business and beverage delivery service in the U.S. and Canada for USD 4.3 billion.

Nestlé Health Science continues to focus on building a nutrition and health powerhouse. On April 30, 2021, Nestlé entered into an agreement to acquire core brands of The Bountiful Company for USD 5.75 billion. The Bountiful Company is the number one pure-play leader in the highly attractive and growing global nutrition and supplement category. The transaction is expected to close in August. On July 1, 2021, Nestlé completed the acquisition of Nuun, a leading company in the fast-growing functional hydration market. On July 1, 2021, Nestlé Health Science entered into an agreement with Seres Therapeutics to jointly commercialize SER-109, an investigational oral microbiome therapeutic in the U.S. and Canada. If approved, SER-109 would become the first-ever FDA-approved microbiome therapeutic.

Building on the successful global coffee alliance, Nestlé continues to expand the reach of Starbucks branded coffee and tea products outside Starbucks retail stores. On July 26, 2021, Nestlé and Starbucks announced a new collaboration to bring Starbucks ready-to-drink coffee beverages to select markets across South-East Asia, Oceania and Latin America.

* 2019 figure excludes Nestlé Skin Health

Zone Americas (AMS)

Sales	CHF 16.2 billion
Organic growth	+7.6%
Real internal growth	+5.3%
Underlying Trading operating profit margin	19.3%
Underlying Trading operating profit margin	+40 basis points
Trading operating profit margin	18.3%
Trading operating profit margin	–50 basis points

– 7.6% organic growth: 5.3% RIG; 2.3% pricing.
– North America saw mid single-digit organic growth, with positive RIG and pricing.
– Latin America reached double-digit organic growth, with strong RIG and pricing.
– The underlying trading operating profit margin increased by 40 basis points to 19.3%.

Organic growth was 7.6%, with strong RIG of 5.3% supported by volume and mix. Pricing increased significantly to 2.3%. Net divestitures reduced sales by 4.3%, as the divestments of the Nestlé Waters North America brands and U.S. ice cream business more than offset the acquisitions of Freshly and Essentia Water. Foreign exchange had a negative impact of 6.3%, reflecting broad-based currency depreciations against the Swiss franc. Reported sales in Zone AMS decreased by 3.1% to CHF 16.2 billion.

Zone AMS reported high single-digit organic growth, with a high base of comparison in 2020. Growth was supported by continued innovation, strong momentum in e-commerce and recovery in out-of-home channels. The Zone saw broad-based market share gains, led by coffee, pet food, dairy and Infant Nutrition.

North America posted mid single-digit growth. The largest growth contributor was *Purina* PetCare, with sustained momentum in e-commerce. Its science-based and premium brands *Purina Pro Plan*, *Purina ONE* and *Fancy Feast* all grew at a double-digit rate. Beverages, including Starbucks at-home products, *Coffee mate* and *Nescafé*, saw high single-digit growth. Frozen and chilled food recorded mid single-digit growth. Strong sales developments for *Stouffer's*, *Lean Cuisine* and *Freshly* were partially offset by a sales decrease in pizza. Home-baking products, including *Toll House* and *Carnation*, saw a sales decline following exceptionally high demand in 2020. Sales in ice cream and confectionery in Canada grew at a double-digit rate, driven by *Häagen-Dazs* and *KitKat*. Water posted positive growth, with strong demand for international premium brands *S.Pellegrino* and *Perrier*, as well as *Essentia*. Nestlé Professional returned to positive growth.

Latin America reached double-digit growth, with strong contributions from most geographies and product categories. Brazil posted double-digit growth, reflecting strong demand for *KitKat*, *Nescafé* and the newly launched *Ninho Forti+*. Sales in Mexico grew at a double-digit rate, led by coffee and confectionery. Chile also reported double-digit growth, supported by ice cream and confectionery. By product category, confectionery, *Purina* PetCare and coffee all grew at a strong double-digit rate. Growth in dairy moderated to a high single-digit rate, following exceptionally strong demand in 2020, particularly for home cooking and baking products. Infant Nutrition saw mid single-digit growth, supported by robust demand for new premium and functional products. Nestlé Professional recorded strong double-digit growth, with sales almost recovering to 2019 levels.

The Zone's underlying trading operating profit margin increased by 40 basis points. Operating leverage, structural cost reductions and product mix more than offset input cost inflation and increased consumer-facing marketing expenses.

Zone Europe, Middle East and North Africa (EMENA)

Sales	CHF 10.2 billion
Organic growth	+7.3%
Real internal growth	+6.7%
Underlying Trading operating profit margin	18.8%
Underlying Trading operating profit margin	+50 basis points
Trading operating profit margin	18.9%
Trading operating profit margin	+130 basis points

- 7.3% organic growth: 6.7% RIG; 0.6% pricing.
- Western Europe saw high single-digit organic growth with strong RIG, partially offset by negative pricing.
- Central and Eastern Europe reached double-digit organic growth, with strong RIG and positive pricing.
- Middle East and North Africa posted mid single-digit organic growth, based on positive RIG and pricing.
- The underlying trading operating profit margin increased by 50 basis points to 18.8%.

Organic growth reached 7.3%, with strong RIG of 6.7% supported by volume and mix. Pricing turned positive, contributing 0.6%. Net divestitures reduced sales by 4.1%, largely related to the divestment of the Herta charcuterie business. Foreign exchange negatively impacted sales by 1.4%. Reported sales in Zone EMENA increased by 1.8% to CHF 10.2 billion.

Zone EMENA reported high single-digit organic growth, supported by successful innovation and continued strong momentum in e-commerce. Each region posted positive growth, with strong sales developments in Russia, Turkey, the United Kingdom and Italy. The Zone continued to see broad-based market share gains, particularly for pet food, coffee, plant-based food products and water.

