Nestlé reports full-year results for 2021

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BY NESTLÉ

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- Organic growth reached 7.5%, with real internal growth (RIG) of 5.5% and pricing of 2.0%. Growth was supported by continued momentum in retail sales, steady recovery of out-of-home channels, increased pricing and market share gains.

- Total reported sales increased by 3.3% to CHF 87.1 billion (2020: CHF 84.3 billion). Foreign exchange reduced sales by 1.3%. Net divestitures had a negative impact of 2.9%.

- The underlying trading operating profit (UTOP) margin was 17.4%, decreasing by 30 basis points. The trading operating profit (TOP) margin decreased by 290 basis points to 14.0% on a reported basis, largely reflecting impairments related to the Wyeth business.

- Underlying earnings per share increased by 5.8% in constant currency and by 5.1% on a reported basis to CHF 4.42. Earnings per share increased by 41.1% to CHF 6.06 on a reported basis, mainly reflecting the gain on the disposal of L’Oréal shares.

- Free cash flow decreased by 14.9% to CHF 8.7 billion, reflecting temporarily higher capital expenditure and inventory levels.

- Board proposes a dividend of CHF 2.80 per share, an increase of 5 centimes, marking 27 consecutive years of dividend growth. In total, CHF 13.9 billion were returned to shareholders in 2021 through a combination of dividend and share buybacks.

- Continued progress in portfolio management. Portfolio rotation since 2017 now amounts to around 20% of total 2017 sales.

- 2022 outlook: we expect organic sales growth around 5% and underlying trading operating profit margin between 17.0% and 17.5%. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

- Mid-term outlook: sustained mid single-digit organic sales growth. Continued moderate underlying trading operating profit margin improvements. Continued prudent capital allocation and capital efficiency improvements.

Mark Schneider, Nestlé CEO, commented:"In 2021, we remained focused on executing our long-term strategy and stepping up growth investments, while at the same time navigating global supply chain challenges. Our organic growth was strong, with broad-based market share gains, following disciplined execution, rapid innovation and increased digitalization. We limited the impact of exceptional cost inflation through diligent cost management and responsible pricing. Our robust underlying earnings per share growth shows the resilience of our value creation model. The entire Nestlé team demonstrated exemplary perseverance and agility in a challenging environment.

The evolution of our portfolio continued, focusing on categories with attractive growth opportunities and differentiated offerings. Recent examples include the acquisition of the core brands of The Bountiful Company and the divestiture of the mainstream water brands in North America.

Our sustainability agenda further progressed as we enhance the well-being of our consumers, help regenerate the environment and strengthen the farming communities in our supply chains.

We continued to create value for our shareholders through disciplined capital allocation, steadily increasing dividends and significant share buybacks. Going forward, we are confident in the strength of our value creation model."

Total Group Zone AMS Zone EMENA Zone AOA Nespresso Nestlé Health Science Other Businesses Sales FY-2021 (CHF m) 87 088 33 779 21 128 20 735 6 418 4 822 206 Sales FY-2020 (CHF m)* 84 343 34 010 20 226 20 730 5 885 3 326 166 Real internal growth (RIG) 5.5% 4.8% 6.0% 3.5% 8.2% 13.4% 25.1% Pricing 2.0% 3.7% 1.2% 0.8% 0.6% 0.1% 1.2% Organic growth 7.5% 8.5% 7.2% 4.2% 8.8% 13.5% 26.3% Net M&A - 2.9% - 6.6% - 2.2% - 3.9% 0.0% 33.2% 0.0%

Foreign exchange - 1.3% - 2.5% - 0.6% - 0.4% 0.3% - 1.8% Reported sales growth 3.3% - 0.7% 4.5% 0.0% 9.1% 45.0% 24.5% FY-2021 Underlying TOP Margin 17.4% 20.8% 18.5% 21.8% 23.0% 13.6% - 15.6% FY-2020 Underlying TOP Margin* 17.7% 20.5% 18.6% 22.2% 23.6% 16.5% - 43.9%

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

Organic growth was 7.5%, with RIG of 5.5%. Pricing increased to 2.0%, reaching 3.1% in the fourth quarter, to offset significant cost inflation.

