Good food, Good life

NHI Group

Half-Yearly Financial Report
June 30, 2021 – Unaudited

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Management Report

Nestlé Holdings, Inc. (“NHI”) (hereinafter, together with its subsidiaries, referred to as the “NHI Group”) incorporated in the State of Delaware, United States, is a wholly owned subsidiary of NIMCO US, Inc., which is an indirect wholly owned subsidiary of Nestlé S.A., incorporated in Switzerland, which is the holding company of the Nestlé group of companies (hereinafter, referred to as the “Nestlé Group”). NHI is the holding company for Nestlé S.A.’s principal operating subsidiaries in the United States, which include Nestlé USA, Inc., Nestlé Purina Petcare Company, and Gerber Products Company. The NHI Group engages primarily in the manufacturing and sale of food products, pet care products, premium waters, beverage products as well as nutrition and health science products. These businesses derive revenue across the United States.

Key Figures

In millions of Dollars	January-June 2021	January-June 2020	Change
Sales	**12 529**	**11 169**	**12.2%**
Cost of goods sold	(7 118)	(6 340)	12.3%
as a percentage of sales	(56.8%)	(56.8%)	
Underlying Trading operating profit	904	1 015	(10.9%)
as a percentage of sales	7.2%	9.1%	
Trading operating profit	890	1 095	(18.7%)
as a percentage of sales	7.1%	9.8%	
Net financial expenses	(86)	(87)	(1.1%)
Taxes	134	(786)	(117.1%)
Profit for the period attributable to shareholders of the parent (Net profit)	777	2 067	(62.4%)
as a percentage of sales	6.2%	18.5%	
Operating cash flow	100	198	(49.5%)
as a percentage of sales	0.8%	1.8%	
Capital additions	(658)	(262)	151.1%
as a percentage of sales	(5.3%)	(2.3%)	

The NHI Group has delivered year-over-year improvements in sales. We are committed to continued execution of cost reduction initiatives and improved operational efficiencies. We continue to invest in our core brands and made progress towards key initiatives related to portfolio optimization including the acquisition of Essentia Water in March 2021.

Sales

For the first six months ending June 30, 2021 and 2020, consolidated sales totaled $12.5 billion and $11.2 billion, respectively. The main factors per segment are as follows:

- **Nestlé USA Brands** sales were $5.5 billion and $4.8 billion for the six months ending June 30, 2021 and 2020, respectively. The overall increase in sales was driven by the integration of International Premium Waters (“IPW”) and Essentia Water businesses. Sales for beverages, including Starbucks at-home products, Coffeemate and Nescafe, increased at a single-digit growth. Frozen and chilled food saw mid single-digit growth with favorable sales developments for Stouffer’s, Lean Cuisine and Freshly partially offset by a sales decline in frozen pizza.
- **PetCare** sales were $4.8 billion and $4.5 billion for the six months ending June 30, 2021 and 2020, respectively. PetCare experienced strong momentum in e-commerce and premium brands such as Purina Pro Plan, Purina ONE and Fancy Feast.
- **Other businesses** sales were $2.3 billion and $1.8 billion for the six months ending June 30, 2021 and 2020, respectively. The overall recovery from COVID-19 and reopening of out-of-home food businesses contributed to the strong performance of Nesté Professional. The overall increase in sales was driven by acquisitions relating to Zenpep, Vital Proteins, and IM HealthScience during second half of 2020.

Profitability

Trading operating profit was $904 million and $1.1 billion for the six months ending June 30, 2021 and 2020, being 7.1% and 9.8% of sales for each period, respectively. The decrease is attributed to higher distribution costs, as well as marketing and general administrative expenses.

Cost of goods sold was $7.1 billion and $6.3 billion for the six months ending June 30, 2021 and 2020, which equaled approximately 56.8% of sales for each period, respectively. The increase in costs was driven by higher input costs, and sourcing aggravations.

Distribution expenses were $1.3 billion and $1.0 billion for the six months ending June 30, 2021 and 2020, which equaled approximately 10.0% and 8.6% of sales for each period, respectively. The increase is mainly attributed to increased freight and transportation costs, storage costs, and supply timing.

