



Good Food, Good Life

NESTLÉ CAPITAL CORPORATION

Half-Yearly Financial Report

Management Report

and

Condensed Interim Financial Statements

January 1 – June 30, 2023

(Unaudited)

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Nestlé Capital Corporation

Nestlé Capital Corporation (“NCC” or the “Company”) incorporated in the State of Delaware, United States, is a wholly owned subsidiary of Nestlé Holdings, Inc. (“NHI”), 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. NCC’s registered office is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States and its principal place of business is located at 1812 North Moore Street, Arlington, Virginia 22209, United States.

The principal business activity of NCC is managing the liquidity of the ‘Nestlé USA affiliate entities’, which primarily includes the USA entities of the Nestlé Group.

Management Report

(A) Performance and Development

As of June 30, 2023, a total of \$44.0 billion of loans granted to parent and affiliate entities were outstanding, compared to \$40.5 billion as of December 31, 2022. These were financed mainly through the issuance of commercial paper and loans received from parent and affiliate entities. Other assets and liabilities comprise mainly of derivatives, cash and cash equivalents, and short term investments. The aforementioned transactions are further detailed in the notes to the financial statements of NCC for the six months ended June 30, 2023.

Total assets were \$44.3 billion and \$40.8 billion as of June 30, 2023 and as of December 31, 2022, respectively. The increase was driven by a \$0.1 billion increase in short term investments and a \$3.6 billion increase in loans granted to parent and affiliate entities, offset by a \$0.2 billion decrease in cash and cash equivalents.

Total liabilities were \$44.3 billion and \$40.8 billion as of June 30, 2023 and as of December 31, 2022, respectively. The increase results mainly from a \$2.9 billion increase in loans received from parent and affiliate entities and a \$0.5 billion increase in financial debt.

NCC reported net income / (loss) of \$— million and \$(6) million for six months ended June 30, 2023 and 2022, respectively. The movement was primarily due to a \$119 million increase in interest income resulting from the loans granted to parent and affiliate entities and short term investments, a \$121 million increase in interest expense resulting from the loans received from parent and affiliate entities as well as an increase in the interest rates on commercial paper, and a \$9 million decrease in expected credit loss expense related to NCC’s loans to parent and affiliate entities.

NCC’s net cash decrease was \$207 million for the six months ended June 30, 2023 compared to a net cash decrease of \$36 million for the six months ended June 30, 2022. This change was driven by a \$5.1 billion increase in operating cash flows related to loans (to)/from parent and affiliates, offset by a \$3.3 billion decrease in investing cash flows related to short term investments and a \$2.0 billion decrease in financing cash flows related to commercial paper issued and repaid.

Future financial performance will depend largely on the net interest margin earned on loans and investments, funded by issuances of commercial paper and loans received from parent and affiliate entities.

(B) Risks and Uncertainties

NCC is exposed to certain risks and uncertainties: credit risk, market risk (including currency fluctuations), liquidity risk and 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. The detailed discussion of these risks and uncertainties and NCC’s objectives, policies and processes for managing these risks and uncertainties

are disclosed in the notes to the Audited Financial Statements of NCC for the year ended December 31, 2022, in particular Note 8.

(C) Corporate Governance

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

Responsibility Statement

Rui Barbas, Chief Financial Officer, confirms that to the best of his knowledge:

- (a) the Condensed Unaudited Interim Financial Statements of NCC for the six month periods ended June 30, 2023 and 2022, which have been prepared in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of NCC; and
- (b) the interim management report includes a fair review of the development and performance of the business and the position of NCC for the six month periods ended June 30, 2023 and 2022.

January 12, 2024



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Review Report of Independent Auditors

The Board of Directors
Nestlé Capital Corporation:

Results of Review of Interim Financial Information

We have reviewed the condensed financial statements of Nestlé Capital Corporation, which comprise the balance sheet as of June 30, 2023, and the related statements of comprehensive income/ (loss) statements of changes in equity and cash flow statements for the six-month periods ended June 30, 2023 and 2022, and the related notes (collectively referred to as the “interim financial information”).

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed interim financial information for it to be in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Review Results

We conducted our reviews in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information and the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of condensed interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of condensed interim financial information is substantially less in scope than an audit conducted in accordance with GAAS and International Standards on Auditing, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of Nestlé Capital Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Interim Financial Information

Management is responsible for the preparation and fair presentation of the condensed interim financial information in accordance with International Financial Reporting Standards as adopted by the European Union and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial information that is free from material misstatement, whether due to fraud or error.

