

NESTLÉ DANMARK A/S
ARNE JACOBSENS ALLÉ 7, 2300 KØBENHAVN S
ANNUAL REPORT
1 JANUARY - 31 DECEMBER 2021

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 27 May 2022**

Jan Overgaard Oberschelp

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COMPANY DETAILS

Company	NESTLÉ DANMARK A/S Arne Jacobsens Allé 7 2300 Copenhagen S
	CVR No.: 38 68 89 28
	Established: 1 March 1938
	Municipality: Copenhagen
	Financial Year: 1 January - 31 December
Board of Directors	Peter Tomas Aronsson, chairman Torben Emborg Nicolas Michel Brondel Mikala Larsen Jan Overgaard Oberschelp Jeanet Belvedere Christensen Jonas Marslev Delphine Thestesen Thygesen
Executive Board	Torben Emborg Nicolas Michel Brondel
Auditor	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 2000 Copenhagen
General Meeting	The Annual General Meeting is held on 27 May 2022, at the company's address.

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of NESTLÉ DANMARK A/S for the financial year 1 January - 31 December 2021.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

We recommend the Annual Report be approved at the Annual General Meeting.

Copenhagen, 27 May 2022

Executive Board

Torben Emborg

Nicolas Michel Brondel

Board of Directors

Peter Tomas Aronsson
Chairman

Torben Emborg

Nicolas Michel Brondel

Mikala Larsen

Jan Overgaard Oberschelp

Jeanet Belvedere Christensen

Jonas Marslev

Delphine Thestesen Thygesen

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NESTLÉ DANMARK A/S

Opinion

We have audited the Financial Statements of NESTLÉ DANMARK A/S for the financial year 1 January - 31 December 2021, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such Internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management Commentary

Management is responsible for Management Commentary.

Our opinion on the Financial Statements does not cover Management Commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management Commentary and, in doing so, consider whether Management Commentary is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management Commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management Commentary is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management Commentary.

Copenhagen, 27 May 2022

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Claus Tanggaard Jacobsen
State Authorised Public Accountant
MNE no. mne23314

Anders Roe Eriksen
State Authorised Public Accountant
MNE no. mne46667

FINANCIAL HIGHLIGHTS

	2021 DKK '000	2020 DKK '000	2019 DKK '000	2018 DKK '000	2017 DKK '000
Income statement					
Revenue.....	983.255	909.615	804.737	739.582	480.314
Operating profit/loss.....	68.600	60.408	41.974	53.519	56.014
Financial income and expenses, net.....	332	-1.176	-460	148	587
Profit/loss for the year before tax.....	68.932	15.535	41.514	56.267	56.643
Profit/loss for the year.....	54.296	2.480	38.824	78.139	55.833
Balance sheet					
Total assets.....	366.152	350.331	438.462	411.986	342.618
Equity.....	98.609	47.279	84.635	123.812	100.373
Investment in property, plant and equipment.....	6.432	3.644	15.094	6.140	2.487
Average number of full-time employees.....	362	369	390	379	381
Key ratios					
Gross margin.....	37,5	41,6	43,0	44,6	67,2
Operating margin.....	7,0	6,6	5,2	7,5	11,7
Equity ratio.....	26,9	13,5	19,3	30,1	29,3
Return on equity.....	74,4	3,8	37,3	69,7	68,9

The ratios stated in the list of key figures and ratios have been calculated as follows:

Gross margin:	$\frac{\text{Gross profit} \times 100}{\text{Net revenue}}$
Operating margin:	$\frac{\text{Operating profit/loss} \times 100}{\text{Net revenue}}$
Equity ratio:	$\frac{\text{Equity ex. minorities, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$
Return on equity:	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

MANAGEMENT'S REVIEW

Principal activities

The company's purpose is to market food products as a respected food, nutrition and wellness company as well as providing services to affiliated companies.

Nestlé Danmark A/S sells and markets several brands such as NESPRESSO, NESCAFÉ, NESCAFÉ Dolce Gusto, NESQUIK, Starbucks, KIT KAT, AFTER EIGHT, FITNESS and CHEERIOS.