Marketing, general and administrative expenses were $2.0 billion and $1.7 billion for each of the six months ending June 30, 2021 and 2020, which equaled approximately 15.6% and 15.1% of sales for each period, respectively. Expenses increased due to the IPW integration as well as the acquisitions of Freshly and Vital Proteins.

Net other trading (expenses)/income were ($15) million and $80 million for each of the six months ending June 30, 2021 and 2020, which equaled approximately 0.1% and 0.7% of sales for each period, respectively. The increase in expense was driven by the release of restructuring cost provisions as well as gains on real estate operations recognized in the prior comparative period as an offset to expense.

Net Profit Margin – Other Items of Note
Taxes were ($134) million and $786 million for each of the six months ending June 30, 2021 and 2020, respectively. The decrease was primarily due to the reduction in tax expense related to the disposal of the Ice Cream business and a decrease in prior year taxes.

Cash Flow
Operating cash flow was $100 million and $198 million for the six months ending June 30, 2021 and June 30, 2020, respectively. The decline is driven by lower operating profit and increased tax payments.

Principal Risks and Uncertainties
In the course of its business, the NHI Group is exposed to certain risks and uncertainties: risk of damage to consumer trust, credit risk, liquidity risk, market risk (including foreign currency and interest rate), commodity price risk, risk of disruption of supplies, settlement risk and other risks such as the COVID-19 pandemic. The NHI Group believes that its principal risks and uncertainties for the remaining six months of the financial year have not changed in respect of the financial year ending December 31, 2020 ("2020 NHI Annual Financial Report"). The detailed discussion of these risks and uncertainties and the NHI Group's objectives, policies and processes for managing these risks and uncertainties were disclosed in the Management Report section under the heading Principal Risks and Uncertainties and in the Notes to the Consolidated Financial Statements, in particular, Note 12, included in the 2020 NHI Annual Financial Report.

Outlook
The NHI Group is committed to supporting the Nestlé Group in achieving its full-year 2021 financial objectives including: organic sales growth expected to be between 5-6%, maintain levels of Underlying Trading operating profit margin, an increase in Underlying earnings per share in constant currency, and capital efficiency.

Responsibility Statement

Giulio Gerardo, Chief Financial Officer, confirms that to the best of his knowledge:

(a) the financial statements, which have been prepared in accordance with IAS 34, give a true and fair view of the assets, liabilities, financial position and profit or loss of NHI, or the undertakings included in the consolidation taken as a whole as required by DTR 4.2.4; and under article 4 (3) of the Luxembourg law of 11 January 2008 on transparency requirements for issuers, as amended (the "Transparency Law"); and

(b) the interim management report includes a fair review of the information required by DTR 4.2.7 and under article 4 (4) of the Transparency Law.

August 26, 2021

Review Report of Independent Auditors

The Board of Directors
Nestlé Holdings, Inc.:

We have reviewed the condensed consolidated financial information of Nestlé Holdings, Inc. and its subsidiaries (NHI Group), which comprise the consolidated balance sheet as of June 30, 2021, and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements for the six-month periods ended June 30, 2021 and 2020.

Management's Responsibility for the Financial Information
Management is responsible for the preparation and fair presentation of the condensed consolidated financial information in conformity with International Financial Reporting Standards; this includes the design, implementation and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in conformity with International Financial Reporting Standards.

Auditor's Responsibility
Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States applicable to reviews of interim financial information and International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States and International Standards on Auditing, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion
Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial information referred to above for it to be in conformity with International Financial Reporting Standards.