Growth was broad-based across most geographies and categories. Organic growth reached 7.2% in developed markets, the highest level in more than a decade, based mostly on RIG with positive pricing. Organic growth in emerging markets was 7.8%, with robust RIG and positive pricing.

By product category, the largest contributor to organic growth was coffee, fueled by strong momentum for the three main brands Nescafé, Nespresso and Starbucks. Sales of Starbucks products grew by 17.1% to reach CHF 3.1 billion, generating over CHF 1 billion of incremental sales compared with 2018. Purina PetCare posted double-digit growth, led by science-based and premium brands Purina Pro Plan, Fancy Feast and Purina ONE, as well as veterinary products. Prepared dishes and cooking aids reported high single-digit growth, based on strong sales developments for Maggi, Stouffer's and Lean Cuisine. Sales in vegetarian and plant-based food grew at a double-digit rate, reaching around CHF 800 million. Nestlé Health Science recorded double-digit growth, reflecting strong demand for vitamins, minerals and supplements, as well as healthy-aging products. Dairy saw mid single-digit growth, based on strong demand for premium and fortified milks, coffee creamers and ice cream. Sales in confectionery grew at a high single-digit rate, supported by a strong sales development for KitKat and gifting products. Water posted high single-digit growth, driven by premium brands and a recovery in out-of-home channels. Infant Nutrition reported negative growth, impacted by a sales decline in China and lower birth rates globally. Sales of human milk oligosaccharides (HMOs) products continued to see robust growth, reaching CHF 1.2 billion.

By channel, organic growth in retail sales was 6.4%. E-commerce sales grew by 15.1%, reaching 14.3% of total Group sales, with strong momentum in most categories, particularly Purina PetCare, coffee and Nestlé Health Science. Organic growth in out-of-home channels reached 24.5%, helped by a low base of comparison due to the pandemic.

Net divestitures decreased sales by 2.9%, largely related to the Nestlé Waters North America, Yinlu and Herta transactions. Divestitures were partially offset by acquisitions, including the core brands of The Bountiful Company and Freshly. The negative impact on sales from foreign exchange moderated to 1.3%. Total reported sales increased by 3.3% to CHF 87.1 billion.

Underlying Trading Operating Profit

Underlying trading operating profit increased by 1.4% to CHF 15.1 billion. The underlying trading operating profit margin decreased by 30 basis points to 17.4% in constant currency and on a reported basis, reflecting time delays between cost inflation and pricing actions. The one-off integration costs related to the acquisition of The Bountiful Company's core brands had a negative impact of around 10 basis points.

Gross margin decreased by 130 basis points to 47.8%, reflecting significant broad-based inflation for commodity, packaging, freight and energy costs. The impact of cost inflation, which increased strongly in the second half, was partly offset by price increases, operating leverage and efficiencies.

Distribution costs as a percentage of sales decreased by 20 basis points, mainly as a result of the disposal of the Nestlé Water brands in North America.

Marketing and administration expenses decreased as a percentage of sales by 80 basis points, based on strong operating leverage and efficiencies. At the same time, the Group continued to invest for growth and increased its consumer-facing marketing expenses in constant currency.

Restructuring expenses and net other trading items increased by CHF 2.3 billion to CHF 3.0 billion, largely reflecting impairments related to the Wyeth business. As a result, trading operating profit decreased by

14.6% to CHF 12.2 billion and the trading operating profit margin decreased by 290 basis points on a reported basis to 14.0%.

Net Financial Expenses and Income Tax

Net financial expenses were unchanged at CHF 873 million, as a lower cost of debt offset higher average net debt.

