



Nestlé

Good food, Good life

Nestlé Finance International Ltd.

Half-Yearly Financial Report

Management report
and
Condensed Interim Financial Statements
January–June 2023 – Unaudited

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

Registered Address:
5, Place de la Gare
L-1616, Luxembourg
Grand Duchy of Luxembourg
RCS No B136737
Subscribed capital: EUR 440 000

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Management Report

Nestlé Finance International Ltd. (“NFI” or the “Company”) presents its half-yearly financial report for the six-month period ended 30 June 2023. NFI is a public limited company (société anonyme) organised under the laws of Luxembourg and is a wholly-owned subsidiary of Nestlé S.A. which is the holding company of the Nestlé Group of companies (the “Nestlé Group” or the “Group”). NFI is established for an unlimited duration. The Nestlé Group manufactures and sells food and beverages, as well as products related to the nutrition, health and wellness industries. The Nestlé Group product portfolio has seven product categories, distributed throughout the world: powdered and liquid beverages, water, milk products and ice cream, infant nutrition, prepared dishes and cooking aids, confectionery and pet care.

The principal business activity of NFI is the financing of members of the Nestlé Group including by the sale, exchange, issue, transfer or otherwise, as well as the acquisition by purchase, subscription or in any other manner, of stock, bonds, debentures, notes, debt instruments or other securities or any kind of instrument and contracts thereon or relative thereto. NFI may further assist the members of the Nestlé Group, in particular by granting them loans, facilities or guarantees in any form and for any term whatsoever and provide any of them with advice and assistance in any form whatsoever.

(A) Important events that have occurred during the six-month period January–June 2023, and their impact on the financial statements:

At 30 June 2023, a total equivalent of EUR 22 069 million of loans and advances granted to Nestlé Group companies was outstanding compared to EUR 19 012 million as at 31 December 2022. These were financed mainly through the issuance of bonds, commercial paper and loans and advances received from Nestlé Group companies. Other assets and liabilities comprise mainly derivatives, cash and cash equivalents (consisting of, for example, cash balances and deposits at banks with original maturities of three months or less). The aforementioned transactions are further detailed in the Notes to the Unaudited Financial Statements of NFI for the six-month period ended 30 June 2023.

Total assets increased at the end of six-month period January–June 2023 (EUR 22 196 million) as compared to the financial year ended 31 December 2022 (EUR 19 040 million). The increase in total assets (by EUR 3 155 million) results mainly from an increase in loans and advances granted to Nestlé Group companies (by EUR 3 057 million).

On the liabilities side, debt securities (bonds and commercial paper) outstanding at the end of the six-month period January–June 2023 (EUR 21 265 million) increased by EUR 2 637 million as compared to the financial year ended 31 December 2022 (EUR 18 628 million) as a result of issuance of bonds. Loans and advances received from Nestlé Group companies outstanding at 30 June 2023 (EUR 832 million) increased by EUR 832 million as compared to 31 December 2022.

The operations reported a net loss of EUR 47.7 million for the six-month period January–June 2023, compared to a net profit of EUR 24.3 million for the six-month period January–June 2022.

Net loss before tax for the six-month period January–June 2023 was EUR 63.1 million compared to a net profit of EUR 40.7 million for the six-month period January–June 2022. There was a decrease of EUR 139.8 million in net fee and commission expense from Nestlé Group companies arising from fluctuations of foreign exchange rates borne by a related party, a decrease of EUR 93.1 million in other operating expense / income resulting from net foreign exchange result on non-EUR denominated instruments and an increase in net interest income of EUR 146.7 million. This has been further disclosed in the Notes to the Unaudited Financial Statements of NFI for the six-month period ended 30 June 2022, in particular, in Note 2.

NFI’s net operating cash outflow was EUR 2 370 million for the six-month period January–June 2023 compared to net operating cash outflow of EUR 3 858 million for the six-month period January–June 2022.

Future financial performance will depend largely on the net interest margin earned on loans and investments, funded by existing and possible further issues of bonds, commercial paper and loans and advances received from Nestlé Group companies and results from derivative transactions.

