Nestlé Good food, Good life

Nestlé Finance International Ltd.

Annual Financial Report

Management Report and Financial Statements

1 January – 31 December 2023

(With Report of the Réviseur d'Entreprises Agréé thereon)

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

Management Report

Nestlé Finance International Ltd. ("NFI" or the "Company") presents its annual financial report for the financial year ended 31 December 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 and nutrition products, prepared dishes and cooking aids, confectionery and pet care. The Nestlé Group also manufactures and distributes nutritional science products through its globally managed business Nestlé Health Science.

The principal activity of NFI is the financing of Nestlé S.A. and its affiliates 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) Review of the development and performance of the business during the financial year

As at 31 December 2023, a total equivalent of EUR 19 072 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 papers and loans and advances received from Nestlé Group companies. Other assets and liabilities comprise mainly derivatives, cash and cash equivalents (consists of cash balances and deposits at banks) and short term investments. The aforementioned transactions are further detailed in the notes to the financial statements of NFI for the financial year ended 31 December 2023.

Total assets were EUR 19 443 million and EUR 19 040 million as at December 2023 and 2022, respectively. The increase results mainly from an increase in cash and cash equivalents (by EUR 333 million), from an increase in loans and advances granted to Nestlé Group companies (by EUR 60 million), from an increase in derivative assets (by EUR 3 million), and an increase in deferred tax assets (by EUR 6 million).

Total liabilities were EUR 19 401 million and EUR 18 980 million as at December 2023 and 2022, respectively. Debt securities outstanding at 31 December 2023 (EUR 18 999 million) increased by EUR 371 million as compared to 31 December 2022 (EUR 18 628 million) mainly as a result of an increase in the issuance of bonds. Loans and advances received from Nestlé Group companies outstanding at 31 December 2023 (EUR 263 million) increased by EUR 263 million as compared to 31 December 2022 (EUR 0 million).

Following a net profit in 2022 of EUR 30 million in 2022 due to a favorable development of borrowing rates in the debt market, NFI recognizes a net loss of EUR 18 million in 2023.

Net loss before tax for the financial year ended 31 December 2023 was EUR 24 million, compared to a net gain before tax of EUR 55.6 million for the financial year ended 31 December 2022. The movement was due to an increase in third party interest expense (by EUR 223 million) resulting from an increase in debt securities issued with higher interest rate. This result was partially offset by an increase in intercompany interest income (by EUR 28 million) resulting from the loans and advances granted to Nestlé S.A. and its affiliates, a decrease in net fee and commission expense (by EUR 189 million) arising from the termination of foreign exchange transfer agreement between NFI and Nestlé S.A., a decrease in other operating income (by EUR 63 million) resulting from foreign exchange loss on non-EUR denominated instruments partially offset by a decrease in financial expense (by EUR 11 million).

NFI's net operating cash inflow ("Net cash used in operating activities") was EUR 175 million for the financial year ended 31 December 2023 compared to net operating cash outflow of EUR 2 322 million for the financial year ended 31 December 2022.

To limit the risk of the foreign exchange currencies and the risk of counterparties, NFI transferred the major part of the loans granted to Nestlé Group entities to a unique Nestlé Group entity in 2022. The remaining part of the loans have been transferred in early 2023. As a reciprocal arrangement, NFI grants loans denominated in Euro to this unique entity (Note 9).

Future financial performance will largely depend on the net interest margin earned on loans and investments granted based on existing and possible further issues of bonds, commercial papers and loans and advances received from Nestlé Group companies and results from derivative transactions. The rapid and significant growth in rates has had a negative impact on this year's result. Despite the current net loss, management remains confident about NFI's future financial outlook once the rates stabilize. They believe that the current loss is temporarily due to the unfavorable development in borrowing rates in the debt market.

Management will continue to closely monitor market developments and take appropriate measures to mitigate risks associated with interest rate fluctuations. Management is confident that NFI is well-positioned to address these challenges and regain a positive financial situation in the future.

(B) Risks and Uncertainties

NFI is exposed to certain risks and uncertainties: credit risk, market risk, 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 NFI's objectives, policies and processes for managing these risks and uncertainties are disclosed in the notes to the financial statements of NFI for the year ended 31 December 2023, in particular in Note 11. NFI is engaged in hedging activities to limit its exposure to risk.

(C) Other items

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

(D) Corporate governance status

Overall control environment

The Board of Directors of NFI has overall responsibility for its control environment. The Board of Directors is responsible for monitoring the internal control and risk management systems that are related to the financial reporting process on an ongoing basis.

The internal control and risk management systems are designed to mitigate, rather than eliminate, the risks identified in the financial reporting process. In particular, internal controls related to the financial reporting process are established to mitigate, detect and correct material misstatements in the financial statements.

NFI has a number of policies and procedures in key areas of financial reporting, which are derived from the Nestlé Group's Accounting Standards, Risk Management Policy, Treasury Policy, Information Security Policy and Business Ethics Policy. These policies and procedures apply to all subsidiaries of the Nestlé Group, including NFI. NFI complies with the corporate governance code of its parent Nestlé S.A. available on the website.