Report on Condensed Consolidated Balance Sheet as of December 31, 2020
We have previously audited, in accordance with auditing standards generally accepted in the United States of America and the International Standards on Auditing, the consolidated balance sheet of Nestlé Holdings, Inc. and its subsidiaries as of December 31, 2020, and the related consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 23, 2021. In our opinion, the accompanying condensed consolidated balance sheet of Nestlé Holdings, Inc. and its subsidiaries as of December 31, 2020, is consistent, in all material respects, with the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Tysons, Virginia
August 26, 2021

Consolidated unaudited income statement for the six months ending June 30, 2021

In millions of Dollars	Notes	January-June 2021	January-June 2020
Sales		**12 529**	**11 169**
Cost of goods sold		(7 118)	(6 340)
Distribution expenses		(1 258)	(958)
Marketing and administrative expenses		(1 955)	(1 690)
Royalties to affiliated company	10	(1 293)	(1 166)
Other trading income	5	33	55
Other trading expenses	5	(48)	25
Trading operating profit		**890**	**1 095**
Other operating income	5	35	2 040
Other operating expenses	5	(200)	(193)
Operating profit		**725**	**2 942**
Financial income		223	255
Financial expense		(309)	(342)
Profit before taxes and associates		**639**	**2 855**
Taxes		134	(786)
Loss from associates		—	(2)
Profit for the period		**773**	**2 067**
of which attributable to non-controlling interests		(4)	—
of which attributable to shareholders of the parent (Net profit)		777	2 067

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

In millions of Dollars	January-June 2021	January-June 2020
Profit for the period recognized in the income statement	**773**	**2 067**
Changes in cash flow hedge and cost of hedge reserves, net of taxes	44	(85)
Items that are or may be reclassified subsequently to the income statement	44	(85)
Remeasurement of defined benefit plans, net of taxes	43	(146)
Items that will never be reclassified to the income statement	43	(146)
Other comprehensive income for the period	**87**	**(231)**
Total comprehensive income for the period	**860**	**1 836**
of which attributable to non-controlling interests	—	—
of which attributable to shareholders of the parent	860	1 836

Consolidated unaudited balance sheet as at June 30, 2021

In millions of Dollars	Notes	June 30, 2021	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents		473	350
Short-term investments		1 322	18
Inventories		3 276	2 596
Trade and other receivables		2 344	2 275
Loans to parent and affiliates	10	16 824	19 844
Prepayments and accrued income		72	33
Derivative assets		63	75
Assets held for sale		—	35
Total current assets		**24 374**	**25 226**
Non-current assets			
Property, plant and equipment		7 044	6 633
Goodwill		15 607	15 209
Intangible assets		4 590	4 572
Investments in associates		18	17
Financial assets		1 355	1 334
Employee benefits assets		129	179
Loans to parent and affiliates	10	1 252	1 224
Total non-current assets		**29 995**	**29 168**
Total assets		**54 369**	**54 394**

In millions of Dollars	Notes	June 30, 2021	December 31, 2020
Liabilities and equity			
Current liabilities			
Financial debt		6 208	7 036
Trade and other payables		3 295	3 050
Loans from affiliates	10	409	442
Accruals and deferred income		1 910	2 053
Provisions		91	75
Derivative liabilities		57	13
Current income tax liabilities		464	874
Liabilities directly associated with assets held for sale		—	1
Total current liabilities		**12 434**	**13 544**
Non-current liabilities			
Financial debt		16 222	15 919
Employee benefits liabilities		1 705	1 810
Provisions		54	58
Deferred tax liabilities		908	815
Other payables		609	637
Total non-current liabilities		**19 498**	**19 239**
Total liabilities		**31 932**	**32 783**
Equity			
Share capital, $100 par value. Authorized, issued and outstanding 1,000 shares	7	—	—
Additional paid-in capital		5 705	5 705
Other reserves		(1 079)	(1 166)
Retained earnings		17 773	17 030
Total equity attributable to shareholders of the parent		**22 399**	**21 569**
Non-controlling interests		38	42
Total equity		**22 437**	**21 611**
Total liabilities and equity		**54 369**	**54 394**