(B) Principal Risks and Uncertainties for the remaining six-month period July–December 2023

NFI is exposed to certain risks and uncertainties: banking credit risk, credit risk, market risk (including currency fluctuations and interest rate movements), liquidity risk, risk of an increase in cost of capital, treasury operations and other risks that could have a material adverse impact on its financial condition and operating results. NFI's principal risks and uncertainties for the remaining six months of the financial year have not changed since the issuance of NFI's 2022 Annual Financial Report. The detailed discussion of these risks and uncertainties and NFI's objectives, policies and processes for managing these risks and uncertainties were disclosed in the Notes to the Audited Financial Statements of NFI for the year ended 31 December 2022, in particular Note 11.

(C) Other items

NFI has no research and development costs nor any treasury shares or branches.

(D) Corporate governance status

The overall control environment, risk assessment, control and monitoring activities have been disclosed in the Audited Financial Statements of NFI for the year ended 31 December 2022.

Balance sheet as at 30 June 2023

| In thousands of Euro | Notes | 30 June 2023 | 31 December 2022 |
|---|-------|-------------------|---------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 20 336 | 2 406 |
| Derivative assets | 3 | 65 568 | 1 215 |
| Loans and advances to Nestlé Group companies | 7 | 12 045 424 | 6 442 480 |
| Current tax assets | | 50 | 34 |
| Other assets | | 790 | 752 |
| Total current assets | | 12 132 168 | 6 446 887 |
| Non-current assets | | | |
| Loans and advances to Nestlé Group companies | 7 | 10 023 466 | 12 569 090 |
| Deferred tax assets | | 39 866 | 24 011 |
| Total non-current assets | | 10 063 332 | 12 593 101 |
| Total assets | | 22 195 500 | 19 039 988 |
| Liabilities | | | |
| Current liabilities | | | |
| Derivative liabilities | 3 | 6 027 | 83 160 |
| Loans and advances from Nestlé Group companies | 7 | 832 002 | — |
| Debt securities issued | 6 | 5 525 960 | 4 082 839 |
| Other liabilities | | 81 363 | 269 646 |
| Total current liabilities | | 6 445 352 | 4 435 645 |
| Non-current liabilities | | | |
| Debt securities issued | 6 | 15 738 806 | 14 544 964 |
| Total non-current liabilities | | 15 738 806 | 14 544 964 |
| Total liabilities | | 22 184 158 | 18 980 608 |
| Equity | | | |
| Share capital | 4 | 440 | 440 |
| Share premium and other premiums | | 102 000 | 102 000 |
| Hedging reserve | 4 | (380) | (69) |
| Legal reserve | 4 | 44 | 44 |
| Other reserve | 4 | 4 955 | 4 955 |
| Accumulated losses | | (95 717) | (47 990) |
| Total equity attributable to shareholders of the company | | 11 342 | 59 380 |
| Total liabilities and equity | | 22 195 500 | 19 039 988 |

Income statement for the six-month period ended 30 June 2023

| In thousands of Euro | Notes | 30 June 2023 | 30 June 2022 |
|---|-------|-----------------|-----------------|
| Interest income | | 114 513 | 137 932 |
| Interest expense | | (169 362) | (46 041) |
| Net interest income / (loss) | 2 | (54 849) | 91 891 |
| Net fee and commission income / (expense) from Nestlé Group companies | 2 | (16 456) | (156 231) |
| Financial income / (expense) | 2 | (2 488) | 822 |
| Other operating income / (expense) | 2 | 11 632 | 104 718 |
| Operating profit / (loss) | | (62 162) | 41 200 |
| Administration expense | | (934) | (535) |
| Profit / (loss) before tax | | (63 095) | 40 665 |
| Taxes | 2 | 15 368 | (16 345) |
| Profit / (loss) for the period attributable to shareholders of the company | | (47 727) | 24 320 |