By product category, coffee and *Purina* PetCare posted double-digit growth. Coffee was supported by strong momentum for *Nescafé* and Starbucks at-home products. *Purina* PetCare reported continued strong growth for premium brands *Felix*, *Purina Pro Plan* and *Purina ONE*, as well as veterinary products. *Tails.com* and *Lily's Kitchen* also saw strong momentum, based on increased consumer adoption. Growth in Nestlé Professional and water turned positive, with strong sales developments in the second quarter as movement restrictions eased. *Perrier Energize*, a low-calorie natural energy beverage, was successfully launched in France. Sales in confectionery reached a mid single-digit rate, based on improved demand for impulse and gifting products. Building on Nestlé's expertise in chocolate innovation and non-dairy alternatives, a vegan *KitKat* was launched across several European markets in June. Culinary saw low single-digit growth. Strong demand for *Garden Gourmet* and *Mindful Chef* was partially offset by slightly negative growth in *Maggi* following elevated demand in 2020. Infant Nutrition posted a sales decrease due to lower birth rates in the context of the pandemic, but gained market share.

The Zone's underlying trading operating profit margin increased by 50 basis points. Operating leverage, structural cost reductions and product mix more than offset increased consumer-facing marketing expenses and commodity inflation.

Zone Asia, Oceania and sub-Saharan Africa (AOA)

Sales	CHF 10.2 billion
Organic growth	+6.8%
Real internal growth	+6.3%
Underlying Trading operating profit margin	22.3%
Underlying Trading operating profit margin	–40 basis points
Trading operating profit margin	22.2%
Trading operating profit margin	0 basis point

- 6.8% organic growth: 6.3% RIG; 0.5% pricing.
- China posted double-digit organic growth, based on strong RIG and positive pricing.
- South-East Asia reported slightly negative organic growth, with positive RIG and negative pricing.
- South Asia saw double-digit organic growth, with strong RIG and positive pricing.
- Sub-Saharan Africa recorded double-digit organic growth, led by strong RIG and positive pricing.
- Japan, South Korea and Oceania combined saw mid single-digit organic growth. Strong RIG was partially offset by slightly negative pricing.
- The underlying trading operating profit margin decreased by 40 basis points to 22.3%.

Organic growth was 6.8%, with strong RIG of 6.3% and pricing of 0.5%. Net divestitures had a negative impact of 3.7%, largely related to the divestment of the Yinlu peanut milk and canned rice porridge businesses in China. Foreign exchange reduced sales by 1.7%. Reported sales in Zone AOA increased by 1.5% to CHF 10.2 billion.

Zone AOA reported high single-digit organic growth, showing resilience in a difficult environment. Most categories gained market share, particularly pet food, coffee, confectionery and culinary.

China recorded double-digit growth, helped by a recovery in out-of-home channels and the timing of Chinese New Year. The largest growth contributor was Nestlé Professional, with sales exceeding 2019 levels. Coffee, culinary, dairy and *Purina* PetCare all grew at strong double-digit rates. Infant Nutrition posted a sales decrease, with market shares declining but slowly stabilizing.

South-East Asia saw slightly negative growth in a difficult economic environment. High single-digit growth in Malaysia and Vietnam was offset by a sales decrease in the Philippines due to a high base of comparison in 2020. South Asia reported double-digit growth, with continued strong momentum in e-commerce. Growth was broad-based across most categories, led by *Maggi*, *KitKat* and *Nescafé*.

Sub-Saharan Africa recorded double-digit growth, based on strong sales developments for *Maggi*, *Milo* and *Nescafé*, along with *Golden Morn* in Nigeria.

Japan posted high single-digit growth, led by *Nescafé* and *Purina* PetCare. Sales in South Korea grew at a strong double-digit rate, driven by coffee. Oceania reported slightly positive growth, with strong demand for *KitKat* and *Purina* PetCare.

By product category, the key growth drivers were culinary, coffee and Nestlé Professional. Sales in confectionery and ice cream grew at a double-digit rate, with particularly strong momentum in Malaysia. Dairy saw mid single-digit growth, led by strong demand for fortified milks. Infant Nutrition posted negative growth and continued to gain market share in South Asia and Africa.

The Zone's underlying trading operating profit margin decreased by 40 basis points. Commodity inflation and product mix more than offset operating leverage and structural cost reductions.

Nespresso

Sales	CHF 3.2 billion
Organic growth	+14.6%
Real internal growth	+13.8%
Underlying Trading operating profit margin	26.0%
Underlying Trading operating profit margin	+10 basis points
Trading operating profit margin	25.7%
Trading operating profit margin	–30 basis point

- 14.6% organic growth: 13.8% RIG; 0.8% pricing.
- The underlying trading operating profit margin increased by 10 basis points to 26.0%.

Organic growth reached 14.6%, based on strong RIG of 13.8% and pricing of 0.8%. Foreign exchange reduced sales by 0.1%. Reported sales in Nespresso increased by 14.3% to CHF 3.2 billion.

Nespresso saw double-digit organic growth, reflecting continued expansion of the *Vertuo* system and robust demand for the Original system. Growth was fueled by new consumer adoption, a return to positive growth in boutiques and out-of-home channels, as well as innovation. New products included *Kahawa ya Congo*, the first organic coffee in the Reviving Origins range, and the roll-out of *Momento*, a versatile touchless machine that creates specialty coffees with fresh milk for out-of-home channels.

By geography, the Americas, EMENA and AOA all posted double-digit growth. Overall Nespresso gained market share, with contributions from most markets.

The underlying trading operating profit margin of Nespresso increased by 10 basis points. Operating leverage and structural cost reductions more than offset increased consumer-facing marketing expenses.

Nestlé Health Science

Sales	CHF 1.9 billion
Organic growth	+13.6%
Real internal growth	+13.6%
Underlying Trading operating profit margin	13.5%
Underlying Trading operating profit margin	–580 basis points
Trading operating profit margin	13.4%
Trading operating profit margin	–570 basis point

- 13.6% organic growth: 13.6% RIG; 0.0% pricing.
- The underlying trading operating profit margin decreased by 580 basis points to 13.5%.

Organic growth was 13.6%, entirely driven by RIG. Net acquisitions increased sales by 15.1%, largely related to the acquisitions of Vital Proteins, Zenpep and Aimmune. Foreign exchange negatively impacted sales by 4.4%. Reported sales in Nestlé Health Science increased by 24.3% to CHF 1.9 billion.