All products that are sold are produced with the aim at providing the consumer with a quality product that tastes good, and at the same time we continuously focus on reducing the content of sugar, salt, and fat, while adding more whole grains, fiber, and other natural raw materials where it is possible.

The supply of goods is mainly from affiliated companies in the global Nestlé Group.

Recognition and measurement uncertainty

There has been no uncertainty in the recognition and measurement in the annual report.

Development in activities and financial and economic position

The pandemic (COVID-19) that was declared in March 2020 by the World Health Organization (WHO) have also in 2021 impacted the activities and the economic performance of Nestlé Danmark A/S.

Nestlé Danmark A/S is stronger in the retail segment than in the out of home segment and we have therefore benefitted from that consumers generally have spent more time at home in 2020 and in 2021 compared to the situation before the outbreak of the pandemic. Many people have been working from at home and there has been restrictions in relation to out of home activities.

Nestlé Danmark A/S sales grew in 2020 significantly and in 2021 we have also seen further growth. Part of the growth is as mentioned linked to the extraordinary situation with the pandemic - but we have also gained market shares in most product categories which also contributes to the growth.

Net sales have increased from kDKK 804,737 in 2019 (before the pandemic) to kDKK 909,615 in 2020 and to kDKK 983,256 in 2021.

The growth is mainly coming from sales of NESCAFÉ Dolce Gusto and Starbucks by Nespresso coffee capsules - but also the sales of confectionery products as well as sales of Infant formula products have contributed to the growth.

A changed chocolate tax registration and corresponding change of presentation in the accounts have technically increased the net sales with kDKK 48,300 from 2020 to 2021.

A reorientation of sales of Nespresso machines to consumers in Q3 2020, whereby the machine partners sell directly to customers outside Nespresso, has had a negative impact on sales. The net sales of Nespresso machines are therefore in 2021 kDKK 37,530 lower than in 2020.

The sales to the border trade on the Danish/German border is still not on the level as it was before the outbreak of the pandemic.

Profit/loss for the year compared to the expected development

Operating profit amounts to kDKK 68,603 versus kDKK 60,409 in 2020 and is in line with expectations although it is in the high end of the expected profit range.

The result for the year amounts to kDKK 54,298 versus kDKK 2,480 in 2020 and is in line with expectations although it is in the high end of the expected range.

Management considers the result of the year to be very satisfactory - and acknowledge that the result is positively impacted by the pandemic - and that the long-term effect of the pandemic continues within a range to be uncertain for the company.

Significant events after the end of the financial year

Following the military escalation of the situation in Ukraine in late February 2022, certain countries

MANAGEMENT'S REVIEW

Significant events after the end of the financial year (continued)

announced sanctions relating to Russia and Belarus, with new designations of individuals and Russian and Belarusian entities.

Due to the growing geopolitical tensions, since February 2022, there has been a significant increase in volatility on the commodities and currency markets, as well as a significant depreciation of the ruble against the US dollar and the Euro.

The Company regards these events as non-adjusting events after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence. The Company will continue to monitor the areas of risk for material changes.

Special risks

Operational risks

Nestlé Danmark's main operating risk is linked to the ability to maintain and expand its already strong position within relevant product groups.

Financial risks

Nestlé Danmark A/S is only limitedly exposed due to its soundness and financial preparedness towards changes in the level of interest rates.

Foreign currency risks

Nestlé Danmark A/S is only exposed to a limited extent to currency risks.

The company invoices primarily in DKK, while most of the purchases are made in EUR.

Interest risks

Nestlé Danmark A/S does not have significant interest risks.

Credit risks

Nestlé Danmark A/S does not have significant risks regarding individual customers or business partners.

Environmental situation

Nestlé Danmark A/S is an environmentally conscious company that continuously works to reduce the environmental impacts of the company's operations. Nestlé Danmark A/S is part of the Nestlé S.A. Group. The Company has no significant environmental obligations of a financial nature.