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

In millions of Dollars	Notes	January-June 2021	January-June 2020
Operating activities			
Operating profit	6	725	2 942
Depreciation and amortization		371	343
Impairment		2	7
Net result on disposal of businesses		15	(1 953)
Other non-cash items of income and expense		(45)	251
Cash flow before changes in operating assets and liabilities	6	**1 068**	**1 590**
Increase in working capital		(693)	(807)
Variation of other operating assets and liabilities		47	(313)
Cash generated from operations		**422**	**470**
Interest paid		(198)	(197)
Taxes paid		(124)	(75)
Operating cash flow		**100**	**198**
Investing activities			
Capital expenditures		(658)	(262)
Expenditures on intangible assets		(27)	(27)
Acquisition of businesses		(703)	(160)
Disposal of businesses		(9)	4 009
Investments (net of divestments) in associates		(62)	—
Outflows from short-term treasury investments, net		(1 304)	(1 035)
Other investing activities		65	103
Investing cash flow		**(2 698)**	**2 628**
Financing activities			
Loans from affiliates received, net		3 232	328
Loans to parent, net		—	(1 719)
Inflows from bonds and other non-current financial debt		1 387	1
Outflows from bonds and current portion of other non-current financial debt		(1 314)	(1 097)
Outflows from current financial debt, net		(584)	(275)
Financing cash flow		**2 721**	**(2 762)**
Increase in cash and cash equivalents		**123**	**64**
Cash and cash equivalents at beginning of period		350	323
Cash and cash equivalents at end of period		**473**	**387**

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

In millions of Dollars

	Share capital	Additional paid-in capital	Other equity reserves	Retained earnings	**Total equity attributable to shareholders of the parent**	Non-controlling interests	**Total equity**
Equity as at January 1, 2020		**5 624**	**(967)**	**13 936**	**18 593**	**—**	**18 593**
Profit for the period	—	—	—	2 067	**2 067**	—	**2 067**
Other comprehensive income (loss) for the period	—	—	(231)	—	**(231)**	—	**(231)**
Total comprehensive income (loss) for the period	**—**	**—**	**(231)**	**2 067**	**1 836**	**—**	**1 836**
Equity as at June 30, 2020	**—**	**5 624**	**(1 198)**	**16 003**	**20 429**	**—**	**20 429**
Equity as at January 1, 2021		**5 705**	**(1 166)**	**17 030**	**21 569**	**42**	**21 611**
Profit for the period	—	—	—	777	**777**	(4)	**773**
Other comprehensive income for the period	—	—	87	—	**87**	—	**87**
Total comprehensive income for the period	**—**	**—**	**87**	**777**	**864**	**(4)**	**860**
Changes in non-controlling interest	—	—	—	(34)	**(34)**	—	**(34)**
Equity as at June 30, 2021	**—**	**5 705**	**(1 079)**	**17 773**	**22 399**	**38**	**22 437**

Notes to the condensed unaudited interim financial statements

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 Holdings Inc. ("NHI") (hereinafter, together with its subsidiaries, referred to as the "NHI Group") for the six month period ending 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 NHI's Consolidated Financial Statements for the year ending December 31, 2020.

The accounting conventions and accounting policies are the same as those applied in NHI's Consolidated Financial Statements for the year ending December 31, 2020 (as described in Note 1 and within the relevant notes) except for the changes in accounting policies mentioned below.

The preparation of NHI's Condensed Interim Financial Statements requires management to exercise judgment and to make estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets, liabilities, and disclosures. The key sources of estimation uncertainty within these Condensed Interim Financial Statements remain the same as those applied to NHI's Consolidated Financial Statements for the year ending December 31, 2020, including the impacts of the COVID-19 pandemic (see Note 11).

Changes in accounting standards
In May 2020, the IASB issued COVID-19-Related Rent Concessions (Amendments to IFRS16), 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 NHI Group has applied this amendment in these Condensed Interim Financial Statements. There was no significant impact on the current period or prior period comparative figures.

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 Condensed Interim Financial Statements.

2. Scope of consolidation, acquisitions and disposals of businesses

2.1 Modification of the scope of consolidation

Acquisitions

The only significant acquisition during the first six months of 2021 was:

- Essentia Water – 100%, early March.

Cash outflows for the 2021 interim period are mainly related to the Essentia Water acquisition.

There were no significant acquisitions during the comparative period. Nation Pizza business was acquired during the 2020 interim period among other non-significant acquisitions.

Disposals

There were no significant disposals during the first six months of 2021.