Report on Condensed Balance Sheet as of December 31, 2022

We have previously audited, in accordance with auditing standards generally accepted in the United States of America and the International Standards on Auditing, the balance sheet as of December 31, 2022, and the related statement of comprehensive loss, 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 financial statements in our report dated December 22, 2023. In our opinion, the accompanying condensed balance sheet of Nestlé Capital Corporation as of December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ernst & Young LLP

**Nestlé Capital Corporation (“NCC”)
Financial Statements
(Unaudited)
January 1 – June 30, 2023**

Unaudited balance sheet as at June 30, 2023

In millions of Dollars	Notes	June 30, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents		141	348
Short term investments	(3)	110	—
Derivative assets	(3)	1	2
Loans to parent and affiliates	(5)	38,524	34,971
Total current assets		38,776	35,321
Non-current assets			
Loans to parent and affiliates	(5)	5,525	5,488
Deferred tax assets		2	2
Total non-current assets		5,527	5,490
Total assets		44,303	40,811
Liabilities			
Current liabilities			
Derivative liabilities	(3)	1	2
Loans from parent and affiliates	(5)	40,946	37,894
Current income tax liabilities		34	33
Financial debt	(4)	1,185	639
Other liabilities		1	—
Total current liabilities		42,167	38,568
Non-current liabilities			
Loans from parent and affiliates	(5)	2,129	2,236
Total non-current liabilities		2,129	2,236
Total liabilities		44,296	40,804
Equity			
Share capital \$100 par value. Authorized, issued and outstanding 10,000 shares		1	1
Additional paid-in capital		—	—
Retained earnings		6	6
Total equity attributable to shareholders of the company		7	7
Total liabilities and equity		44,303	40,811

Unaudited statement of comprehensive income / (loss) for the six months ended June 30, 2023

In millions of Dollars	Notes	January - June 2023	January - June 2022
Interest income		654	535
Interest expense		(652)	(531)
Net interest income	(2)	2	4
Net fee and commission expense	(2)	(2)	(3)
Financial income / (expense)	(2)	1	(8)
Net other operating income	(2)	—	1
Administrative income / (expense)		—	(1)
Income / (loss) before tax		1	(7)
Tax (expense) / benefit		(1)	1
Income / (loss) for the period attributable to shareholders of the company		—	(6)
Other comprehensive income for the period		—	—
Total comprehensive income / (loss) for the period attributable to shareholders of the company		—	(6)

Unaudited statement of changes in equity for the six months ended June 30, 2023

In millions of Dollars	Share capital	Retained earnings	Total equity attributable to shareholders of the company
Equity as at December 31, 2021	1	11	12
Gains and losses			
Loss for the period	—	(6)	(6)
Other comprehensive loss for the period	—	(6)	(6)
Equity as at June 30, 2022	1	5	6
Equity as at December 31, 2022	1	6	7
Gains and losses			
Income for the period	—	—	—
Other comprehensive income for the period	—	—	—
Equity as at June 30, 2023	1	6	7

Unaudited cash flow statement for the six months ended June 30, 2023

In millions of Dollars	Notes	January - June 2023	January - June 2022
Operating activities			
Income / (loss) before taxation for the current period		1	(7)
Adjustments for:			
Interest income	(2)	(654)	(535)
Interest expense	(2)	652	531
Expected credit loss on financial assets expense / (income)	(2)	(1)	8
Change in other assets and liabilities		1	3
Loans (to)/from parent and affiliates, net		(641)	(5,760)
Interest received		650	527
Interest paid		(645)	(528)
Income taxes paid		—	—
Net cash used in operating activities		(637)	(5,761)
Investing activities			
(Outflow) / inflow in short term investments		(110)	3,200
Net cash (used in) / from investing activities		(110)	3,200
Financing activities			
Outflows from short term financial debt		(32)	(67)
Commercial paper issued		11,946	10,328
Commercial paper repaid		(11,374)	(7,736)
Net cash from financing activities		540	2,525
Net decrease in cash and cash equivalents		(207)	(36)
Net cash and cash equivalents at beginning of period		348	330
Net cash and cash equivalents at end of period		141	294

Notes

1. Accounting policies

Basis of preparation

These Financial Statements are the unaudited Condensed Interim Financial Statements (hereafter “the Condensed Interim Financial Statements”) of Nestlé Capital Corporation (“NCC”) for the six month period ended June 30, 2023. They have been prepared in accordance with International Accounting Standard IAS 34 – Interim Financial Reporting as adopted by the European Union, and should be read in conjunction with the Audited Financial Statements of NCC for the year ended December 31, 2022.

The accounting conventions and accounting policies are the same as those applied in NCC’s Audited Financial Statements for the year ended December 31, 2022 (as described in Note 2 and within the relevant notes).

The preparation of NCC’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 NCC’s Audited Financial Statements for the year ended December 31, 2022.