Knowledge resources

Nestlé Danmark A/S relies on knowledge about product development and how the products are marketed in an effective way. It is mainly the Nestlé S.A. Group that is centrally responsible for the ongoing and efficient product development for the benefit of Nestlé Danmark A/S. The size of the Nestlé S.A. Group is contributing to that necessary resources being allocated to develop innovative Products.

In terms of marketing, Nestlé Danmark A/S also leverages the global group for the purpose of exchange of competences to achieve effective market communication. The Nestlé S.A. group also contributes with expert knowledge in several other areas.

Future expectations

2022 will not be a year like any other. We see significant increases in commodity prices, significant higher distribution costs, higher energy prices and salary increases than we have not seen in recent years. As a response to the higher input prices, we need to increase our selling prices significantly in 2022. The timing and the level of the changes in input and selling prices will have a major impact on the profitability for 2022 - and the profitability for 2022 is therefore more uncertain than usual.

With the above comments in mind Nestlé Danmark A/S expects a result for 2022 to be in the range of kDKK 30,000 - kDKK 50,000, measured by operating profit (before financial items and taxes). Profit for the year (after financial items and taxes) for 2022 is expected to be in the range of DKK 25,000 - DKK 40,000.

MANAGEMENT'S REVIEW

Corporate social responsibility (CSR) report

Nestlé Danmark A/S wants to develop its businesses and meet its strategic challenges in an economically and socially sound manner. Nestlé Danmark A/S is part of the Nestlé S.A. Group.

Nestlé S.A. has a policy of social responsibility, including the environment, human rights, and climate, which Nestlé S.A. calls Sustainability at Nestlé. The policy can be found on <https://www.nestle.com/sustainability>

Nestlé Danmark A/S has chosen to apply the exemption provision in section 99a (6) of the Danish Financial Statements Act, as the Nestlé S.A. Group prepares a progress report every year <https://www.nestle.com/sites/default/files/2022-03/creating-shared-value-sustainability-report-2021-en.pdf>

Target figures and policy for the underrepresented gender

Nestlé Denmark respects diversity and recognizes that a more equal distribution of men and women in management bring benefits in the form of synergy, creativity, etc.

The Board of Directors of Nestlé Danmark A/S has an objective of an equal distribution of men and women among the members elected by the General Meeting. The objective is to achieve the equitable distribution by the year 2025. The equitable distribution shall be sought, as far as possible, achieved through a prioritization of the under-represented gender in connection with natural replacements on the Board. In 2021, there has been a change in the Board composition, which however in the concrete situation where the employees elected new representatives on the Board did not change the distribution of men and women on the Board. The board is currently made up of 5 men and 3 women.

As far as Nestlé Danmark A/S' other management is concerned, there is also an objective of an equal distribution of men and women. Efforts shall be made by the year 2025 to achieve equitable distribution by prioritizing, as far as possible, the under-represented gender in the context of natural replacements. The rest of the management currently consists of 8 men and 7 women.

Dataethics statement

Nestlé Danmark A/S is part of the Nestlé S.A. Group.

Nestlé S.A. has a policy of Data protection and privacy. The policy can be found on <https://www.nestle.com/sustainability/human-rights/data-protection-privacy>

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2021 DKK '000	2020 DKK '000
NET REVENUE	1	983.255	909.615
Cost of goods sold and consumables.....		-552.381	-488.204
Other operating income.....	2	288.605	292.651
Other external costs.....	3	-350.861	-335.248
GROSS PROFIT/LOSS		368.618	378.814
Staff costs.....	4	-288.626	-285.915
Depreciation, amortisation and impairment losses.....		-11.392	-32.491
OPERATING PROFIT		68.600	60.408
Other financial income.....	5	2.521	1.936
Impairment of asset investments.....		0	-43.697
Other financial expenses.....	6	-2.189	-3.112
PROFIT BEFORE TAX		68.932	15.535
Tax on profit/loss for the year.....	7	-14.636	-13.055
PROFIT FOR THE YEAR	8	54.296	2.480