The Group reported tax rate decreased by 330 basis points to 20.9%, mainly as a result of one-off items in 2020, including the divestment of the U.S. ice cream business. The underlying tax rate decreased by 40 basis points to 20.7%, mainly due to the geographic and business mix.

Reduction of L'Oréal stake

On December 15, 2021, Nestlé sold 22.26 million of L'Oréal shares for a total consideration of CHF 9.3 billion. Following the transaction, Nestlé owns 20.1% of L'Oréal and remains fully supportive of the company's value creation strategy.

Net Profit and Earnings Per Share

Net profit grew by 38.2% to CHF 16.9 billion. Net profit margin increased by 490 basis points to 19.4%. The gain on the disposal of L'Oréal shares more than offset higher asset impairments and other one-off items.

Underlying earnings per share increased by 5.8% in constant currency and by 5.1% on a reported basis to CHF 4.42. Sales growth was the main contributor to the increase. Nestlé's share buyback program contributed 1.3% to the underlying earnings per share increase, net of finance costs. Earnings per share increased by 41.1% to CHF 6.06 on a reported basis.

Cash generated from operations decreased from CHF 17.2 billion to CHF 16.6 billion, mainly due to slightly higher working capital at year-end. In the context of significant supply chain disruptions, the Group increased its inventory levels temporarily. Free cash flow decreased from CHF 10.2 billion to CHF 8.7 billion, mainly due to a temporary increase in capital expenditure to meet strong volume demand, particularly for Purina PetCare and coffee.

At the Annual General Meeting on April 7, 2022, the Board of Directors will propose a dividend of CHF 2.80 per share, an increase of 5 centimes. If approved, this will be the company's 27th consecutive annual dividend increase. The company has maintained or increased its dividend in Swiss francs over the last 62 years. Nestlé is committed to maintaining this long-held practice to increase the dividend in Swiss francs every year.

The last trading day with entitlement to receive the dividend will be April 8, 2022. The net dividend will be payable as from April 13, 2022.

Shareholders entered in the share register with voting rights on March 31, 2022 at 12:00 noon (CEST) will be entitled to exercise their voting rights.

During 2021, the Group repurchased CHF 6.3 billion of Nestlé shares.

On December 30, 2021, Nestlé terminated its existing CHF 20 billion share buyback program initiated on January 3, 2020. Between January 3, 2020 and December 30, 2021, the Group repurchased 123.1 million of its shares for a total consideration of CHF 13.1 billion at an average price of CHF 106.08 per share.

Nestlé initiated a new share buyback program of up to CHF 20 billion on January 3, 2022. The company expects to buy around CHF 10 billion of shares in the first twelve months. The new share buyback program shall be completed by the end of December 2024.

Net debt increased by CHF 1.6 billion to reach CHF 32.9 billion as at December 31, 2021. The dividend payment, share buybacks and the net cash outflow from acquisitions and divestitures more than offset proceeds from the disposal of L'Oréal shares and free cash flow generation.

Return on Invested Capital (ROIC)

The Group's ROIC decreased by 250 basis points to 12.2%, as a result of impairments related to the Wyeth business. Excluding Wyeth business impairments, the Group's ROIC was 14.2%.

Nestlé completed acquisitions and divestments with a total value of around CHF 9.9 billion in 2021.

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

Nestlé Health Science continues to focus on building the leading global nutrition and health platform. In July, Nestlé completed the acquisition of Nuun, a leading company in the fast-growing functional hydration market, and entered into an agreement with Seres Therapeutics to jointly commercialize SER-109, an investigational oral microbiome therapeutic in the U.S. and Canada. In August, Nestlé completed the acquisition of the core brands of The Bountiful Company for USD 5.75 billion. The Bountiful Company is the number one pure-play company in the highly attractive global nutrition and supplement category.

Building on the successful global coffee alliance, Nestlé continues to expand the reach of Starbucks branded coffee and tea products outside Starbucks retail stores. In July, 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.