Nestlé Health Science posted double-digit organic growth, with a high base of comparison in 2020. Growth was driven by sustained momentum in e-commerce, new product launches and geographic expansion.

Consumer Care recorded double-digit growth. Vitamins, minerals and supplements that support health and the immune system continued to see strong demand. *Vital Proteins* and *Persona* more than doubled their sales. *Garden of Life* saw continued strength, particularly in e-commerce. Healthy aging products grew at a double-digit rate, supported by *Boost* in North America, *Nutren* in emerging markets and *Meritene* in Europe. Medical Nutrition reported mid single-digit growth, with robust demand for *Compleat*, an adult medical care product, and *Althéra*, *Alfaré* and *Alfamino* pediatric care products.

By geography, the Americas, EMENA and AOA all posted double-digit growth.

The underlying trading operating profit margin of Nestlé Health Science decreased by 580 basis points. As expected, investments in Aimmune and consumer-facing marketing expenses more than offset operating leverage. Aimmune's margin dilution reflects initial commercial investments behind *Palforzia*. The roll-out of this peanut allergy treatment has been impacted by the pandemic, but it is expected to accelerate as visits to allergists resume and schools reopen. Increased consumer-facing marketing expenses included a highly successful celebrity campaign for *Vital Proteins*.

Our business as a force for good: Regenerating local water cycles to help create a positive water impact from 2025 onwards

Water is a vital resource that plays a crucial role in our communities and in our food systems. That's why Nestlé Waters is stepping up its work to manage water resources sustainably and plans to help regenerate local water cycles through more than 100 specific projects for its 48 sites. The company will define tailored solutions working in collaboration with multiple partners. As of 2025, these measures will help nature near each Nestlé Waters site retain more water than the business currently uses in its operations.

Nestlé will invest CHF 120 million to assist with the implementation of the 100 projects. This new water commitment builds on our strong heritage of nature protection and water stewardship to help ensure the future prosperity of ecosystems and the availability of safe and clean water. The projects will focus on actions like reforestation, wetland restoration, rainwater harvesting and ways to improve quality of available water. Since each site is unique, the solutions will be adapted to the local water challenge and will go beyond Nestlé's own operations. Some project examples include:

– Buxton – Land conservation (protecting land from development) and natural flood management interventions in Derbyshire, UK.
– Nestlé Pure Life – Support for farmers to use drip irrigation in Sheikhupura, Pakistan.
– Nestlé Pure Life – Delivery of water treatment, filtration and pipeline infrastructure for the municipal water supply in Benha, Egypt.

To assess whether these projects adequately address local and regional water challenges and reflect stakeholder priorities, Nestlé Waters has established an external panel of experts from civil society, academia and international development organizations.

Each of the projects will also be measured using the World Resources Institute's Volumetric Water Benefit Accounting (VWBA) methodology. This methodology provides consistency and allows the company to track its progress. Nestlé Waters will report the water usage and the impact of the projects at each of its sites.

This plan expands on the company's ongoing work to certify all Nestlé Waters' sites according to the Alliance for Water Stewardship (AWS) by 2025. This standard involves understanding local water challenges and engaging with local stakeholders, providing Nestlé with much of the groundwork to design these new projects.

Outlook

Full-year 2021 outlook updated: we expect full-year organic sales growth between 5% and 6%. The underlying trading operating profit margin is now expected around 17.5%, reflecting initial time delays between input cost inflation and pricing as well as the one-off integration costs related to the acquisition of The Bountiful Company's core brands. Beyond 2021, our mid-term outlook for continued moderate margin improvement remains unchanged. Underlying earnings per share in constant currency and capital efficiency are expected to increase this year.

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 2021	January–June 2020
Results		
Sales	41 755	41 152
Underlying Trading operating profit *	7 251	7 156
as % of sales	17.4%	17.4%
Trading operating profit *	6 987	6 970
as % of sales	16.7%	16.9%
Profit for the period attributable to shareholders of the parent (Net profit)	5 945	5 883
as % of sales	14.2%	14.3%
Balance sheet and cash flow statement		
Equity attributable to shareholders of the parent [(a)]	45 646	44 150
Net financial debt */[(a)]	38 494	33 441
Operating cash flow	4 669	4 185
Free cash flow *	2 823	3 278
Capital additions	2 553	2 788
Data per share		
Weighted average number of shares outstanding (in millions of units)	2 799	2 860
Basic earnings per share	2.12	2.06
Market capitalization	**321 428**	**297 641**

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 2021	January–June 2020	January–June 2021	January–June 2020
	in USD	in USD	in EUR	in EUR
Sales	45 975	42 608	38 150	38 669
Underlying Trading operating profit *	7 984	7 409	6 625	6 724
Trading operating profit *	7 693	7 216	6 384	6 549
Profit for the period attributable to shareholders of the parent (Net profit)	6 545	6 092	5 431	5 529
Equity attributable to shareholders of the parent [(a)]	49 550	46 359	41 625	41 344
Basic earnings per share	2.34	2.13	1.94	1.94
Market capitalization	348 924	312 533	293 114	278 724

* 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, 2021

In millions of CHF	Notes	January–June 2021	January–June 2020
Sales	3	**41 755**	**41 152**
Other revenue		171	151
Cost of goods sold		(21 399)	(21 139)
Distribution expenses		(3 858)	(3 899)
Marketing and administration expenses		(8 625)	(8 375)
Research and development costs		(793)	(734)
Other trading income	5	145	73
Other trading expenses	5	(409)	(259)
Trading operating profit	3	**6 987**	**6 970**
Other operating income	5	315	1 656
Other operating expenses	5	(436)	(793)
Operating profit		**6 866**	**7 833**
Financial income		27	73
Financial expense		(443)	(520)
Profit before taxes, associates and joint ventures		**6 450**	**7 386**
Taxes		(1 121)	(1 998)
Income from associates and joint ventures	6	717	640
Profit for the period		**6 046**	**6 028**
of which attributable to non-controlling interests		101	145
of which attributable to shareholders of the parent (Net profit)		5 945	5 883
As percentages of sales			
Trading operating profit		16.7%	16.9%
Profit for the period attributable to shareholders of the parent (Net profit)		14.2%	14.3%
Earnings per share (in CHF)			
Basic earnings per share		2.12	2.06
Diluted earnings per share		2.12	2.05