The only significant disposal during the 2020 comparative interim period was:

- Ice Cream business (part of the Nestlé USA Brands segment) – 100%, end of January.

Cash flows during the 2021 interim period are related mainly to other non-significant disposals. Cash flows for the 2020 comparative interim period mainly relate to the Ice Cream business and other non-significant disposals.

2.2 Acquisitions of businesses

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

In millions of Dollars	2021 Total (a)	2020 Total (b)
Property, plant and equipment	7	29
Intangible assets	296	—
Accounts receivable, inventories and other assets	28	41
Financial Debt	(1)	—
Other liabilities	(25)	(29)
Fair value of identifiable net assets	**305**	**41**

(a) Related mainly to Essentia Water acquisition.
(b) Related mainly to Nation Pizza business.

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

The goodwill arising on acquisitions and the cash outflow are:

In millions of Dollars	2021 Total (a)	2020 Total (b)
Cash outflow on acquisitions	703	155
Fair value of identifiable net (assets)/liabilities	(305)	(41)
Goodwill	**398**	**114**

(a) Related mainly to Essentia Water acquisition.
(b) Related mainly to Nation Pizza business.

In millions of Dollars	2021 Total (a)	2020 Total (b)
Fair value of consideration transferred	**704**	155
Cash and cash equivalents acquired	**(1)**	—
Payment of consideration payable on prior years acquisitions	**—**	5
Cash outflow on acquisitions	**703**	**160**

(a) Related mainly to Essentia Water acquisition.
(b) Related mainly to Nation Pizza business.

Essentia Water

On March 5, 2021, the NHI Group acquired 100% of the ownership interests of Essentia Sub, LLC ("Essentia") from Essentia Water, LLC, with consideration paid in cash. Essentia is a premium ionized alkaline bottled water offered in the United States. This transaction brings together NHI Group's expertise in the water business with Essentia's premium products and distribution network to fuel growth opportunities within the Nestlé Premium Waters business and across NHI Group's portfolio. The goodwill arising on this acquisition includes elements such as market share and growth potential in premium water as well as leveraging NHI Group's expertise and research and development. This goodwill is expected to be deductible for tax purposes.

Impacts of Essentia Water on the sales and profit for the period

Amounts included in the Condensed Interim Financial Statements for the six months ending June 30, 2021 from Essentia were sales of USD 81 million and a profit of USD 16 million. The NHI Group's total sales and profit for the year would have respectively amounted to USD 12.6 billion and USD 781 million if the acquisition had been effective January 1, 2021.

2.3 Disposals of businesses

There were no significant disposals during the first six months of 2021. 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.

In millions of Dollars	January–June 2021			January–June 2020
	Total	US Ice Cream	Other	**Total**
Property, plant and equipment	**—**	458	51	**509**
Goodwill and intangible assets	**—**	1 401	14	**1 415**
Cash, cash equivalents and short-term investments	**—**	1	—	**1**
Inventories	**9**	193	10	**203**
Other assets	**3**	39	—	**39**
Financial liabilities	**—**	(15)	—	**(15)**
Deferred tax liabilities	**—**	(88)	—	**(88)**
Other liabilities	**(1)**	(10)	(16)	**(26)**
Net assets disposed of	**11**	**1 979**	**59**	**2 038**
Profit/(loss) on disposals, net of disposal costs and impairments of assets held for sale	**(15)**	2 010	(57)	**1 953**
Total disposal consideration, net of disposal costs	**(4)**	**3 989**	**2**	**3 991**
Cash and cash equivalents disposed of	**—**	(1)	—	**(1)**
Disposal costs not yet paid	**—**	15	4	**19**
Consideration receivable	**(4)**	—	—	**—**
Receipt of consideration receivable on prior years' disposals	**(1)**	—	—	**—**
Cash (outflow) inflow on disposals, net of disposal costs	**(9)**	**4 003**	**6**	**4 009**