As of January 1, 2022, the company is organized into five Zones: Zone North America, Zone Latin America, Zone Europe, Zone Asia, Oceania and Africa, and Zone Greater China. Nestlé will report the sales and growth numbers of the new Zone structure for the first time on April 21, 2022.

The new structure will strengthen the company's market-led approach and enhance Nestlé's ability to win in a rapidly changing environment. It also underscores the company's deep commitment to succeeding in all parts of the world, including its two top markets North America and Greater China.

- 8.5% organic growth: 4.8% RIG; 3.7% pricing.

- North America posted high single-digit organic growth, with robust RIG and positive pricing.

- Latin America reported double-digit organic growth, with both strong

RIG and pricing.

- The underlying trading operating profit margin increased by 30 basis points to 20.8%, mainly due to the divestment of the Nestlé Waters North America brands.

Sales 2021 Sales 2020 RIG Pricing Organic growth UTOP 2021 UTOP 2020 Margin 2021 Margin 2020 Zone AMS CHF 33.8 bn CHF 34.0 bn 4.8% 3.7% 8.5% CHF 7.0 bn 20.8% 20.5%

Organic growth was 8.5%, with strong RIG of 4.8%. Pricing increased to 3.7%, reaching 5.2% in the fourth quarter. Net divestitures reduced sales by 6.6%, as the divestment of the Nestlé Waters North America brands more than offset the acquisitions of Freshly and Essentia Water. Foreign exchange had a negative impact of 2.5%. Reported sales in Zone AMS decreased by 0.7% to CHF 33.8 billion.

Zone AMS reported high single-digit organic growth, building on a strong sales development in 2020. Increased pricing, continued innovation, strong momentum in e-commerce and a further recovery of out-of-home channels supported growth. The Zone saw continued broad-based market share gains, led by coffee, pet food, frozen food and ambient culinary.

North America posted high single-digit growth in the context of continued significant supply chain constraints. Sales in Purina PetCare grew at a double-digit rate, led by Purina Pro Plan, Fancy Feast and Purina ONE. Scienced-based innovations continued to support growth, with new launches including Pro Plan Cardio Care and new varieties of Sensitive Skin & Stomach formula. Nestlé Professional and Starbucks out-of-home products saw strong double-digit growth, helped by further recovery in out-of-home channels. Sales in the beverages category, including Starbucks at-home products, Coffee mate and Nescafé, grew at a mid single-digit rate. Frozen and chilled food reported mid single-digit growth, supported by strong sales developments for Stouffer's, Lean Cuisine and Hot Pockets. Pizza saw a sales decrease following a high base of comparison in 2020, with a return to positive growth in the fourth quarter. Water reported mid single-digit growth, led by strong growth for the recently acquired Essentia Water business. Sales in confectionery in Canada grew by close to 10%, driven by KitKat. Home-baking products, including Toll House and Carnation, saw a sales decrease following exceptional demand in 2020 but remained above 2019 levels.

Latin America posted double-digit growth, with broad-based contributions across geographies and product categories. Sales in Mexico grew at a double-digit rate, led by coffee, Purina PetCare and confectionery. Brazil reported double-digit growth, reflecting strong demand for confectionery, particularly KitKat, as well as Purina PetCare and Nescafé. Chile also recorded double-digit growth, supported by Purina PetCare, confectionery and ice cream. By product category, Purina PetCare was the largest growth contributor, led by Purina Pro Plan and Dog Chow. Confectionery and coffee also reported strong double-digit growth. Sales in Nestlé Professional exceeded 2019 levels, with strong growth across markets. Infant Nutrition saw mid single-digit growth, based on robust demand for NAN premium and functional products. Growth in dairy moderated to a low single-digit rate, following exceptionally strong demand in 2020. Plant-based products continued to grow strongly, supported by the expansion of Nature’s Heart across all markets.

The Zone’s underlying trading operating profit margin increased by 30 basis points, with the positive margin impact of the Nestlé Waters North America brands divestment more than offsetting significant cost inflation.