Structure of capital

The share capital of NFI is divided in 220 000 shares having a nominal amount of EUR 2 each. There is only one class of shares issued and they all provide the same rights to the shareholder. NFI does not have own shares. There are neither restrictions to the transfer of the issued shares in NFI nor any agreement issued by the shareholder which may result in restrictions on the transfer of NFI shares.

Instruments traded on a regulated market

NFI issues bonds which are admitted for trading on the London Stock Exchange's regulated market and the Luxembourg Stock Exchange. No other instruments, such as NFI's shares, are admitted to trading on any regulated market. Therefore the disclosure requirements included in Article 10. paragraph 1. points c), d), f), h) and i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids as required by Article 68ter. paragraph 1 letter d) of Luxembourg modified law of 19 December 2002, are not applicable.

Control activities

Nestlé Group has established minimum requirements for the conduct and documentation of IT and manual control activities to mitigate identified significant financial reporting risks. NFI establishes and implements internal controls comprising relevant control activities for significant processes.

NFI's management is responsible for ensuring that the internal control activities are performed and documented, and is required to report on their compliance with Nestlé Group's internal control policies to Nestlé Group's finance function.

In addition, the Nestlé Group has implemented a formalised financial reporting process for the budget process and monthly reporting on actual performance. The accounting information reported by NFI is reviewed both by Nestlé Group central treasury and by technical accounting specialists at Nestlé.

Information and communication

The Nestlé Group has established information and communication systems to ensure that accounting and internal control compliance procedures are established, including a finance manual and internal control requirements.

All Nestlé Group companies, including NFI, use a standardised financial reporting system.

Monitoring

The monitoring of the internal control and risk management systems related to financial reporting is performed at various levels within the Nestlé Group, such as periodic reviews of control documentation, controller visits, audits performed by Nestlé Group Internal Audit and monitoring by the Nestlé Group's Audit Committee.

Subsequent events

As at March 22, 2024, there are no subsequent events which either warrant a modification of the value of its assets and liabilities or any additional disclosure.

Future developments

It is expected that NFI's business activities will remain unchanged in 2024. NFI will primarily continue to provide financing to members of the Nestlé Group.

Going concern

NFI's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on NFI's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

As at 31 December 2023, the total current assets amount to EUR 2 789 million and the total current liabilities amount to EUR 2 852 million. NFI will be able to face the current debt with the current asset available and the different debt program in place. NFI has access to short and medium term capital market as well as to Nestlé Group liquidity support in place for Nestlé S.A. if there ever be an emergency. For the next year, 84% (72% in 2022) of the debts have a maturity between 3 years and more than 5 years.

Based on the capital management the equity is high enough to cover the risk of default and the loss of the year.

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Independent auditor's report

To the Shareholder of
Nestlé Finance International Ltd. S.A.
5, Place de la Gare
L-1616 Luxembourg

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Nestlé Finance International Ltd. S.A. (the "Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation Nº 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Credit risk related to loans and advances to Nestlé Group entities

Risk identified

NFI is a financing entity granting loans and advances to entities within the Nestlé Group referred to as Nestlé Group entities.

As of 31 December 2023, the current portion of loans and advances granted to Nestlé entities amounted to EUR 2 448 422 whilst the non-current portion amounted to EUR 16 623 668 both totalling EUR 19 072 090 and representing 98.1% of the total assets of the company.

As detailed in Note 1 and Note 4 to the financial statements, loans to Nestlé Group entities are classified as debt instruments measured at amortized cost and subject to impairment.

An expected credit loss ("ECL") analysis was performed by the Management as at 31 December 2023 based on key judgements and estimates including:

- Completeness and accuracy of data used to calculate ECL.
- Allocation of assets to stage 1 (performing), 2 (non-performing), or 3 (default) using criteria in accordance with the accounting standard.
- Accuracy and adequacy of the financial statement disclosures.

Given the significance of loans granted to Nestlé entities as well as the importance of the judgments involved regarding the assessment of the impairment of these financial assets, the evaluation of the recoverability of loans receivables granted to Nestlé Companies is a key audit matter.

Our answer

Our audit procedures on impairment and the evaluation of the recoverability of loans receivables and advances granted to Nestlé Group entities (the "Loans") included, among others:

- We inspected legal documentation related to the Loans.
- We agreed the input data used in the ECL computation to the carrying value of the Loans reported in the financial statements and to the related parties' financial information obtained from Nestlé Group companies.
- We assessed the methods and assumptions applied by Management in their ECL analysis.

- We performed an overall assessment of the ECL provision to evaluate its reasonableness considering the Company's portfolio, risk profile, credit risk management policies and the macroeconomic environment.