Other comprehensive income for the six-month period ended 30 June 2023

| In thousands of Euro | 30 June 2023 | 30 June 2022 |
|---|-----------------|-----------------|
| Profit / (loss) for the year recognised in the income statement | (47 727) | 24 320 |
| Adjustments on cost of hedge reserve | | |
| Recognised in hedging reserve, net of taxes | (311) | (1 140) |
| Items that are or may be reclassified subsequently to the income statement | (311) | (1 140) |
| Other comprehensive income / (loss) for the period | (311) | (1 140) |
| Comprehensive income / (loss) for the period attributable to shareholders of the company | (47 416) | 23 180 |

Statement of changes in equity for the six-month period ended 30 June 2023

In thousands of Euro

| | Notes | Share capital | Share premium and other premiums | Hedging reserve | Available-for-sale reserve | Legal reserve | Other reserve | Accumulated losses | Total equity attributable to shareholders of the company |
|---|-------|---------------|----------------------------------|-----------------|----------------------------|---------------|---------------|--------------------|--|
| Equity as at 31 December 2021 | | 440 | 102 000 | 463 | — | 44 | 4 955 | (78 485) | 29 417 |
| Gains and losses | | | | | | | | | |
| Gain for the period | | — | — | — | — | — | — | 24 320 | 24 320 |
| Adjustments on cost of hedge reserve | | — | — | (1 140) | — | — | — | — | (1 140) |
| Total comprehensive income for the period | | — | — | (1 140) | — | — | — | 24 320 | 23 180 |
| Equity as at 30 June 2022 | | 440 | 102 000 | (677) | — | 44 | 4 955 | (54 165) | 52 597 |
| Equity as at 31 December 2022 | | 440 | 102 000 | (69) | — | 44 | 4 955 | (47 990) | 59 380 |
| Gains and losses | | | | | | | | | |
| Gain for the period | | — | — | — | — | — | — | (47 727) | (47 727) |
| Adjustments on cost of hedge reserve | 6 | — | — | (311) | — | — | — | — | (311) |
| Total comprehensive income for the period | | — | — | (311) | — | — | — | (47 727) | (48 038) |
| Equity as at 30 June 2023 | | 440 | 102 000 | (380) | — | 44 | 4 955 | (95 717) | 11 342 |

Cash flow statement for the six-month period ended 30 June 2023

| In thousands of Euro | Notes | 30 June 2023 | 30 June 2022 |
|--|-------|--------------------|--------------------|
| Operating activities | | | |
| Profit / (loss) before taxation for the period | | (63 095) | 40 665 |
| Adjustments for non-cash transactions: | | | |
| Foreign exchange gain / (loss) for loans, debt securities and derivatives | | 106 419 | 153 177 |
| Fair value of debt securities | | 8 634 | (19 206) |
| Interest income | 2 | (115 273) | (137 932) |
| Interest expense | 2 | 170 122 | 46 041 |
| Cash flow before changes in operating assets and liabilities | | 106 807 | 82 745 |
| Change in other assets excluding prepaid and accrued income | 5 | (38) | 909 |
| Change in other liabilities excluding accrual and deferred income | 5 | (204 498) | (217 738) |
| Inflow / (outflow) in short term investments | | — | 1 084 000 |
| Cash flow generated from operations | | (97 729) | 949 916 |
| Net loans and advances to Nestlé Group companies excluding intra group interest receivable | 9 | (3 146 892) | (4 149 677) |
| Net loans and advances from Nestlé Group companies excluding intra group interest payable | 9 | 832 002 | (753 238) |
| Interest received net of withholding tax | | 103 188 | 121 045 |
| Interest paid | | (61 368) | (26 103) |
| Income tax paid | | (16) | (66) |
| Operating cash flow | | (2 370 815) | (3 858 123) |
| Financing activities | | | |
| Change in derivative assets including those recognised directly in equity | | (64 664) | (26 420) |
| Change in derivative liabilities | 4 | (77 133) | (1 864) |
| Bonds issued | 8 | 1 687 106 | 1 981 584 |
| Commercial paper issued | 8 | 27 253 603 | 26 477 545 |
| Bonds repaid | 8 | (500 000) | — |
| Commercial paper repaid | 8 | (25 912 910) | (24 652 962) |
| Financing cash flow | | 2 386 002 | 3 777 883 |
| Effects of the exchange rate changes on cash | | 2 741 | (23 679) |
| Net decrease in cash and cash equivalents | | 17 928 | (103 919) |
| Net cash and cash equivalents at beginning of the period | | 2 406 | 105 981 |
| Net cash and cash equivalents at the end of the period | | 20 336 | 2 063 |
| Net cash and cash equivalents as per balance sheet | 4 | 20 336 | 2 063 |