Consolidated statement of comprehensive income for the six months ended June 30, 2021

In millions of CHF	January–June 2021	January–June 2020
Profit for the period recognized in the income statement	**6 046**	**6 028**
Currency retranslations, net of taxes	3 067	(1 144)
Changes in cash flow hedge and cost of hedge reserves, net of taxes	91	(113)
Share of other comprehensive income of associates and joint ventures	46	(43)
Items that are or may be reclassified subsequently to the income statement	3 204	(1 300)
Remeasurement of defined benefit plans, net of taxes	1 469	(374)
Fair value changes on equity instruments, net of taxes	56	14
Share of other comprehensive income of associates and joint ventures	353	(6)
Items that will never be reclassified to the income statement	1 878	(366)
Other comprehensive income for the period	**5 082**	**(1 666)**
Total comprehensive income for the period	**11 128**	**4 362**
of which attributable to non-controlling interests	109	99
of which attributable to shareholders of the parent	11 019	4 263

Consolidated balance sheet as at June 30, 2021

In millions of CHF	Notes	June 30, 2021	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents		4 868	5 235
Short-term investments		1 568	3 374
Inventories		11 582	10 101
Trade and other receivables		11 055	10 746
Prepayments		776	477
Derivative assets		293	310
Current income tax assets		825	708
Assets held for sale	2	29	3 117
Total current assets		**30 996**	**34 068**
Non-current assets			
Property, plant and equipment		26 826	25 840
Goodwill		29 221	27 620
Intangible assets		21 066	20 148
Investments in associates and joint ventures		13 116	12 005
Financial assets		2 832	2 594
Employee benefits assets		1 695	468
Deferred tax assets		1 163	1 285
Total non-current assets		**95 919**	**89 960**
Total assets		**126 915**	**124 028**

In millions of CHF	Notes	June 30, 2021	December 31, 2020
Liabilities and equity			
Current liabilities			
Financial debt		12 226	12 019
Trade and other payables		18 340	18 515
Accruals		4 919	4 917
Provisions		452	508
Derivative liabilities		231	254
Current income tax liabilities		2 390	2 661
Liabilities directly associated with assets held for sale	2	—	848
Total current liabilities		**38 558**	**39 722**
Non-current liabilities			
Financial debt		32 704	27 928
Employee benefits liabilities		4 152	5 118
Provisions		1 086	1 029
Deferred tax liabilities		3 200	2 636
Other payables		814	1 081
Total non-current liabilities		**41 956**	**37 792**
Total liabilities		**80 514**	**77 514**
Equity			
Share capital	8	282	288
Treasury shares		(2 618)	(6 643)
Translation reserve		(21 332)	(24 397)
Other reserves		(291)	(365)
Retained earnings		69 605	76 812
Total equity attributable to shareholders of the parent		**45 646**	**45 695**
Non-controlling interests		755	819
Total equity		**46 401**	**46 514**
Total liabilities and equity		**126 915**	**124 028**

Consolidated cash flow statement for the six months ended June 30, 2021

In millions of CHF	Notes	January–June 2021	January–June 2020
Operating activities			
Operating profit	7	6 866	7 833
Depreciation and amortization		1 671	1 708
Impairment		177	493
Net result on disposal of businesses		(212)	(1 482)
Other non-cash items of income and expense		27	35
Cash flow before changes in operating assets and liabilities	7	**8 529**	**8 587**
Decrease/(increase) in working capital		(2 171)	(2 339)
Variation of other operating assets and liabilities		(592)	(418)
Cash generated from operations		**5 766**	**5 830**
Interest paid		(386)	(466)
Interest received		18	60
Taxes paid		(1 359)	(1 288)
Dividends and interest from associates and joint ventures		630	49
Operating cash flow		**4 669**	**4 185**
Investing activities			
Capital expenditure		(1 908)	(875)
Expenditure on intangible assets		(119)	(101)
Acquisition of businesses, net of cash acquired	2	(724)	(1 586)
Disposal of businesses, net of cash disposed of	2	3 696	3 764
Investments (net of divestments) in associates and joint ventures		(661)	(208)
Inflows/(outflows) from treasury investments		1 885	933
Other investing activities		181	69
Investing cash flow		**2 350**	**1 996**
Financing activities			
Dividend paid to shareholders of the parent	8	(7 681)	(7 700)
Dividends paid to non-controlling interests		(159)	(60)
Acquisition (net of disposal) of non-controlling interests		(27)	3
Purchase (net of sale) of treasury shares [(a)]		(3 183)	(4 232)
Inflows from bonds and other non-current financial debt		5 077	4 742
Outflows from bonds and current portion of other non-current financial debt		(1 571)	(1 949)
Inflows/(outflows) from current financial debt		30	(823)
Financing cash flow		**(7 514)**	**(10 019)**
Currency retranslations		128	(164)
Increase/(decrease) in cash and cash equivalents		**(367)**	**(4 002)**
Cash and cash equivalents at beginning of year		5 235	7 469
Cash and cash equivalents at end of period		**4 868**	**3 467**

(a) Mostly relates to share buyback programs launched in 2017 and in 2020.