- We evaluated the adequacy of the Company's disclosures in respect of the Loans as disclosed in Notes 4 and 11 of the financial statements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report and the corporate governance statement but does not include the financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information 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 the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and of those charged with governance for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors is also responsible for presenting the financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format, as amended ("ESEF Regulation").

In preparing the financial statements, the Board of Directors 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 unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the “réviseur d’entreprises agréé” for the audit of the financial statements

The objectives of our audit 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 a report of the “réviseur d’entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF 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 in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors’ use of the going concern basis of accounting 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 report of the “réviseur d’entreprises agréé” 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 report of the “réviseur d’entreprises agréé”. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Building a better working world

- Assess whether the financial statements have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as “réviseur d’entreprises agréé” by the General Meeting of the Shareholders on 21st March 2023 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 4 years.

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement, included in the management report, is the responsibility of the Board of Directors. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We have checked the compliance of the financial statements of the Company as at 31 December 2023 with relevant statutory requirements set out in the ESEF Regulation that are applicable to the financial statements. For the Company, it relates to:

- Financial statements prepared in valid xHTML format;

In our opinion, the financial statements of the Company as at 31 December 2023, identified as “nestle-finance-international-ltd-fullyear-financial-report-2023.xHTML”, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire

Petar Dionissiev

Luxembourg, 22 March 2024

Financial Statements 2023

Balance sheet as at 31 December 2023

In thousands of Euro

	Notes	2023	2022
Assets			
Current assets			
Cash and cash equivalents	4	335 461	2 406
Derivative assets	3/4	4 077	1 215
Loans to Nestlé Group companies	4	2 448 422	6 442 480
Current tax assets		—	34
Other assets	4/5	1 378	752
Total current assets		**2 789 338**	**6 446 887**
Non-current assets			
Loans to Nestlé Group companies	4	16 623 668	12 569 090
Deferred tax assets	5	29 845	24 011
Total non-current assets		**16 653 513**	**12 593 101**
Total assets		**19 442 851**	**19 039 988**
Liabilities			
Current liabilities			
Derivative liabilities	3/4	18 518	83 160
Loans from Nestlé Group companies	4	262 690	—
Debt securities issued	4/8	2 451 080	4 082 839
Other liabilities	4/5	120 236	269 646
Total current liabilities		**2 852 524**	**4 435 645**
Non-current liabilities			
Debt securities issued	4/8	16 548 628	14 544 963
Total non-current liabilities		**16 548 628**	**14 544 963**
Total liabilities		**19 401 152**	**18 980 608**
Equity			
Share capital	6	440	440
Share premium and other premiums	6	102 000	102 000
Hedging reserve	6	281	(69)
Legal reserve	6	44	44
Other reserve	6	4 955	4 955
Accumulated losses		(66 021)	(47 990)
Total equity attributable to shareholders of the company		**41 699**	**59 380**
Total liabilities and equity		**19 442 851**	**19 039 988**

The accompanying notes form an integral part of the financial statements.

Income statement
for the year ended 31 December 2023

In thousands of Euro

	Notes	2023	2022
Interest income		346 796	318 838
Interest expense		(356 830)	(133 764)
Net interest income / (loss)	2	**(10 034)**	**185 074**
Net fee and commission income / (expense) from Nestlé Group companies	2	(19 446)	(208 916)
Financial income / (expense)	2	180	10 335
Other operating income / (expense)	2	8 027	71 129
Operating profit / (loss)		**(21 273)**	**57 622**
Administration expense		(2 501)	(1 977)
Profit / (loss) before tax		**(23 774)**	**55 645**
Taxes	2	5 743	(25 150)
Profit / (loss) for the year attributable to shareholders of the company		**(18 031)**	**30 495**

The accompanying notes form an integral part of the financial statements.

Statement of comprehensive income and loss for the year ended 31 December 2023

In thousands of Euro

	2023	2022
Profit / (loss) for the year recognised in the income statement	(18 031)	30 495
Adjustments on cost of hedge reserve		
Recognised in hedging reserve, net of taxes	350	(532)
Items that are or may be reclassified subsequently to the income statement	350	(532)
Other comprehensive income / (loss) for the year	**350**	**(532)**
Comprehensive income / (loss) for the year attributable to shareholders of the company	**(17 681)**	**29 963**

The accompanying notes form an integral part of the financial statements.

Statement of changes in equity for the year ended 31 December 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 year		—	—	—	—	—	—	30 495	**30 495**
Adjustments on cost of hedge reserve	6	—	—	(532)	—	—	—	—	**(532)**
Total comprehensive income for the period		—	—	(532)	—	—	—	30 495	**29 963**
Equity as at 31 December 2022		**440**	**102 000**	**(69)**	**—**	**44**	**4 955**	**(47 990)**	**59 380**
Gains and losses									
Loss for the year		—	—	—	—	—	—	(18 031)	**(18 031)**
Adjustments on cost of hedge reserve	6	—	—	350	—	—	—	—	**350**
Total comprehensive income for the period		—	—	350	—	—	—	(18 031)	**(17 681)**
Equity as at 31 December 2023		**440**	**102 000**	**281**	**—**	**44**	**4 955**	**(66 021)**	**41 699**

The accompanying notes form an integral part of the financial statements.