Notes

1. Accounting policies

Basis of preparation

These financial statements are the unaudited Condensed Interim Financial Statements of NFI for the six-month period ended 30 June 2023. They have been prepared in accordance with IAS 34 – Condensed Interim Financial Reporting as adopted by the European Union as well as with the laws and regulations in force in the Grand Duchy of Luxembourg and should be read in conjunction with the Audited Financial Statements of NFI for the year ended 31 December 2022.

The accounting conventions and accounting standards are the same as those applied in the Audited Financial Statements of NFI for the year ended 31 December 2022, except for those mentioned below, in the sections ‘Changes in accounting standards’. The preparation of the Unaudited Condensed Interim Financial Statements of NFI for the six-month period ended 30 June 2023 requires NFI’s management to exercise judgment and to make estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities and disclosures. The key sources of estimation of uncertainty within the Unaudited Financial Statements of NFI for the six-month period 30 June 2023 remain the same as those that applied to the Audited Financial Statements of NFI for the year ended 31 December 2022.

NFI is included in the consolidated financial statements of Nestlé S.A., Avenue Nestlé 55, 1800 Vevey, Switzerland.

Changes in accounting standards

Several amendments apply for the first time in 2023 including among others, International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), Definition of Accounting Estimates (Amendments to IAS 8), Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) and Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). These amendments had no material impact on the unaudited Condensed Interim Financial Statements.

2. Operating income/(expense) and taxes

Net interest income:

| In thousands of Euro | 30 June 2023 | 30 June 2022 |
|--|------------------|-----------------|
| Interest income from | | |
| Cash and cash equivalents | 760 | — |
| Loans and advances to Nestlé Group companies | 114 513 | 137 932 |
| Interest income | 115 273 | 137 932 |
| Interest expense from | | |
| Cash and cash equivalents | — | (20) |
| Loans and advances from Nestlé Group companies | (2 228) | (309) |
| Debt securities issued | (167 894) | (45 712) |
| Interest expense | (170 122) | (46 041) |
| Net interest income / (expense) | (54 849) | 91 891 |

Net fees and commission income

| In thousands of Euro | 30 June 2023 | 30 June 2022 |
|--|-----------------|------------------|
| Fee and commission expense to Nestlé Group companies | (16 456) | (156 231) |
| Net fee and commission income / (expense) | (16 456) | (156 231) |

Other operating expense

| In thousands of Euro | 30 June 2023 | 30 June 2022 |
|--|-----------------|-----------------|
| Net foreign exchange gain / (expense) | 12 184 | 104 719 |
| Net gain / (loss) in fair value through income statement | (552) | (1) |
| Other operating income / (expense) | 11 632 | 104 718 |

Financial expense

| In thousands of Euro | 30 June 2023 | 30 June 2022 |
|--|-----------------|-----------------|
| Expected credit loss on financial assets increase / (decrease) | (2 488) | 822 |
| Financial income / (expense) | (2 488) | 822 |

2. Operating income/(expense) and taxes

Taxes

| In thousands of Euro | 30 June 2023 | 30 June 2022 |
|--------------------------------------|-----------------|-----------------|
| Withholding tax on interest received | (488) | (8 264) |
| Deferred tax (decrease) / increase | 15 857 | (8 081) |
| Total tax income / (expense) | 15 369 | (16 345) |

3. Fair value hierarchy

Financial assets and liabilities

Fair value hierarchy of financial instruments

| In thousands of Euro | 30 June 2023 | 30 June 2022 |
|---|-----------------|-----------------|
| Derivative assets | 65 568 | 50 282 |
| Derivative liabilities | (6 027) | (1 293) |
| Valuation techniques based on observable market data (Level 2) | 59 541 | 48 989 |
| Total financial instruments at fair value | 59 541 | 48 989 |

There have been no significant transfers between the different hierarchy levels during the six-month period ended 30 June 2023. There were no financial instruments within the categories Level 1 (prices quoted in active markets) and Level 3 (valuation techniques based on unobservable input). All financial instruments are within Level 2 category.