Consolidated statement of changes in equity for the six months ended June 30, 2021

In millions of CHF

	Share capital	Treasury shares	Translation reserve	Other reserves	Retained earnings	**Total equity attributable to shareholders of the parent**	Non-controlling interests	**Total equity**
Equity as at January 1, 2020	**298**	**(9 752)**	**(21 526)**	**(45)**	**83 060**	**52 035**	**827**	**52 862**
Profit for the period	—	—	—	—	5 883	**5 883**	145	**6 028**
Other comprehensive income for the period	—	—	(1 100)	(158)	(362)	**(1 620)**	(46)	**(1 666)**
Total comprehensive income for the period	—	—	(1 100)	(158)	5 521	**4 263**	99	**4 362**
Dividends	—	—	—	—	(7 700)	**(7 700)**	(60)	**(7 760)**
Movement of treasury shares	—	(4 239)	—	—	(1)	**(4 240)**	—	**(4 240)**
Equity compensation plans	—	347	—	—	(275)	**72**	(3)	**69**
Changes in non-controlling interests	—	—	—	—	(7)	**(7)**	6	**(1)**
Total transactions with owners	—	(3 892)	—	—	(7 983)	**(11 875)**	(57)	**(11 932)**
Other movements	—	—	—	(85)	(188)	**(273)**	—	**(273)**
Equity as at June 30, 2020	**298**	**(13 644)**	**(22 626)**	**(288)**	**80 410**	**44 150**	**869**	**45 019**
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	—	—	—	—	(246)	**(246)**	(12)	**(258)**
Reduction in share capital [(a)]	(6)	6 778	—	—	(6 772)	**—**	—	**—**
Total transactions with owners	(6)	4 025	—	—	(14 821)	**(10 802)**	(173)	**(10 975)**
Other movements	—	—	—	(55)	(211)	**(266)**	—	**(266)**
Equity as at June 30, 2021	**282**	**(2 618)**	**(21 332)**	**(291)**	**69 605**	**45 646**	**755**	**46 401**

(a) Reduction in share capital, see Note 8.

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, 2021. 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, 2020.

The accounting conventions and accounting policies are the same as those applied in the Consolidated Financial Statements for the year ended December 31, 2020 (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, 2020, including the impacts of COVID-19 (see Note 11).

Changes in presentation – analyses by segment
Following Nestlé Health Science meeting the quantitative threshold for disclosure as a reportable segment mentioned in Note 3 of the 2020 Consolidated financial statements and voluntarily for Nespresso considering its financial contribution, both operating segments are reported as stand-alone reportable segments, as of 2021 onwards (previously combined and presented in Other businesses).

2020 comparatives have been restated (see Note 3).

Changes in accounting standards
In May 2020 the IASB issued COVID-19-Related Rent Concessions (Amendments to IFRS 16), which provides a practical expedient to not assess whether specific types of rent concessions related to COVID-19 are lease modifications. In March 2021, the IASB issued an amendment extending the period to which this practical expedient could be applied to June 30, 2022. The Group has applied this amendment in these Condensed Interim Financial Statements (see Note 11). There was no material impact on the Group's financial statements.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) became effective from January 1, 2021, with no material impact on the Group's Financial Statements.

2. Scope of consolidation, acquisitions and disposals of businesses and assets held for sale

2.1 Modification of the scope of consolidation

Acquisitions

There is no significant acquisition during the 2021 interim period. Among other non-significant acquisitions, in early March, the Group acquired Essentia Water, a premium functional water brand.

The significant acquisition during the 2020 comparative interim period was:

- Zenpep, North America – nutritional health products (Nutrition and Health Science) – 100%, May.

Cash outflows for the 2021 interim period are mainly related to the Essentia Water acquisition and for the 2020 comparative interim period mainly related to the acquisition of Zenpep.

Disposals

The significant disposal during the 2021 interim period is:

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

The significant disposal during the 2020 comparative interim period was:

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

The Herta charcuterie business has been disposed of during the 2020 comparative interim period among other non-significant disposals.

Cash inflows during the 2021 interim period are mainly related to the Nestlé Waters North America disposal and for the 2020 comparative interim period mainly to the US Ice Cream business and the Herta charcuterie business disposals.

2.2 Acquisitions of businesses

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

In millions of CHF

	2021			2020
	Total	Zenpep	Other	**Total**
Inventories and other assets	**31**	38	56	**94**
Property, plant and equipment	**13**	—	30	**30**
Intangible assets [(a)]	**269**	1 152	69	**1 221**
Financial debt	**(8)**	—	(1)	**(1)**
Other liabilities	**(31)**	(6)	(29)	**(35)**
Employee benefits, deferred taxes and provisions	**—**	—	(13)	**(13)**
Fair value of identifiable net assets	**274**	**1 184**	**112**	**1 296**

(a) Mainly intellectual property rights, customer lists, trademarks and trade names, composed of CHF 0.05 billion (2020: CHF 0.9 billion) of finite life and of CHF 0.25 billion (2020: CHF 0.3 billion) 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

	2021			2020
	Total	Zenpep	Other	**Total**
Fair value of consideration transferred	**733**	**1 300**	**307**	**1 607**
Fair value of identifiable net assets	**(274)**	(1 184)	(112)	**(1 296)**
Goodwill	**459**	**116**	**195**	**311**

In millions of CHF

	2021			2020
	Total	Zenpep	Other	**Total**
Fair value of consideration transferred	**733**	**1 300**	**307**	**1 607**
Cash and cash equivalents acquired	**(2)**	—	(4)	**(4)**
Consideration payable	**(21)**	(38)	(5)	**(43)**
Payment of consideration payable on prior years acquisitions	**14**	—	26	**26**
Cash outflow on acquisitions	**724**	**1 262**	**324**	**1 586**

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

Zenpep

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

Acquisition-related costs

Acquisition-related costs have been recognized under other operating expenses in the income statement (see Note 5.2) for an amount of CHF 11 million (2020: CHF 13 million).

Acquisition planned after June 30, 2021

On April 30, 2021, the Group announced the acquisition for USD 5.75 billion (on a cash free, debt free basis) of 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*. The business acquired will complement Nestlé Health Science existing health and nutrition portfolio in terms of brands, improve its position in vitamins, minerals and nutritional supplements, enhance its presence in the channels of mass retail, specialty retail, e-commerce and direct-to-consumer in the US, while offering opportunities for geographic growth. By combining the 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 transaction is expected to close in the third quarter of 2021, following the completion of customary closing conditions, including regulatory clearance.

2.3 Disposals of businesses

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

The gain on disposal of businesses of the 2020 comparative interim period is mainly composed of the gain on disposal of the US Ice Cream business (part of the Zone AMS operating segment) and the gain on disposal of the Herta charcuterie business, included in Other.