Zone Europe, Middle East and North Africa (EMENA)

- 7.2% organic growth: 6.0% RIG; 1.2% pricing.

- Western Europe saw mid single-digit organic growth with strong RIG and slightly positive pricing.

- Central and Eastern Europe posted double-digit organic growth, with strong RIG and positive pricing.

- Middle East, North Africa, Turkey and Israel reported high single-digit organic growth, with a balanced contribution from RIG and pricing.

- The underlying trading operating profit margin decreased by 10 basis points to 18.5%.

Sales 2021 Sales 2020 RIG Pricing Organic growth UTOP 2021 UTOP 2020 Margin 2021 Margin 2020 Zone EMENA CHF 21.1 bn CHF 20.2

bn 6.0% 1.2% 7.2% CHF 3.9 bn CHF 3.8 bn 18.5% 18.6%

Organic growth reached 7.2%, with strong RIG of 6.0% supported by volume and mix. Pricing increased by 1.2%, with 2.5% pricing in the fourth quarter. Net divestitures reduced sales by 2.2%, largely related to the divestiture of the Herta charcuterie business partly offset by the acquisitions of Mindful Chef and Lily's Kitchen. Foreign exchange negatively impacted sales by 0.6%. Reported sales in Zone EMENA increased by 4.5% to CHF 21.1 billion.

Zone EMENA reported high single-digit organic growth, reaching the highest level in the last decade. Growth was supported by continued evolution of the portfolio toward fast-growing categories and channels, as well as innovation. All markets posted positive growth, with strong sales developments led by the United Kingdom, Russia, Italy and France. The Zone continued to see broad-based market share gains, particularly for pet food, coffee, ambient and chilled culinary.

By product category, Purina PetCare posted double-digit growth led by premium brands Gourmet, Felix and Purina Pro Plan, as well as veterinary products. Growth was strong across all channels, particularly in e-commerce and pet specialty stores. Sales in new growth platforms Tails.com, Lily's Kitchen and Terra Canis combined increased by close to 40%. Sales in coffee grew at a high single-digit rate, supported by strong momentum for Nescafé and Starbucks at-home products. Nestlé Professional reported strong double-digit growth, helped by further recovery in out-of-home channels, with particular strength in coffee. Water posted high single-digit growth, led by S.Pellegrino as well as Nestlé Pure Life in the Middle East and North Africa. Sales in confectionery grew at a mid single-digit rate, led by KitKat. Culinary reported low single-digit growth, with a high base of comparison for Maggi. Sales in Garden Gourmet and Mindful Chef continued to grow at a double-digit rate. Garden Gourmet Vuna, the recently launched plant-based tuna alternative, saw strong demand. Infant Nutrition posted positive growth, with continued market share gains, despite lower birth rates in the context of the pandemic.

The Zone's underlying trading operating profit margin decreased by 10 basis points. Cost inflation and increased growth investments more than offset operating leverage and product mix.

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

- 4.2% organic growth: 3.5% RIG; 0.8% pricing.

- China posted low single-digit organic growth, based on positive RIG and slightly positive pricing.

- South-East Asia saw positive organic growth, with positive RIG and slightly negative pricing.

- South Asia reported double-digit organic growth, with strong RIG and positive pricing.

- Sub-Saharan Africa recorded double-digit organic growth, led by strong RIG with positive pricing.

- Japan, South Korea and Oceania 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 21.8%.

Sales 2021 Sales 2020 RIG Pricing Organic growth UTOP 2021 UTOP 2020 Margin 2021 Margin 2020 Zone AOA CHF 20.7 bn 3.5% 0.8% 4.2% CHF 4.5 bn CHF 4.6 bn 21.8% 22.2%

Organic growth was 4.2%, with RIG of 3.5%. Pricing was 0.8%, increasing to 2.2% in the fourth quarter. Net divestitures had a negative impact of 3.9%, largely related to the divestment of the Yinlu peanut milk and canned rice porridge businesses in China. Foreign exchange reduced sales by 0.4%. Reported sales in Zone AOA were unchanged at CHF 20.7 billion.