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.

4. Share capital, other reserves and legal reserves

Share capital is set at EUR 440 thousand represented by 220 thousand shares with a nominal value of EUR 2 each and is authorised, issued and fully paid.

At the Annual General meeting of NFI held on 27 April 2022, NFI decided to carry forward the 2021 result.

At the Annual General meeting of NFI held on 25 April 2023, NFI decided to carry forward the 2022 result.

Under Luxembourg law, NFI is allowed to deduct part of the net wealth tax from the corporate income tax of the same year, provided that a reserve is created corresponding to five times the net wealth tax deducted and that this reserve is maintained for a period of five tax years following the year of deduction.

As at 30 June 2023 the net wealth tax reserve is EUR 4 288 thousand (31 December 2022: EUR 4 288 thousand) of which EUR 2 295 thousand (2021: EUR 1 084 thousand) is distributable to the shareholder.

Under Luxembourg law, NFI is required to appropriate annually at least 5% of its statutory net profit to a non-distributable legal reserve until the aggregate reserve reaches 10% of the subscribed capital. The reserve is fully constituted for EUR 44 thousand.

5. Dividends

Dividends payable are not accounted for until they have been ratified at the Annual General Meeting of NFI. At the Board of Directors Meeting of NFI held on 25 April 2023, the Board decided not to propose any dividend payment to the shareholder.

6. Debt securities

Bonds

During the six-month period January-June 2023, bonds were issued for a nominal value of EUR 1 700 million and EUR 500 million was repaid.

As of 30 June 2023, the carrying amount of bonds issued is EUR 16 696 million (31 December 2022: EUR 15 482 million) compared to a fair value of EUR 14 916 million (31 December 2022: EUR 13 421 million). This fair value is categorized as level 2, measured on the basis of quoted prices.

Commercial Paper

The outstanding amounts of commercial paper are EUR 4 568 million as at 30 June 2023 compared to EUR 3 145 million as at 31 December 2022.

The carrying amount of these instruments is a reasonable approximation of their fair value based on observable market data.

7. Transactions with related parties

Grant, receipt and repayments of loans with Nestlé Group companies for the six-month period January-June 2023 were as follows:

| In thousands of Euro | 30 June 2023 | 30 June 2022 |
|---|------------------|------------------|
| Loans granted to Nestlé Group companies excluding accrued interest | 4 589 693 | 12 800 113 |
| Repayment of loans by Nestlé Group companies excluding accrued interest | (1 442 801) | (8 650 436) |
| Net loans and advances granted / (repaid) by Nestlé Group companies | 3 146 892 | 4 149 677 |
| Loans received from Nestlé Group companies excluding accrued interest | 832 002 | 5 604 898 |
| Repayment of loans to Nestlé Group companies excluding accrued interest | — | (6 358 136) |
| Net loans and advances received / (repaid) to Nestlé Group companies | 832 002 | (753 238) |

8. Events after the balance sheet date

As at August 23, 2023, there is no subsequent events which either warrant a modification of the value of its assets and liabilities or any additional disclosure.

Responsibility Statement

Raoul Heinen, Director, Patrick Yot, Director, Hermann Beythan, Director, Martin Huber, Director and Bruno Chazard, Director confirm that to the best of their knowledge:

- (a) the Condensed Interim Financial Statements (Unaudited) of NFI for the six-month period ended 30 June 2023, which have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union as well as with the laws and regulations in force in the Grand Duchy of Luxembourg, give a true and fair view of the assets, liabilities, financial position and profit or loss of NFI as required by DTR 4.2.4 R 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 R and under article 4 (4) of the Transparency Law.

23 August 2023