Cash flow statement
for the year ended 31 December 2023

In thousands of Euro

	Notes	2023	2022
Operating activities			
Profit / (loss) before taxation for the year		(23 774)	55 645
Adjustments for non-cash transactions			
Foreign exchange (gain) / loss for loans, debt securities and derivatives		58 301	153 548
Fair value of debt securities		15 384	(25 667)
Interest income	2	(346 796)	(318 838)
Interest expense	2	356 830	133 764
Cash flow before changes in operating assets and liabilities		**59 945**	**(1 548)**
Change in other assets excluding prepaid and accrued income	5	(626)	157
Change in other liabilities excluding accrual and deferred income	5	(203 234)	(170 065)
Inflow / (outflow) in short term investments		—	1 084 000
Cash flow generated from operations		**(143 914)**	**912 544**
Net loans and advances to Nestlé Group companies excluding intra group interest receivable	9	(137 111)	(1 226 627)
Net loans and advances from Nestlé Group companies excluding intra group interest payable	9	262 690	(2 267 105)
Interest received net of withholding tax		316 128	303 867
Interest paid		(122 871)	(45 469)
Income tax received / (paid)		(37)	141
Operating cash flow		**174 885**	**(2 322 649)**
Financing activities			
Change in derivative assets including those recognised directly in equity		(2 862)	23 255
Change in derivative liabilities	4	(64 642)	80 003
Bonds issued	8	3 143 213	3 468 039
Commercial paper issued	8	47 376 921	59 188 365
Bonds repaid	8	(963 727)	(850 000)
Commercial paper repaid	8	(49 332 068)	(59 691 523)
Financing cash flow		**156 835**	**2 218 139**
Effects of the exchange rate changes on cash		1 336	935
Net decrease in cash and cash equivalents		**333 055**	**(103 575)**
Net cash and cash equivalents at beginning of the year		2 406	105 981
Net cash and cash equivalents at the end of the year		**335 461**	**2 406**
Net cash and cash equivalents as per balance sheet	4	**335 461**	**2 406**

The accompanying notes form an integral part of the financial statements.

Notes

1. Accounting policies

Basis of preparation
These financial statements for the periods presented through December 31, 2023 have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and with the IFRIC Interpretations issued by the IFRS Interpretations Committee as adopted by the European Union as well as with the laws and regulations in force in the Grand Duchy of Luxembourg.

The financial statements have been prepared on a historical cost basis, except for derivatives financial instruments and short term investments that are recorded at fair value.

The balance sheet has been prepared in order of liquidity.

NFI prepared its financial statements on the basis of the going concern convention. NFI has access to ample liquidity, including short and medium term capital markets, enjoying the benefit of issuance with Nestlé S.A.'s AA- rated guarantee. NFI can access the Nestlé Group liquidity support in place for Nestlé S.A. amounting to EUR 25 billion equivalent if there ever be an emergency.

The financial statements were authorised for issuance by the Board of Directors on 22 March 2024 and are subject to approval by the Annual General Meeting on 24 April 2024.

NFI's financial year starts on the first day of January and ends on the last day in December.

The official version of these accounts is the ESEF version available with the Officially Appointed Mechanism (OAM) tool.

Key accounting judgments, estimates and assumptions
The preparation of the financial statements 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. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Actual result may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Those areas that involve a higher degree of judgment or uncertainty are explained further in the relevant notes, primarily regarding the determination of fair value of financial instruments (Note 1 on fair value, Note 3 on Derivative assets and liabilities, Note 4 on Financial instruments and Note 8 on Debt securities), and the determination of the expected credit losses (ECL) on loans granted to Nestlé S.A. and its affiliates.

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgements and estimates. These estimates are driven by a number of factors and changes which can result in different levels of allowances. However, NFI's expected credit losses calculations is derived from different output models with a number of underlying assumptions regarding the choice of variable inputs and interdependencies. Elements of the ECL model are considered accounting judgements. Refer to Note 1 paragraph impairment for further details.

Foreign currencies

The functional currency of NFI is the currency of its primary economic environment which is the Euro, which is also the presentation currency.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at year-end rates. Any resulting exchange differences are taken to the income statement, except when deferred in other comprehensive (loss) / income as qualifying cash flow hedges.

Segmental information

The financing activities of NFI are managed as one single business. Therefore, there is one reporting segment in the financial statements.

Valuation methods, presentations and definitions

Operating income

Net interest income includes the income earned on loans with Nestlé Group companies, income from short term deposits and financial expense on borrowings from third parties. Net interest income also includes other financial income and expense from interest rate hedging instruments that are recognised in the income statement.

Interest income or expense is recognised using the effective interest rate method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

Net fee and commission expenses are composed of the guarantee fee that is payable to Nestlé S.A. and other fees and expenses to or from Nestlé Group companies.