Zone AOA reported mid single-digit organic growth in a difficult economic environment with continued regional lockdowns. The Zone saw market share gains in culinary, coffee and pet food. Infant Nutrition reported market share losses.

China saw low single-digit growth. Strong sales developments in most categories were partly offset by a sales decline in Infant Nutrition where turnaround initiatives continued. The largest growth contributor was Nestlé Professional, with sales exceeding 2019 levels. Coffee, culinary and Purina PetCare all reported strong double-digit growth. Dairy recorded high single-digit growth, with a strong sales development for healthy-aging products, particularly Yiyang certified functional foods for improved immunity and mobility. Confectionery posted mid single-digit growth, led by robust demand for Shark wafer chocolate.

South-East Asia saw positive growth, with sales reaching a mid single-digit rate in the fourth quarter despite continued movement restrictions. Sales in Malaysia grew at a mid single-digit rate, with broad-based growth across most categories. The Philippines and Indonesia saw negative growth, turning positive in the fourth quarter led by Nescafé and Bear Brand. Indochina posted positive growth, despite a sales decrease in on-the-go products and out-of-home channels.

South Asia recorded double-digit growth, supported by distribution expansion in rural areas and continued strong e-commerce momentum. Growth was broad-based across most categories in both India and Pakistan, led by Maggi, KitKat, Nescafé and Nestlé Professional.

Sub-Saharan Africa recorded double-digit growth, based on strong sales developments for Maggi, Milo and Nescafé, particularly for affordable offerings.

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

By product category, the key growth driver was coffee driven by new launches for Nescafé and Starbucks products. Culinary and Nestlé Professional posted double-digit growth. Sales in confectionery, ice cream and Purina PetCare grew at a high single-digit rate. Dairy reported mid single-digit growth, led by strong demand for premium and fortified milks. Infant Nutrition saw a sales decline, with positive growth outside of China in the second half.

The Zone’s underlying trading operating profit margin decreased by 40 basis points. Cost inflation and product mix more than offset operating leverage.

- 8.8% organic growth: 8.2% RIG; 0.6% pricing.

- The underlying trading operating profit margin decreased by 60 basis points to 23.0%.

Sales 2021 Sales 2020 RIG Pricing Organic growth UTOP 2021 UTOP 2020 Margin 2021 Margin 2020 Nespresso CHF 6.4 bn CHF 5.9 bn 8.2% 0.6% 8.8% CHF 1.5 bn CHF 1.4 bn 23.0% 23.6%

Organic growth reached 8.8%, based on strong RIG of 8.2% and pricing of 0.6%. Foreign exchange positively impacted sales by 0.3%. Reported sales in Nespresso increased by 9.1% to CHF 6.4 billion.

Nespresso posted high single-digit growth, moderating to a mid single-digit rate in the second half following a high base of comparison in 2020. Growth was fueled by new consumer adoption, particularly for the Vertuo system, continued momentum in e-commerce and a recovery in boutiques and out-of-home channels. Continuous innovation resonated strongly with consumers and significant new product launches included the expansion of the World Explorations and Reviving Origins ranges, as well as strong demand for year-end festive offerings.

By geography, the Americas and AOA posted double-digit growth. Sales in EMENA grew at a mid single-digit rate. Overall Nespresso gained market share, with contributions from most markets.

The underlying trading operating profit margin of Nespresso decreased by 60 basis points. Increased growth investments more than offset operating leverage.

- 13.5% organic growth: 13.4% RIG; 0.1% pricing.

- The underlying trading operating profit margin decreased by 290 basis points to 13.6%.