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2021 DKK '000	2020 DKK '000
Completed development projects.....		0	0
Goodwill.....		715	5.289
Intangible assets.....	9	715	5.289
Other plant, machinery, tools and equipment.....		8.400	7.009
Leasehold improvements.....		10.044	11.165
Property, plant and equipment under construction.....		68	1.868
Property, plant and equipment.....	10	18.512	20.042
Equity investments in group enterprises.....		0	0
Rent deposit and other receivables.....		3.067	4.053
Financial non-current assets.....	11	3.067	4.053
NON-CURRENT ASSETS.....		22.294	29.384
Finished goods and goods for resale.....		54.343	56.450
Inventories.....		54.343	56.450
Trade receivables.....		120.763	113.659
Receivables from group enterprises.....		120.326	112.560
Deferred tax assets.....	12	21.278	24.935
Other receivables.....		19.840	4.538
Joint tax contribution receivable.....		452	0
Prepayments and accrued income.....	13	3.716	4.674
Receivables.....		286.375	260.366
Cash and cash equivalents.....		3.140	4.131
CURRENT ASSETS.....		343.858	320.947
ASSETS.....		366.152	350.331

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2021 DKK '000	2020 DKK '000
Share capital.....	14	44.000	44.000
Other reserves.....		297	164
Retained earnings.....		1.312	15
Proposed dividend.....		53.000	3.100
EQUITY.....		98.609	47.279
Other provisions.....	15	4.145	5.334
PROVISIONS.....		4.145	5.334
Trade payables.....		47.212	49.049
Payables to group enterprises.....		110.419	120.261
Corporation tax.....		3.659	512
Joint tax contribution payable.....		763	3.607
Other liabilities.....		101.345	124.289
Current liabilities.....		263.398	297.718
LIABILITIES.....		263.398	297.718
EQUITY AND LIABILITIES.....		366.152	350.331
 Contractual obligations and contingencies, etc.	16		
Related parties	17		
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EQUITY

	Share capital	Other reserves	Retained profit	Proposed dividend	Total
Equity at 1 January 2021.....	44.000	164	16	3.100	47.280
Proposed profit allocation, 8.....			1.296	53.000	54.296
Transactions with owners					
Dividend paid.....				-3.100	-3.100
Other legal bindings					
Adjustment of financial instruments to fair value.....		171			171
Taxes.....		-38			-38
Equity at 31 December 2021.....	44.000	297	1.312	53.000	98.609

NOTES

			Note
Revenue			1
Segment details (geography)			
Denmark.....	884.040	816.711	
Nordic.....	42.061	49.680	
Germany.....	57.154	43.224	
	983.255	909.615	
Businesssegments are omitted, as the segments do not differ significantly among themselves and the information can not be given without inflicting the company competitive damage.			
Other operating income			2
Other operating income consists of IC transactions. We refer to note 18 "Related parties".			
External costs			3
Fees paid to auditor appointed at the annual general meeting:			
With reference to Section 96(3) of the Danish Financial Statements Act, fee for statutory auditors is stated for the Group.			
Staff costs			4
Average number of full-time employees	362	369	
Wages and salaries.....	255.789	245.911	
Pensions.....	23.494	27.991	
Social security costs.....	2.141	1.198	
Other staff costs.....	7.202	10.815	
	288.626	285.915	
Remuneration of Executive Board.....	9.546	14.550	
Remuneration of Board of Directors.....	30	30	
	9.576	14.580	
Other financial income			5
Other financing income.....	2.521	1.936	
	2.521	1.936	
Other financial expenses			6
Interest expenses, Group enterprises.....	11	13	
Other financing expenses.....	2.178	3.099	
	2.189	3.112	

NOTES

	2021 DKK '000	2020 DKK '000	Note
Tax on profit/loss for the year			7
Current tax for the year.....	11.423	10.119	
Deferred tax adjustment for the year.....	3.703	2.936	
Prior year tax adjustment.....	-452	0	
Taxes related to equity.....	-38	0	
	14.636	13.055	
 Proposed distribution of profit			8
Proposed dividend for the year.....	53.000	3.100	
Retained earnings.....	1.296	-620	
	54.296	2.480	
 Intangible assets			9
	Completed development projects	Goodwill	
Cost at 1 January 2021.....	29.715	50.075	
Cost at 31 December 2021.....	29.715	50.075	
Amortisation and impairment losses at 1 January 2021.....	29.715	44.786	
Impairment for the year.....	0	2.859	
Amortisation for the year.....	0	1.715	
Amortisation and impairment losses at 31 December 2021...	29.715	49.360	
 Carrying amount at 31 December 2021.....	0	715	

Completed development projects relate to development of ERP-system to manage parts of the internal processes of the company.