Other operating income includes results on foreign currency, other income or expenses from Nestlé Group companies and income or expenses on financial instruments carried at fair value through income statement.

Taxes

NFI is subject to Luxembourg tax laws and regulations.

Taxes include current taxes and deferred taxes on profit as well as actual or potential withholding taxes on current and expected transfers of income from Nestlé Group companies and tax adjustments relating to prior financial years. Income tax is recognised in the income statement, except to the extent that it relates to items directly taken to equity, in which case it is recognised against equity. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred taxes are based on temporary differences that arise when taxation authorities recognise and measure assets and liabilities with rules that differ from those of the financial statements. They also arise on temporary differences stemming from tax losses carried forward.

Deferred taxes are calculated under the liability method at the rates of tax expected to prevail when the temporary differences reverse, subject to such rates being substantially enacted at the balance sheet date. Any changes in the tax rate are recognised in the income statement unless related to items directly recognised against equity or other comprehensive. Deferred tax liabilities are recognised on all taxable temporary differences excluding non-deductible goodwill. Deferred tax assets are recognised on all deductible temporary differences provided that it is probable that future taxable income will be available.

Financial instruments

Financial assets

Financial assets are initially recognised at fair value plus directly attributable transaction costs. However, when a financial asset measured at fair value through profit and loss is recognised, the transaction costs are expensed immediately. Subsequent remeasurement of financial assets is determined by their category, which is revisited at each reporting date.

The settlement date is used for initial recognition and derecognition of the financial assets as these transactions are generally under contracts whose terms require delivery within the time frame established by the regulation or convention in the market place (regular-way purchase or sale).

Financial assets are derecognised (in full or in part) when substantially all NFI's rights to cash flow from the respective assets have expired or have been transferred and NFI has transferred substantially all the risks and rewards of ownership.

NFI classifies its financial assets into the following categories: at amortised cost and at fair value through profit and loss.

Financial assets at amortised cost

This category includes the following classes of financial assets: intra Nestlé Group loans, trade and other receivables, cash and cash equivalents.

Cash and cash equivalents include cash at bank and other short-term highly liquid investments with maturities of three months or less from the acquisition date.

Loans to parent and affiliates provide solely the payment of interest and principal and are held with the sole objective to collect the contractual cash flow up to maturity. Subsequent to initial measurement, these assets are carried at amortized cost using the effective interest rate method and are subject to impairment.

Financial instruments at fair value through profit and loss

Derivative instruments are classified as financial instruments at fair value through profit and loss. Derivatives are initially recognized at fair value at the trade date. They are subsequently remeasured at fair value on a regular basis and at each reporting date as a minimum. NFI applies hedge accounting to hedging relationships that meet the qualifying criteria.

NFI's derivatives mainly consist of currency forwards and interest rate swaps. Derivatives are mainly used to manage exposures to foreign exchange and interest rates.

Short term investments which consist of investments in money market fund are classified at fair value through profit and loss. These investments are mainly related to liquidity management. The net gain or loss is recorded in interest income or expense.

Financial liabilities at amortised cost

Financial liabilities are initially recognised at fair value net of transaction costs incurred.

Subsequent to initial measurement, financial liabilities are measured at amortised cost. The difference between the initial carrying amount of the financial liabilities and their redemption value is recognised in the income statement over the contractual terms using the effective interest rate method. This category includes the following classes of financial liabilities: loans and advances from Nestlé Group companies, trade and other payables, commercial paper, bonds and other non-derivative financial liabilities.

Financial liabilities at amortised cost are classified as current and non-current depending on whether these are due within 12 months after the balance sheet date or beyond.

Financial liabilities are derecognised (in full or in part) when either NFI is discharged from its obligation, they expire, are cancelled, or replaced by a new liability with substantially modified terms.

Hedge accounting

NFI designates and documents the use of certain derivatives as hedging instruments against changes in fair values of recognised assets and liabilities (fair value hedges). The effectiveness of such hedges is assessed at inception and verified at regular intervals and at least on a quarterly basis to ensure that an economic relationship exists between the hedged item and the hedging instrument. NFI excludes from the designation of the hedging relationship the hedging cost element. Subsequently, this cost element impacts the income statement at the same time as the underlying hedged item.

Fair value hedges

NFI uses fair value hedges to mitigate foreign currency and interest rate risks of its recognised assets and liabilities, being financial debt.

Changes in fair values of hedging instruments designated as fair value hedges and the adjustments for the risks being hedged in the carrying amounts of the underlying transactions are recognised in the income statement.

Impairment

The credit risk management as well as the methodology, inputs and assumptions for measuring the expected credit losses (ECL).

The measurement of the expected credit loss of a financial instrument should reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Loans are granted by NFI solely to Nestlé S.A. and its affiliates. Loss given default ("LGD") has been assumed to be 30% (2022: 30%), the industry standard for Global Corporates. Impairment losses related to loans and advances to Nestlé Group companies are presented separately as financial expense in the income statement.