3. Analyses by segment

3.1 Operating segments

Revenue and results

In millions of Dollars

	Nestlé USA Brands [a]	PetCare	Other [a]	Total
				January-June 2021
Sales	5 458	4 756	2 315	**12 529**
Underlying Trading operating profit [b]	352	433	119	**904**
Trading operating profit [c]	339	430	121	**890**
Net other trading (expenses) income [d]	(14)	(3)	2	**(15)**
Of which impairment of property, plant and equipment	(3)	—	1	**(2)**
Of which restructuring costs	(6)	—	2	**(4)**
Depreciation and amortization	(147)	(144)	(80)	**(371)**

	Nestlé USA Brands [a]	PetCare	Other [a]	Total
				January-June 2020
Sales	4 811	4 523	1 835	**11 169**
Underlying Trading operating profit [b]	513	448	54	**1 015**
Trading operating profit (loss) [c]	571	461	63	**1 095**
Net other trading (expenses) income [d]	60	11	9	**80**
Of which impairment of property, plant and equipment	(8)	—	1	**(7)**
Of which restructuring costs	33	—	10	**43**
Depreciation and amortization	(123)	(143)	(77)	**(343)**

(a) Nestlé USA Brands primarily consists of Nestlé Coffee Partners, beverage, prepared foods, snacks, and other food products. Other primarily consists of Nestlé Professional, Nespresso, and Nestlé Health Science, which do not meet the criteria for separate disclosure.
(b) Trading operating profit before Net other trading income (expenses).
(c) The NHI Group determines trading operating profit by allocating corporate expenses to its operating segments based on activity-based cost drivers.
(d) Included in Trading operating profit.

3.2 Reconciliation from Underlying Trading operating profit to profit before taxes and associates:

In millions of Dollars	January-June 2021	January-June 2020
Underlying Trading operating profit	**904**	**1 015**
Net other trading income/(expenses)	(15)	80
Trading operating profit	**890**	**1 095**
Net other operating income/(expenses)	(165)	1 847
Operating profit	**725**	**2 942**
Net financial expense	(86)	(87)
Profit before taxes and associates	**639**	**2 855**

4. Seasonality

The business of the NHI Group may be seasonal. Seasonal evolutions in the Nestlé USA brands segment, particularly in the second half of the year during the holiday season, may result in lower sales and Trading operating margin in the first half of the year relative to the full year.

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

5.1 Net other trading income/(expenses)

In millions of Dollars	January-June 2021	January-June 2020
Other trading income	**33**	**55**
Restructuring costs [(a)]	(4)	43
Impairment of property, plant and equipment and intangible assets	(2)	(7)
Litigation and onerous contracts	(5)	(7)
Result on deferred compensation	(21)	—
Miscellaneous trading expenses	(16)	(4)
Other trading expenses	**(48)**	**25**
Net other trading income/(expenses)	**(15)**	**80**

(a) January-June 2020: Of which, $43 million relates to reversals of restructuring costs for various completed projects, including Frozen Transformation initiated in 2019.

5.2 Net other operating income/(expenses)

In millions of Dollars	Notes	January-June 2021	January-June 2020
Profit on disposal of businesses	2	—	2 010
Miscellaneous operating income		35	30
Other operating income		**35**	**2 040**
Loss on disposal of businesses	2	(15)	(57)
Miscellaneous operating expenses [(a)]		(185)	(137)
Other operating expenses		**(200)**	**(194)**
Net other operating income/(expense)		**(165)**	**1 847**

(a) January-June 2021: including mainly costs related to natural disasters, expenses of transitional services provided to disposed businesses and costs related to COVID-19.

6. Cash flow before changes in operating assets and liabilities

In millions of Dollars	January–June 2021	January–June 2020
Profit for the period	**773**	**2 067**
Loss from associates	—	2
Taxes	(134)	786
Financial income	(223)	(255)
Financial expense	309	342
Operating profit	**725**	**2 942**
Depreciation of property, plant and equipment	338	317
Impairment of property, plant and equipment	2	7
Amortization of intangible assets	33	26
Net result on disposal of businesses	15	(1 953)
Net result on disposal of assets	(11)	(27)
Non-cash items in financial assets and liabilities	(34)	278
Non-cash items of income and expense	**343**	**(1 352)**
Cash flow before changes in operating assets and liabilities	**1 068**	**1 590**

7. Equity

The share capital consists of 1,000 authorized, issued, and outstanding shares of $100 par value.