NOTES

				Note
Property, plant and equipment				10
	Other plant, machinery, tools and equipment	Leasehold improvements	Property, plant and equipment under construction	
Cost at 1 January 2021.....	33.283	22.623	1.867	
Transferred.....	4.751	-2.902	-1.847	
Additions.....	3.738	2.646	48	
Disposals.....	-11.563	-2.627	0	
Cost at 31 December 2021.....	30.209	19.740	68	
Depreciation and impairment losses at 1 January 2021.....	26.272	11.460		
Transferred.....	2.796	-2.796		
Disposals.....	-11.288	-1.758		
Depreciation for the year.....	4.029	2.790		
Depreciation and impairment losses at 31 December 2021.....	21.809	9.696		
Carrying amount at 31 December 2021.....	8.400	10.044	68	
Financial non-current assets				11
	Equity investments in group enterprises		Rent deposit and other receivables	
Cost at 1 January 2021.....	43.697		4.053	
Additions.....	0		415	
Disposals.....	0		-1.401	
Cost at 31 December 2021.....	43.697		3.067	
Impairment losses and amortisation of goodwill at 1 January 2021.....	43.697		0	
Impairment losses and amortisation of goodwill at 31 December 2021.....	43.697		0	
Carrying amount at 31 December 2021.....	0		3.067	
Investments in subsidiaries (DKK '000)				
Name and domicil	Equity	Profit/loss for the year	Ownership	
Nestlé Professional Food A/S, Faxe.....	-2.729	-1.682	100 %	

NOTES

			Note
Deferred tax assets			12
Provision for deferred taxes relates to current liabilities, provisions, inventory and intangible and tangible fixed assets.			
	2021	2020	
	DKK '000	DKK '000	
Deferred tax at 1 January.....	24.935	27.917	
Deferred tax adjustment for the year.....	-3.657	-2.982	
Deferred tax assets 31 December 2021	21.278	24.935	
Deferred tax assets, including the tax value of tax loss carry forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction. Deferred tax assets are excepted to be set off within 1 year: DKK ('000) 6.399. Deferred tax expected to be set off within 2-5 years DKK ('000) 10.682. Deferred tax expected to be set off after 5 years DKK ('000) 4.197.			
Prepayments and accrued income			13
Prepayments relates to prepaid expenses, primarily rent, subscriptions etc.			
	2021	2020	
	DKK '000	DKK '000	
Share capital			14
The contributed capital consists of:			
Shares, 440.000 unit of a nominal value of 100 DKK each.....	44.000	44.000	
	44.000	44.000	
Other provisions (long-term)			15
Other provisions are expected to mature within:			
0-1 year.....	1.660	2.171	
> 1 year og < 5 years.....	2.485	3.163	
	4.145	5.334	
Other provisions comprise expected costs for restructuring, contractual liabilities in regards to refurbishment of leaseholds and warranty commitments on sold machines.			

NOTES

Note

Contractual obligations and contingencies, etc.

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Contingent liabilities**Letter of financial support**

Nestlé Danmark A/S, which is the sole shareholder of Nestlé Professional Food A/S, has declared that it is committed to make financial resources available to Nestlé Professional Food A/S to an extent that ensures the company's continued operation.

The letter of support is valid up to and including the annual general meeting of Nestlé Professional Food A/S in 2023.

Operating lease commitments

The Company has lease commitments (operating leases) as of 31 December 2021 with a total amount of DKK ('000) 29.705 (2020: DKK ('000) 60.902). Lease commitments fall due within 1 year DKK ('000) 15.595 (2020: 16.603), while DKK ('000) 219 (2020: 15.229) falls due after 2026.