The default occurs when a borrower fails to pay back a debt according to the initial arrangement. In the case of most consumer loans, this means that successive payments have been missed over the course of weeks or months.

NFI groups its loans into stage 1, stage 2 and stage 3 as defined below:

Stage 1: Credit risk has not increased significantly since initial recognition. This stage is used for the normal calculation of the ECL with the methodology in place.

Stage 2: Credit risk has increased significantly since initial recognition. Based on the financial figures of the Group reporting NFI will be informed by Nestlé Group that a risk is higher and NFI will perform a calculation based on the risk of default at the maturity date.

Stage 3: Financial asset is impaired. NFI will be inform by Nestlé Group that a borrower is in bankruptcy and NFI will perform to an impairment.

Fair values

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

i) Level 1 - the fair value of financial instruments quoted in active markets is based on their quoted closing price at the balance sheet date.

ii) 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 flow, 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, currency swaps, and interest rate swaps are determined by discounting estimated future cash flow.

iii) 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). When the fair value of unquoted instruments cannot be measured with sufficient reliability, NFI carries such instruments at cost less impairment, if applicable.

Accruals and deferred income

Accruals and deferred income comprise expenses relating to the current financial year, which will not be paid until after the balance sheet date and income received in advance, relating to the following financial year.

Dividend payments

In accordance with Luxembourg law and NFI's articles of incorporation, dividend payments are treated as an appropriation of profit in the financial year in which they are ratified at the annual general meeting and subsequently paid. At the meeting of the Board of Directors of NFI held on 21 March 2023, the Board did not propose any dividend payment to NFI's shareholder.

Events occurring after the balance sheet date

The values of assets and liabilities at the balance sheet date are adjusted if there is evidence that subsequent adjusting events warrant a modification of these values. These adjustments are made up to the date of approval of these financial statements by NFI's Board of Directors. Other non-adjusting events are disclosed in the Notes to the financial statements of NFI for the year ended 31 December 2023.

Nestlé S.A. consolidation

NFI is included in the consolidated financial statements of Nestlé S.A. being the company that is both the smallest and the largest body of undertakings that NFI forms part of. Copies of Nestlé S.A.'s consolidated financial statements are available at the registered office 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 NFI's Financial Statements.

Changes in accounting standards that may affect NFI after 31 December 2023

There were no other standards effective that are not yet effective and that would be expected to have material impact for NFI in the current or future reporting periods.

2. Operating income, expense and taxes

Net interest income

In thousands of Euro

	2023	2022
Interest income from		
Cash and cash equivalents	1 770	203
Loans and advances to Nestlé Group companies	345 026	318 635
Interest income	**346 796**	**318 838**
Interest expense from		
Loans and advances from Nestlé Group companies	(17 671)	(473)
Debt securities issued	(339 159)	(133 291)
Interest expense	**(356 830)**	**(133 764)**
Net interest income / (expense)	**(10 034)**	**185 074**

Financial income / (expense)

In thousands of Euro

	2023	2022
Expected credit loss on financial assets (increase) / decrease	180	10 335
Financial income / (expense)	**180**	**10 335**

Other operating income

In thousands of Euro

	2023	2022
Net foreign exchange gain / (expense)	(58 301)	(153 548)
Net gain / (expense) on hedging instruments	68 092	247 088
Net gain / (expense) on trading instruments	1 336	(22 911)
Net gain / (expense) in fair value through income statement	(3 100)	500
Other operating income / (expense)	**8 027**	**71 129**

The variation of the net foreign exchange gain is mainly due to the fluctuation of the currencies USD, GBP, RUB and MXN against EUR. The exposition change during the year see Note 11.

Taxes

In thousands of Euro	2023	2022
Profit / (loss) for the year	(18 031)	30 495
Tax income / (expense)	5 743	(25 150)
Profit / (loss) before tax	**(23 774)**	**55 645**
Withholding tax on interest received	(4)	(14 971)
Profit / (loss) before income tax and after withholding tax	**(23 778)**	**40 674**
Tax income / (expense)		
Tax using NFI's domestic tax rate 24,94% (2022: 24,94%)	5 929	(10 144)
Net wealth tax	(182)	(35)
Withholding tax on interest received	(4)	(14 971)
Total tax income / (expense)	**5 743**	**(25 150)**

Fees charged by Ernst & Young S.A. ("EY") and other member firms of the EY network during the year ended December 31 2023 were as follows:

In thousands of Euro	2023	2022
Legal annual audit fees	(83)	(46)
Fees charged by EY network	**(83)**	**(46)**

3. Derivative assets and liabilities

By type

In thousands of Euro

	2023	2022	2023	2022	2023	2022
	Contractual or notional amounts		Fair value assets		Fair value liabilties	
Fair value hedges						
Currency forwards and swaps on debt securities issued	971 126	1 627 053	4 077	1 215	18 518	69 962
Interest rate and currency swaps on debt securities issued	—	828 243	—	—	—	13 198
Total	**971 126**	**2 455 296**	**4 077**	**1 215**	**18 518**	**83 160**
Conditional offsets *						
Derivative assets and liabilities			(4 077)	(604)	(4 077)	(604)
Balances after conditional offsets			**—**	**611**	**14 441**	**82 556**

* Represent amounts that would be offset in case of default, insolvency or bankruptcy of the counterparties

The majority of hedge relationships are established to ensure a hedge ratio of 1:1.