8. Fair value of financial instruments

In millions of Dollars	June 30, 2021	December 31, 2020
Derivative assets	57	29
Bonds and debt funds	1 297	—
Other financial assets	2	2
Derivative liabilities	(27)	—
Prices quoted in active markets (Level 1)	**1 329**	**31**
Derivative assets	6	46
Bonds and debt funds	342	342
Equity and equity funds	342	337
Investments in life insurance company general accounts	607	613
Derivative liabilities	(30)	(13)
Valuation techniques based on observable market data (Level 2)	**1 267**	**1 325**
Financial assets	22	4
Financial liabilities [(a)]	(313)	(313)
Valuation techniques based on unobservable input (Level 3)	**(291)**	**(309)**
Total financial instruments at fair value	**2 305**	**1 047**

(a) Contingent consideration for Freshly acquisition (see Note 2.2 Acquisitions of businesses of the 2020 NHI's 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.

The fair value of financial instruments categorized in Level 3 above were measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs). When the fair value of unquoted instruments cannot be measured with sufficient reliability, the NHI Group carries such instruments at cost less impairment, if applicable.

There have been no significant transfers between the different hierarchy levels in the 2021 and the 2020 interim periods.

Carrying amount and fair value

As of June 30, 2021, the carrying amount of bonds issued is $ 18.2 billion (December 31, 2020: $18.2 billion), compared to a fair value of $19.4 billion (December 31, 2020: $ 19.9 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.

9. Bonds

The following bond repayments took place during the interim period as follows:

In millions of Dollars					January-June 2021
	Face value	Coupon	Effective interest rate	Years of issue/ maturity	Amount
New issues [a]					
	GBP 600	0.63%	0.75%	2021-2025	838
	GBP 400	1.38%	1.46%	2021-2033	559
Total new issues					**1 397**
Repayments					
	GBP 500	1.00%	1.17%	2017-2021	(705)
	USD 550	1.88%	2.03%	2016-2021	(550)
Total repayments					**(1 255)**

(a) Includes debt issuance costs and unamortized bond discounts incurred in connection with the new bond issuances.

10. Transactions with related parties

In millions of Dollars	June 30, 2021	December 31, 2020
Loans to NIMCO US, Inc. (Parent) and NUSHI (NIMCO Parent):		
At January 1	14 963	12 502
Loans granted during the period	177	2 461
At June 30 / December 31	**15 140**	**14 963**
Loans to affiliates:		
At January 1	6 105	3 219
Loans granted during the period	252	3 165
Loan repayments	(3 421)	(279)
At June 30 / December 31	**2 936**	**6 105**
Total loans to parent, NUSHI and affiliates:	**18 076**	**21 068**
of which current	16 824	19 844
of which non-current	1 252	1 224
Loans from affiliates:		
At January 1	442	79
Loans received during the period	176	364
Loan repayments	(209)	(1)
Total loans from affiliates at June 30 / December 31	**409**	**442**

Interest expenses on amounts due to affiliated and associated companies and bonds and commercial paper guarantee fees to Nestlé S.A. amounted to $(37.5 million) and $(34.7 million) in 2021 and 2020 interim periods respectively. Interest income on amounts due from affiliated and associated companies amounted to $219.7 million and $243.4 million in 2021 and 2020, for the interim periods respectively.

Royalties to Nestlé Group
The NHI Group and its subsidiaries are granted use in the United States of licensed brands and obtain technical assistance from a Nestlé Group affiliated company via a general license agreement.

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. As for the 2021 NHI's Condensed Interim Financial Statements, the NHI Group has assessed the consequences of the COVID-19 pandemic, specifically considering the impacts on key judgements and significant estimates as detailed in Note 1. The NHI Group will continue to monitor these areas of increased risk for material changes.

12. Events after the Balance Sheet Date

The NHI Group was not aware of specific events or transactions occurring after June 30, 2021, and up to August 26, 2021 that would have a material impact on the presentation of the accompanying condensed interim financial statements.