Joint liabilities

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income as well as for Danish withholding taxes through dividend tax and tax on unearned income. The total amount of tax payables is included in the annual report of Nestlé Danmark A/S which is the administration company in relation to the joint taxation.

Related parties

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Related parties comprise the following:

The management of the company as well as other enterprises within Nestlé Group.

Controlling interest

Nestlé Danmark A/S is a 100 % owned subsidiary of Société des Produits Nestlé S.A., Vevey, Switzerland.

Transactions with related parties

During financial year the Company has the following transactions with related parties:

	2021 DKK '000	2020 DKK '000
Purchase of goods from group enterprises	445.612	394.729
Sale of goods to group enterprises	41.685	49.343
Purchase of services from group enterprises	84.296	113.927
Sale of services to group enterprises	249.906	292.654
Reimbursements	39.579	15.341
Royalty for group enterprises	73.000	60.406

Other financial expenses is stated under note 6.

Dividends to capitalowners is stated under equity note

NOTES**Note****Consolidated Financial Statements****18**

Nestlé Danmark A/S is part of the consolidated financial statements of Nestlé S.A., Avenue Nestlé 55, 1800 Vevey, Switzerland, which the Company is included as a subsidiary.

The consolidated financial statements of Nestlé S.A. can be requested on following address:
<http://www.nestle.com/investors/publications>

ACCOUNTING POLICIES

The Annual Report of NESTLÉ DANMARK A/S for 2021 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class C, large-size enterprises.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Comparative figures

The presentation of the annual accounts has been modified when compared to the presentation used in respect of the financial year ended 31 December 2020. As a consequence and in order to ensure adequate comparability across both financial years, comparative figures in respect of the financial year ended 31 December 2020 have been reclassified from Cost of goods sold and consumables to other operating expenses amounting to DKK ('000) 45.713. Except from the above mentioned modification, other minor reclassification has been implemented without affecting the comparative figures significantly.

Consolidated Financial Statements

Consolidated financial statements have not been prepared because the group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act on sub-groups. The company is included in the consolidated financial statements of Nestlé S.A., Avenue Nestlé 55, 1800 Vevey, Switzerland.

INCOME STATEMENT

Net revenue

The Company has chosen IAS 18 as interpretation for revenue recognition.

Income from the sale of goods for resale, merchandises and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer, the income can be measured reliably and payment is expected to be received. Income is recognised excluding VAT, taxes, duties and discounts related to the income.

Other operating income

Other operating income comprises items secondary to the Company's activities, including gains on disposal of intangible assets and property, plant and equipment and re invoicing of costs to Group Enterprises.

Cost of goods sold and consumables

Cost of goods sold and consumables comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of trading goods and consumables.

Other external expenses

Other operating expenses comprise items secondary to the Company's activities, including advertising, administration, buildings, bad debts, operating lease expenses, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, excluding reimbursements from public authorities.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest income and expenses, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

ACCOUNTING POLICIES

Tax for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts recognised directly in equity is recognised directly in equity.

BALANCE SHEET

Intangible fixed assets

Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 10 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific conditions.

Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively. Gains and losses on the disposals are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal.

Tangible fixed assets

Land and buildings, production plant and machinery, other plants, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives of the assets are as follows:

	Useful life	Residual value
Other plant, fixtures and equipment.....	3-10 years	0 %
Leasehold improvements.....	3-10 years	0 %

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively. Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal.

Fixed asset investments

Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

ACCOUNTING POLICIES

Impairment of fixed assets

The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life. Previously recognised write-downs are reversed when the basis for the write-down no longer exists.

Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the inventories are written down to the lower value.

Goods for resale, merchandise and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Prepayments and accrued income

Prepayments comprise costs incurred concerning subsequent financial years.

Other provisions

Other provisions include expected cost of warranty commitments, refurbishment, restructuring costs etc.

ACCOUNTING POLICIES

Corporation tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on taxable income in previous years and tax paid on account.

The Company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the on account tax scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Amortised cost of current liabilities usually corresponds to nominal value.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

CASH FLOW STATEMENT

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Nestlé S.A., Avenue Nestlé 55, 1800 Vevey, Switzerland.