Impact on the income statement (net interest income) of fair value hedges

The majority of fair value hedges are related to financing activities and are presented in net interest income.

In thousands of Euro

	2023	2022
On hedged items	(80 368)	(232 447)
On hedging instruments	76 728	231 134

Ineffective portion of gains/(losses) mainly related to the cost of hedge of fair value hedges is not significant.

4. Financial instruments

Financial assets and liabilities

By class

In thousands of Euro

	2023	2022
Financial assets		
Cash and cash equivalents	335 461	2 406
Derivative assets	4 077	1 215
Loans and advances to Nestlé Group companies	19 072 090	19 011 570
Other financial assets [(a)]	1 378	752
Total financial assets	**19 413 006**	**19 015 943**
Financial liabilities		
Derivative liabilities	18 518	83 160
Loans and advances from Nestlé Group companies	262 690	—
Debt securities issued	18 999 708	18 627 802
Other financial liabilities [(a)]	120 236	269 646
Total financial liabilities	**19 401 152**	**18 980 608**
Net financial position	**11 853**	**35 335**

(a) Refer to Note 5.

By category

In thousands of Euro

Classes	2023 At amortised cost (a)	2023 At fair value to income statment	2023 Total categories	2022 At amortised cost (a)	2022 At fair value to income statment	2022 Total categories
Cash at bank and in hand (a)	1 758	—	**1 758**	2 406	—	**2 406**
Time deposit (a)	333 703	—	**333 703**	—	—	**—**
Short term investments	—	—	**—**	—	—	**—**
Loans and receivables (a)	19 073 468	—	**19 073 468**	19 012 322	—	**19 012 322**
Liquid assets and non-current financial assets	19 408 928	—	**19 408 928**	19 014 728	—	**19 014 728**
Derivative assets	—	4 077	**4 077**	—	1 215	**1 215**
Total financial assets	**19 408 928**	**4 077**	**19 413 006**	**19 014 728**	**1 215**	**19 015 943**
Loans and payables (a)	382 926	—	**382 926**	269 646	—	**269 646**
Financial debt (b)	18 999 708	—	**18 999 708**	18 627 802	—	**18 627 802**
Current and non-current financial liabilities	19 382 634	—	**19 382 634**	18 897 448	—	**18 897 448**
Derivative liabilities	—	18 518	**18 518**	—	83 160	**83 160**
Total financial liabilities	**19 382 634**	**18 518**	**19 401 152**	**18 897 448**	**83 160**	**18 980 608**
Net financial positions	**26 294**	**(14 441)**	**11 853**	**117 280**	**(81 945)**	**35 335**
of which at fair value		(14 441)	**(14 441)**		(81 945)	**(81 945)**

(a) Carrying amount of these instruments is a reasonable approximation of their fair value based on observable market data
(b) Financial debt includes bonds (see Note 8), commercial papers and bank overdrafts

Fair value hierarchy of financial instruments

In thousands of Euro

	2023	2022
Derivative assets	4 077	1 215
Derivative liabilities	(18 518)	(83 160)
Valuation techniques based on observable market data (Level 2)	**(14 441)**	**(81 945)**
Total financial instruments at fair value	**(14 441)**	**(81 945)**

There have been no significant transfers between the different hierarchy levels in 2023.

There were no financial instruments within the category 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.

Contractual maturities of financial liabilities and derivatives

The tables below shows the liabilities at 31 December 2023 and 31 December 2022 by their remaining contractual maturities. The amounts disclosed in the maturity tables are undiscounted cash flows.

In thousands of Euro	Contractual amount						2023
	three months or less	fourth to twelfth month	in the second year	in the third to fifth year	beyond the fifth year	Contractual amount	Carrying amount
Other liabilities	**120 236**	**—**	**—**	**—**	**—**	**120 236**	**120 236**
Loans from Nestlé Group companies	**262 690**	**—**	**—**	**—**	**—**	**262 690**	**262 690**
Commercial paper	1 071 980	238 037	—	—	—	1 310 017	1 301 405
Bonds	571 195	827 190	760 488	5 772 902	12 218 568	20 150 343	17 698 303
Debt securities issued	**1 643 175**	**1 065 227**	**760 488**	**5 772 902**	**12 218 568**	**21 460 360**	**18 999 708**
Gross amount receivable from currency derivatives	733 089	238 037	—	—	—	971 126	962 868
Gross amount payable from currency derivatives	(738 919)	(238 545)	—	—	—	(977 464)	(977 309)
Non currency derivative	—	—	—	—	—	—	—
Net derivatives	**(5 830)**	**(508)**	**—**	**—**	**—**	**(6 338)**	**(14 441)**