In millions of CHF			January–June 2021			January–June 2020
	Nestlé Waters North America	Other	**Total**	US Ice Cream	Other	**Total**
Cash, cash equivalents and short-term investments	57	—	**57**	1	45	**46**
Inventories	135	11	**146**	189	56	**245**
Trade and other receivables, prepayments and other assets	463	12	**475**	41	121	**162**
Property, plant and equipment	1 985	23	**2 008**	453	259	**712**
Goodwill and intangible assets	811	4	**815**	1 673	141	**1 814**
Financial assets	257	—	**257**	—	—	**—**
Financial liabilities	(383)	(5)	**(388)**	(22)	(11)	**(33)**
Trade and other payables, accruals and other liabilities	(706)	(14)	**(720)**	(13)	(177)	**(190)**
Employee benefits and provisions	(242)	(5)	**(247)**	(1)	(79)	**(80)**
Deferred tax liabilities	(103)	—	**(103)**	(85)	(35)	**(120)**
Non-controlling interests	—	(9)	**(9)**	—	—	**—**
Net assets disposed of or impaired after classification as held for sale	**2 274**	**17**	**2 291**	**2 236**	**320**	**2 556**
Cumulative other comprehensive income items, net, reclassified to income statement	1 064	—	**1 064**	612	77	**689**
Profit/(loss) on disposals, net of disposal costs and impairments of assets held for sale	176	36	**212**	1 072	410	**1 482**
Total disposal consideration, net of disposal costs	**3 514**	**53**	**3 567**	**3 920**	**807**	**4 727**
Cash and cash equivalents disposed of	(57)	—	**(57)**	(1)	(45)	**(46)**
Disposal costs not yet paid	—	—	**—**	14	5	**19**
Loan granted to Froneri	—	—	**—**	(582)	—	**(582)**
Shares in associates (a)	—	(15)	**(15)**	—	(273)	**(273)**
Consideration receivable/refundable (b)	147	(6)	**141**	—	(81)	**(81)**
Receipt of consideration receivable on prior years' disposals	—	60	**60**	—	—	**—**
Cash inflow on disposals, net of disposal costs	**3 604**	**92**	**3 696**	**3 351**	**413**	**3 764**

(a) In January–June 2020 related to Herta.
(b) The consideration refundable related to Nestlé Waters North America corresponds to the estimated amount of adjustments of working capital and other adjustments to be settled in the second half of 2021.

2.4 Assets held for sale

There are no significant assets held for sale and liabilities directly associated with assets held for sale as of June 30, 2021.

As of December 31, 2020, assets held for sale and liabilities directly associated with assets held for sale were mainly composed of the Nestlé Waters North America business disposed of during the 2021 interim period (see Note 2.3).

In millions of CHF	June 30, 2021			December 31, 2020
	Total	Nestlé Waters North America	Other	**Total**
Inventories	—	114	10	**124**
Trade and other receivables, prepayments and other assets	—	319	9	**328**
Property, plant and equipment	**29**	1 837	66	**1 903**
Goodwill and intangible assets	—	756	3	**759**
Deferred taxes	—	—	3	**3**
Assets held for sale	**29**	**3 026**	**91**	**3 117**
Financial liabilities	—	(348)	—	**(348)**
Trade and other payables and accruals	—	(96)	(12)	**(108)**
Other liabilities	—	(56)	(11)	**(67)**
Employee benefits and provisions	—	(222)	(5)	**(227)**
Deferred taxes	—	(98)	—	**(98)**
Liabilities directly associated with assets held for sale	—	**(820)**	**(28)**	**(848)**
Net assets held for sale	**29**	**2 206**	**63**	**2 269**

3. Analyses by segment

3.1 Operating segments

Revenue and results

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 EMENA	10 214	1 918	1 933	15	(19)	(31)	(438)
Zone AMS	16 162	3 112	2 958	(154)	(23)	(5)	(482)
Zone AOA	10 210	2 282	2 270	(12)	(3)	(4)	(347)
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)**

In millions of CHF — January–June 2020 *

	Sales (a)	Underlying Trading operating profit (b)	Trading operating profit	Net other trading income/(expenses) (c)	of which impairment of property, plant and equipment	of which restructuring costs	Depreciation and amortization
Zone EMENA	10 029	1 840	1 764	(76)	(18)	(51)	(425)
Zone AMS	16 674	3 150	3 129	(21)	(10)	1	(616)
Zone AOA	10 062	2 282	2 234	(48)	(28)	(18)	(355)
Nespresso	2 762	714	717	3	1	1	(167)
Nestlé Health Science	1 540	297	295	(2)	—	(1)	(67)
Other businesses (d)	85	(24)	(25)	(1)	—	1	(20)
Unallocated items (e)	—	(1 103)	(1 144)	(41)	(19)	1	(58)
Total	**41 152**	**7 156**	**6 970**	**(186)**	**(74)**	**(66)**	**(1 708)**

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

(a) Inter-segment sales are not significant.
(b) Trading operating profit before Net other trading income/(expenses).
(c) Included in Trading operating profit.
(d) Composed of businesses not under the direct control of the Zones or GMBs and Group procurement activities.
(e) Mainly corporate expenses as well as research and development costs.

Other information

In millions of CHF	January–June 2021		January–June 2020 *	
	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 EMENA	—	(21)	—	—
Zone AMS	—	(35)	(30)	—
Zone AOA	—	—	—	—
Nespresso	—	—	—	—
Nestlé Health Science	—	—	(6)	—
Other businesses (a)	—	(73)	(383)	—
Unallocated items (b)	—	—	—	—
Total	**—**	**(129)**	**(419)**	**—**

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

(a) Composed of businesses not under the direct control of the Zones or GMBs and Group procurement activities.
(b) 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	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
						January–June 2021
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)**

In millions of CHF	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
						January–June 2020 *
Powdered and Liquid Beverages	10 740	2 467	2 431	(36)	(4)	(6)
Water	3 229	272	244	(28)	(13)	(4)
Milk products and Ice cream	5 392	1 231	1 214	(17)	(8)	(4)
Nutrition and Health Science	6 010	1 401	1 392	(9)	—	(2)
Prepared dishes and cooking aids	5 827	1 071	1 056	(15)	(3)	(41)
Confectionery	2 973	280	226	(54)	(28)	(12)
PetCare	6 981	1 537	1 551	14	1	2
Unallocated items (c)	—	(1 103)	(1 144)	(41)	(19)	1
Total	**41 152**	**7 156**	**6 970**	**(186)**	**(74)**	**(66)**

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

(a) Trading operating profit before Net other trading income/(expenses).
(b) Included in Trading operating profit.
(c) Mainly corporate expenses as well as research and development costs.