Sales 2021 Sales 2020 RIG Pricing Organic growth UTOP 2021 UTOP 2020 Margin 2021 Margin 2020 Nestlé Health Science CHF 4.8 bn CHF 3.3 bn 13.4% 0.1% 13.5% CHF 0.7 bn CHF 0.5 bn 13.6% 16.5%

Organic growth was 13.5%, with strong RIG of 13.4% and 0.1% pricing. Net acquisitions increased sales by 33.2%, largely related to the acquisitions of the core brands of The Bountiful Company, Vital Proteins, Zenpep and Aimmune. Foreign exchange negatively impacted sales by 1.8%. Reported sales in Nestlé Health Science increased by 45.0% to CHF 4.8 billion.

Nestlé Health Science posted double-digit organic growth, building on a strong sales development in 2020, with broad-based market share gains across channels and markets. Growth was supported by e-commerce momentum, innovation, geographic expansion and strong execution in the supply chain.

Consumer Care posted double-digit growth. Vitamins, minerals and supplements that support health and the immune system continued to see strong demand. Vital Proteins almost doubled its sales. Garden of Life saw continued strength, driven by new product launches such as Dr. Formulated MD Protein for improved heart health and immunity. Sales for the newly acquired core brands of The Bountiful Company grew at a high single-digit rate, led by Nature's Bounty and Solgar. Healthy-aging products recorded double-digit growth, supported by Boost in North America.

Medical Nutrition reported high single-digit growth, with robust demand for pediatric care products Althéra, Alfaré and Alfamino, as well as for Compleat, a comprehensive nutritional tube-feeding formula. The rollout of Palforzia, the peanut allergy treatment, was impacted by the pandemic. In the fourth quarter, the product started to see increased adoption in the U.S. and was also launched in the United Kingdom and Germany.

By geography, the Americas and AOA posted double-digit growth. Sales in EMENA grew at a high single-digit rate.

The underlying trading operating profit margin of Nestlé Health Science decreased by 290 basis points, mainly due to investments in Palforzia, increased consumer-facing marketing expenses and one-off integration costs related to the acquisition of The Bountiful Company's core brands.

Business as a force for good: innovative plan to tackle child labor risks and achieve full traceability in cocoa

On January 27, 2022, Nestlé unveiled an innovative plan building on its longstanding efforts to tackle child labor risks in cocoa production. The company plans to invest a total of CHF 1.3 billion by 2030, more than tripling its current annual investment. A novel incentive program aims to help farmers and their families steadily and sustainably build social and economic stability. This new program focuses on complex root causes of child labor, including poverty, school enrollment and agricultural practices.

The program, which builds on the Nestlé Cocoa Plan, rewards practices that increase crop productivity and help secure additional sources of income. By engaging in these practices, families can earn up to CHF 500 in additional annual income for the first two years of the program (pdf, 10Mb) leveled at CHF 250 as the program starts delivering tangible results.

As the incentive is not paid based on volume of cocoa sold, it also provides smaller farmers meaningful support, leaving no one behind. These payments are on top of support provided by the government of producing countries and the premiums Nestlé pays for certified cocoa, independently audited against the Rainforest Alliance Sustainable Agriculture Standard.

The program divides the payments between the traditionally male farmer and his female spouse, typically responsible for the household and childcare, thereby helping to empower women and improve gender equality.

Practices that Nestlé is incentivizing through the program include:

- Enrolling all children in the household aged 6-16 in school.

- Implementing good agricultural practices, such as pruning, which increase crop productivity.

- Performing agroforestry activities to increase climate resilience, like planting shade trees.

- Generating diversified incomes, for example through growing other crops, raising livestock such as chickens, beekeeping or processing other products like cassava.

In line with Nestlé’s Creating Shared Value approach, the company will help ensure farmers have the resources, training, and social and financial structures to make lasting changes.

Building on the positive results of an initial pilot in 2020 Nestlé conducted with 1 000 farmers in Côte d’Ivoire, the company will run a sizeable test program with 10 000 families in the country starting this year. The aim is to reach approximately 160 000 cocoa-farming families in Nestlé’s global cocoa supply chain by 2030.