Changes in accounting standards

There were no standards with effect from January 1, 2023 which had a material impact on the NCC Condensed Interim Financial Statements.

2. Operating income

Net interest income:

In millions of Dollars	January - June	
	2023	2022
Interest income from:		
Short term investments	11	1
Loans and advances to parent and affiliates	643	534
Interest income	654	535
Interest expense from:		
Loans and advances from parent and affiliates	(632)	(525)
Commercial paper issued	(20)	(6)
Interest expense	(652)	(531)
Net interest income	2	4

Net fee and commission expense:

In millions of Dollars	January - June	
	2023	2022
Fee and commission expense to Nestlé Group companies	(2)	(3)
Net fee and commission expense	(2)	(3)

Financial income / (expense):

In millions of Dollars	January - June	
	2023	2022
Expected credit loss on financial assets	1	(8)
Net (loss) / gain in fair value through statement of comprehensive income	(1)	1
Affiliate derivative cross charge	1	(1)
Financial income / (expense)	1	(8)

Net other operating (expense) / income:

In millions of Dollars	January - June	
	2023	2022
Affiliate administrative cross charge income	—	1
Net other operating income	—	1

3. Fair value hierarchy

Fair value hierarchy of financial instruments

In millions of Dollars	June 30, 2023	December 31, 2022
Bonds and debt funds	110	—
Prices quoted in active markets (Level 1)	110	—
External derivative assets	1	2
Affiliate derivative liabilities	(1)	(2)
Valuation techniques based on observable market data (Level 2)	—	—
Total financial instruments at fair value	110	—

NCC determines the fair values of its financial instruments in the following hierarchy, based on the inputs used in their valuation:

Level 1 – the fair value of financial instruments quoted in active markets is based on their quoted closing price at the balance sheet date. Examples include financial assets such as investments in debt securities.

Level 2 – the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters, dealer quotes for similar instruments and use of comparable arm's length transactions. For example, the fair value of forward exchange contracts and currency swaps are determined by discounting estimated future cash flow.

Level 3 – the fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs).

There were no significant transfers between the different hierarchy levels as at June 30, 2023 and December 31, 2022.

4. Financial debt:

The outstanding amounts of financial debt at June 30, 2023 and December 31, 2022 were as follows:

In millions of Dollars	June 30, 2023	December 31, 2022
Commercial paper	1,125	547
Lines of credit	60	92
Total financial debt	1,185	639
of which due within twelve months	1,185	639

Carrying amount of these instruments is a reasonable approximation of their fair value.

5. Transactions with related parties

Loans with related parties and Nestlé USA affiliate entities

The following is a breakdown of Loans to/from parent and affiliates split between the loan principal balance and accrued interest.

In millions of Dollars	June 30, 2023	December 31, 2022
Loans to parent and affiliates:		
Loans to parent and affiliates excluding accrued interest	43,975	40,389
Accrued interest on loans to parent and affiliates	74	70
Total loans to parent and affiliates	44,049	40,459
Loans from parent and affiliates:		
Loans from parent and affiliates excluding accrued interest	43,072	40,127
Accrued interest on loans from parent and affiliates	3	3
Total loans from parent and affiliates	43,075	40,130

Grant, receipt and repayments of loans for the six months ended June 30, 2023 and the year ended December 31, 2022 were as follows:

In millions of Dollars	June 30, 2023	December 31, 2022
Loans to parent(a):		
At January 1	18,029	18,403
Loans granted during period	3,420	857
Loan repayments	—	(1,231)
At June 30 / December 31	21,449	18,029
Loans to affiliates:		
At January 1	22,360	20,139
Loans granted during period	918	6,400
Loan repayments	(752)	(4,179)
At June 30 / December 31	22,526	22,360
Total loans to parent and affiliates	43,975	40,389
Of which current	38,450	34,901
Of which non-current	5,525	5,488
Loans from parent(b):		
At January 1	33,629	29,891
Loans granted during period	2,776	3,738
Loan repayments	—	—
At June 30 / December 31	36,405	33,629
Loans from affiliates:		
At January 1	6,498	11,526
Loans received during period	2,441	359
Loan repayments	(2,272)	(5,387)
At June 30 / December 31	6,667	6,498
Total loans from parent and affiliates	43,072	40,127
Of which current	40,943	37,891
Of which non-current	2,129	2,236

(a) Loans to Parent entities cover NIMCO US, Inc. (NHI Parent), NUSHI (NIMCO Parent), SPN S.A.(NUSHI Parent) and Nestlé S.A. (SPN S.A. Parent).

(b) Loans from NHI (NCC Parent).

6. Events after the balance sheet date

On December 29, 2023, NHI executed an agreement to capitalize \$16,900 of the intragroup debt between NCC, as borrower, and NHI, as lender.