Other information

In millions of CHF	January–June 2021		January–June 2020 *	
	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)	(383)	—
Water	—	—	—	—
Milk products and Ice cream	—	(8)	—	—
Nutrition and Health Science	—	—	(6)	—
Prepared dishes and cooking aids	—	(3)	(30)	—
Confectionery	—	(6)	—	—
PetCare	—	—	—	—
Unallocated items (a)	—	—	—	—
Total	**—**	**(129)**	**(419)**	**—**

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

(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 2021	January–June 2020
EMENA	**12 526**	**12 085**
France	1 898	2 045
United Kingdom	1 574	1 328
Germany	1 200	1 193
Italy	805	722
Russia	776	762
Spain	736	690
Switzerland	554	541
Rest of EMENA	4 983	4 804
AMS	**18 314**	**18 355**
United States	12 268	12 753
Mexico	1 449	1 248
Brazil	1 356	1 344
Canada	1 085	959
Rest of AMS	2 156	2 051
AOA	**10 915**	**10 712**
Greater China Region	2 701	2 718
Philippines	1 335	1 446
India	838	790
Japan	749	728
Australia	719	654
Rest of AOA	4 573	4 376
Total sales	**41 755**	**41 152**
of which developed markets	24 292	23 987
of which emerging markets	17 463	17 165

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

In millions of CHF	January–June 2021	January–June 2020
Underlying Trading operating profit [(a)]	**7 251**	**7 156**
Net other trading income/(expenses)	(264)	(186)
Trading operating profit	**6 987**	**6 970**
Impairment of goodwill and non-commercialized intangible assets	—	(419)
Net other operating income/(expenses) excluding impairment of goodwill and non-commercialized intangible assets	(121)	1 282
Operating profit	**6 866**	**7 833**
Net financial income/(expense)	(416)	(447)
Profit before taxes, associates and joint ventures	**6 450**	**7 386**

(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 2021	January–June 2020
Other trading income	**145**	**73**
Restructuring costs	(62)	(66)
Impairment of property, plant and equipment and intangible assets [(a)]	(177)	(74)
Litigations and onerous contracts	(92)	(105)
Miscellaneous trading expenses	(78)	(14)
Other trading expenses	**(409)**	**(259)**
Total net other trading income/(expenses)	**(264)**	**(186)**

(a) Excluding non-commercialized intangible assets.

5.2 Net other operating income/(expenses)

In millions of CHF	Notes	January–June 2021	January–June 2020
Profit on disposal of businesses	2	224	1 609
Miscellaneous operating income		91	47
Other operating income		**315**	**1 656**
Loss on disposal of businesses	2	(12)	(127)
Impairment of goodwill and non-commercialized intangible assets [(a)]		—	(419)
Miscellaneous operating expenses [(b)]		(424)	(247)
Other operating expenses		**(436)**	**(793)**
Total net other operating income/(expenses)		**(121)**	**863**

(a) January–June 2020: included some non-significant impairments of goodwill (mainly in Other businesses) as well as CHF 6 million of impairment of non-commercialized intangible assets.
(b) January–June 2021: including mainly expenses of transitional services provided to disposed businesses, costs related to COVID-19 (see Note 11) and natural disasters.

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.

7. Cash flow before changes in operating assets and liabilities

In millions of CHF	January–June 2021	January–June 2020
Profit for the period	**6 046**	**6 028**
Income from associates and joint ventures	(717)	(640)
Taxes	1 121	1 998
Financial income	(27)	(73)
Financial expense	443	520
Operating profit	**6 866**	**7 833**
Depreciation of property, plant and equipment	1 490	1 571
Impairment of property, plant and equipment	48	74
Impairment of goodwill	—	413
Amortization of intangible assets	181	137
Impairment of intangible assets	129	6
Net result on disposal of businesses	(212)	(1 482)
Net result on disposal of assets	(121)	(27)
Non-cash items in financial assets and liabilities	82	(1)
Equity compensation plans	69	61
Other	(3)	2
Non-cash items of income and expense	**1 663**	**754**
Cash flow before changes in operating assets and liabilities	**8 529**	**8 587**

8. Equity

8.1 Share capital

The share capital changed in 2021 and 2020 as a consequence of share buyback programs launched in July 2017 and in January 2020. The cancellation of shares was approved at the Annual General Meetings on April 23, 2020, and April 15, 2021. The share capital was reduced by 66 000 000 shares from CHF 288 million to CHF 282 million in 2021 and by 95 000 000 shares from CHF 298 million to CHF 288 million in 2020. The 2020 reduction has been registered and accounted for on July 1, 2020.

At June 30, 2021, the share capital of Nestlé S.A. is composed of 2 815 000 000 registered shares with a nominal value of CHF 0.10 each.

Started in January 2020, a share buyback program of up to CHF 20 billion was still ongoing at end of June 2021, and is expected to be completed by the end of December 2022. The volume of monthly share buybacks depends on market conditions. Should any extraordinary dividend payments or sizeable acquisitions take place during the period of the share buyback, the amount of the share buyback will be reduced accordingly.