As part of the program, Nestlé will transform the sourcing of cocoa to achieve full traceability and segregation of its cocoa products from origin to factory. This new effort will help drive accountability and transparency across Nestlé’s supply chain and the broader industry at a time when customers, employees and communities increasingly expect companies to deliver on their shared values.

Nestlé will introduce a range of products with cocoa sourced from this innovative program, offering consumers the opportunity to support improvement in farmer family livelihoods and protection of children. This will start with a selection of KitKat products in 2023.

2022 outlook: we expect organic sales growth around 5% and underlying trading operating profit margin between 17.0% and 17.5%. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

Mid-term outlook: sustained mid single-digit organic sales growth. Continued moderate underlying trading operating profit margin improvements. Continued prudent capital allocation and capital efficiency improvements.

Full-year sales and underlying trading operating profit (UTOP) overview by operating segment

Total Group Zone AMS Zone EMENA Zone AOA Nespresso Nestlé Health Science Other Businesses Sales FY-2021 (CHF m) 87 088 33 779 21 128 20 735 6 418 4 822 206 Sales FY-2020 (CHF m)* 84 343 34 010 20 226 20 730 5 885 3 326 166 Real internal growth (RIG) 5.5% 4.8% 6.0% 3.5% 8.2% 13.4% 25.1% Pricing 2.0% 3.7% 1.2% 0.8% 0.6% 0.1% 1.2% Organic growth 7.5% 8.5% 7.2% 4.2% 8.8% 13.5% 26.3% Net M&A - 2.9% - 6.6% - 2.2% - 3.9% 0.0% 33.2% 0.0% Foreign exchange - 1.3% - 2.5% - 0.6% - 0.4% 0.3% - 1.8% Reported sales growth 3.3% - 0.7% 4.5% 0.0% 9.1% 45.0% 24.5% FY-2021 Underlying TOP (CHF m) 15 119 7 012 3 903 4 524 1 475 654 - 32 FY-2020 Underlying TOP (CHF m)* 14 903 6 975 3 766 4 599 1 392 549 - 73 FY-2021 Underlying TOP Margin 17.4% 20.8% 18.5% 21.8% 23.0% 13.6% - 15.6% FY-2020 Underlying TOP Margin* 17.7% 20.5% 18.6% 22.2% 23.6% 16.5% - 43.9%

Full-year sales and underlying trading operating profit (UTOP) overview by product

Total Group Powdered & liquid beverages Water Milk products & ice cream Nutrition & Health Science Prepared dishes & cooking aids Confec-tionery PetCare Sales FY-2021 (CHF m) 87 088 23 975 4 040 10 700 13 157 12 146 7 514 15 556 Sales FY-2020 (CHF m) 84 343 22 256 6 421 11 007 12 160 11 523 6 975 14 001 Real internal growth (RIG) 5.5% 7.8% 3.0% 0.4% 4.6% 6.3% 9.4% Pricing 2.0% 1.1% 3.7% 2.9% 1.0% 1.9% 1.6% 3.4% Organic growth 7.5% 8.9% 6.8% 5.9% 1.4% 6.6% 7.9% 12.7% FY-2021 Underlying TOP (CHF m) 15 119 5 631 364 2 707 2 307 2 040 1 205 3 282 FY-2020 Underlying TOP (CHF m)* 14 903 5 035 639 2 652 2 640 2 171 990 3 081 FY-2021 Underlying TOP Margin 17.4% 23.5% 9.0% 25.3% 17.5% 16.8% 16.0% 21.1% FY-2020 Underlying TOP Margin* 17.7% 22.6% 10.0% 24.1% 21.7% 18.8% 14.2% 22.0%

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

Christoph Meier Tel.: +41 21 924 2200

Luca Borlini Tel.: +41 21 924 3509

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