8.2 Dividend

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

9. Fair value of financial instruments

9.1 Fair value hierarchy

In millions of CHF	June 30, 2021	December 31, 2020
Derivative assets	95	119
Bonds and debt funds	1 447	2 558
Equity and equity funds	386	339
Other financial assets	81	62
Derivative liabilities	(13)	(4)
Prices quoted in active markets (Level 1)	**1 996**	**3 074**
Derivative assets	198	191
Bonds and debt funds	555	509
Equity and equity funds	342	296
Other financial assets	623	597
Derivative liabilities	(218)	(250)
Valuation techniques based on observable market data (Level 2)	**1 500**	**1 343**
Financial assets	84	89
Financial liabilities [(a)]	(345)	(277)
Valuation techniques based on unobservable input (Level 3)	**(261)**	**(188)**
Total financial instruments at fair value	**3 235**	**4 229**

(a) Related to contingent consideration on acquisitions (mainly related to the Freshly acquisition in 2020 described in Note 2.2 Acquisitions of businesses of the 2020 Consolidated Financial Statements).

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 2021 and the 2020 interim periods.

9.2 Carrying amount and fair value

As at June 30, 2021, the carrying amount of bonds issued is CHF 33.9 billion (December 31, 2020: CHF 29.2 billion), compared to a fair value of CHF 35.5 billion (December 31, 2020: CHF 31.5 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 2021
Issuer		Face value in millions	Coupon	Effective interest rates	Year of issue/ maturity	Comments	Amount
New issues							
Nestlé Finance International Ltd., Luxembourg	EUR	1 250	0.00%	0.00%	2021–2026		1 368
	EUR	750	0.25%	0.32%	2021–2029		817
	EUR	500	0.63%	0.69%	2021–2034		543
	EUR	650	0.88%	1.01%	2021–2041		694
Nestlé Holdings, Inc., USA	GBP	600	0.63%	0.75%	2021–2025	(a)	769
	GBP	400	1.38%	1.46%	2021–2033	(a)	514
Nestlé Hungária Kft., Hungary	HUF	115 000	1.75%	1.53%	2021–2028		357
Total new issues							**5 062**
Repayments							
Nestlé Holdings, Inc., USA	USD	550	1.88%	2.03%	2016–2021		(500)
	GBP	500	1.00%	1.17%	2017–2021	(a)	(604)
Other							(57)
Total repayments							**(1 161)**

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

11. Impacts of COVID-19

The long-term economic impacts of COVID-19 remain difficult to predict or quantify due to the pervasive effects of COVID-19.

The net estimated incremental costs on the Operating Profit of the Group consisting primarily of wage premiums and bonuses for front line workers, safety related costs, meals, allowances and benefits; donations to governments and charities; unsaleable inventories and other incremental expenses; offset by COVID-19-related assistance and rent relief [(a)] and are included in the following lines of the income statement:

In millions of CHF (approximate amounts and allocation by function)	January–June 2021	January–June 2020
Cost of goods sold	30	110
Distribution expenses	(5)	10
Marketing and administration expenses	10	90
Other operating expenses	55	80
Incremental costs	**90**	**290**

(a) The Group recorded temporary cost reductions of CHF 2 million (January–June 2020: CHF 34 million) under economic stimulus policies implemented unilaterally by governments and applicable to all companies, and CHF 5 million (January–June 2020: CHF 6 million) of COVID-19-related rent relief from lessors.

In addition, the Group absorbed around CHF 10 million (January–June 2020: CHF 100 million) of salaries of staff made idle and depreciation of around CHF 5 million (January–June 2020: CHF 20 million) related to boutiques and other facilities/sites closed due to public health and social measures imposed by government authorities.

12. Events after the balance sheet date

As at July 28, 2021, 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 2021	December 2020	June 2020	January–June 2021	January–June 2020
			Ending rates		Weighted average rates	
1 US Dollar	USD	0.921	0.881	0.952	0.908	0.966
1 Euro	EUR	1.097	1.083	1.068	1.094	1.064
100 Chinese Yuan Renminbi	CNY	14.273	13.482	13.472	14.011	13.729
1 Pound Sterling	GBP	1.274	1.203	1.169	1.261	1.215
100 Mexican Pesos	MXN	4.656	4.430	4.122	4.497	4.509
100 Brazilian Reais	BRL	18.630	16.951	17.502	16.914	19.710
100 Philippine Pesos	PHP	1.892	1.834	1.910	1.882	1.908
1 Canadian Dollar	CAD	0.744	0.691	0.696	0.729	0.706
100 Indian Rupee	INR	1.239	1.206	1.261	1.236	1.306
100 Russian Rubles	RUB	1.267	1.178	1.356	1.223	1.385
100 Japanese Yen	JPY	0.833	0.854	0.885	0.843	0.893
1 Australian Dollar	AUD	0.693	0.679	0.653	0.701	0.633

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.

Registered Offices
Nestlé S.A.
Avenue Nestlé 55
1800 Vevey
Switzerland
tel. +41 (0)21 924 21 11

Nestlé S.A. (Share Transfer Office)
Zugerstrasse 8
6330 Cham
Switzerland
tel. +41 (0)41 785 20 20

For additional information, contact:
Nestlé S.A.
Investor Relations
Avenue Nestlé 55
1800 Vevey
Switzerland
tel. +41 (0)21 924 35 09
e-mail: ir@nestle.com

As to information concerning the share register (registrations, transfers, dividends, etc.), please contact:
Nestlé S.A. (Share Transfer Office)
Zugerstrasse 8
6330 Cham
Switzerland
tel. +41 (0)41 785 20 20
fax +41 (0)41 785 20 24
e-mail: shareregister@nestle.com

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

www.nestle.com

October 20, 2021
2021 Nine-months Sales figures

February 17, 2022
2021 Full-Year Results

April 7, 2022
155th Annual General Meeting

© 2021, Nestlé S.A., Cham and Vevey (Switzerland)

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.

This *Half-Year Report* is published in English, German and French. The English version is binding.

The brands in italics are registered trademarks of the Nestlé Group.

Concept
Nestlé S.A., Group Accounting and Reporting

Production
Stämpfli Ltd. (Switzerland)

Paper
This report is printed on Lessebo Smooth White, a paper produced from well-managed forests and other controlled sources certified by the Forest Stewardship Council (FSC).