In thousands of Euro							2022
	Contractual amount						
	three months or less	fourth to twelfth month	in the second year	in the third to fifth year	beyond the fifth year	Contractual amount	Carrying amount
Other liabilities	**269 646**	**—**	**—**	**—**	**—**	**269 646**	**269 646**
Commercial paper	3 152 175	—	—	—	—	3 152 175	3 145 698
Bonds	37 397	1 047 066	1 290 875	4 605 750	9 967 500	16 948 588	15 482 105
Debt securities issued	**3 189 572**	**1 047 066**	**1 290 875**	**4 605 750**	**9 967 500**	**20 100 763**	**18 627 803**
Gross amount receivable from currency derivatives	1 627 053	—	—	—	—	1 627 053	1 621 144
Gross amount payable from currency derivatives	(1 690 566)	—	—	—	—	(1 690 566)	(1 689 891)
Non currency derivative	(13 501)	—	—	—	—	(13 501)	(13 198)
Net derivatives	**(77 014)**	**—**	**—**	**—**	**—**	**(77 014)**	**(81 945)**

5. Other assets and liabilities

In thousands of Euro	2023	2022
Other financial assets		
Intra Nestlé Group other receivables	78	55
Other receivables	1 300	697
Total other assets	**1 378**	**752**
Other financial liabilities		
Intra Nestlé Group other payables	1 469	204 600
Other payables	1 440	1 866
Accruals and deferred income	117 327	63 180
Total other liabilities	**120 236**	**269 646**

Deferred tax assets

In thousands of Euro	2023	2022
Opening balance	24 011	34 155
Increase / (decrease)	5 834	(10 144)
Closing balance	**29 845**	**24 011**

6. Share capital, share premium and other reserves

	2023	2022
Number of shares of nominal value EUR 2 each	220 000	220 000
In thousands of Euro	440	440

Share capital is set at EUR 440 000 represented by 220 000 shares with a nominal value of EUR 2 each and is authorised, issued and fully paid.

As at 31 December 2023 and as at 31 December 2022, the share premium is EUR 102 million.

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 31 December 2023, the net wealth tax reserve is EUR 4 955 thousand (2022: EUR 4 955 thousand) of which EUR 2 962 thousand (2022: EUR 2 295 thousand) is distributable to the shareholder. The movements in other reserve for the period ended 31 December 2023 were as follows:

In thousands of Euro	2023	2022
Opening balance	4 955	4 955
Substraction / addition	—	—
Closing balance	**4 955**	**4 955**

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.

As at 31 December 2023, the hedging cost reserve net of tax is EUR 281 thousand (2022: EUR -69 thousand) associated with the fair value hedges.

7. Capital management

NFI monitors the capital using the equity at risk methodology. Equity at risk refers to the fraction of equity which the lender will need to use in order to cover for potential losses incurred should the borrower default on its obligations to repay the debt, to meet obligations against its own lenders and to avoid insolvency. For purpose of determining the amount of equity which the lender has at risk, the expected loss (EL) methodology attempts to estimate the loss exposure of the particular lender by assessment of the risk profile of his debt receivables, and by applying the outcome to the overall amount of debt granted. In order to cover fully for the potential losses, the lender should have an equity buffer equal to at least the amount of its overall exposure.

Therefore, to estimate the appropriate amount of NFI's equity which is at risk as a result of its financial intermediation activity, the following equation shall be used:

Equity at risk = EL * Exposure at default

Therefore, the amount of equity NFI is assumed to have at risk as a result of its financial intermediation activity amounts to EUR 23 062 thousand i.e. 0.12% by EUR 19 072 090 thousand (2022: EUR 62 738 thousand i.e. 0.33% by EUR 19 011 570 thousand).

EUR 23 062 thousand represents the minimum amount of equity which NFI must keep for accounting purposes in order to be able to bear the risks flowing from its financial activity.

As of 31 December 2023, the actual share capital, share premium and accumulated losses amount to EUR 36 419 thousand and is therefore above the minimum amount defined above.

8. Debt securities

Bonds

The outstanding amounts of bonds at 31 December 2023 and 31 December 2022 were as follows:

In thousands of Euro

	Interest rates					
Face value	Nominal	Effective	Years of issue/maturity	Comments	2023	2022
EUR 500.000	0.75%	0.92%	2015–2023	(b)	-	493 955
EUR 500.000	0.38%	0.00%	2017–2024		499 961	499 129
EUR 750.000	1.25%	1.32%	2017–2029		747 142	746 674
EUR 750.000	1.75%	1.83%	2017–2037		743 061	742 624
GBP 400.000	2.25%	2.34%	2012–2023	(a)	-	443 186
EUR 1.000.000	1.13%	1.27%	2020–2026		996 811	995 425
EUR 1.000.000	1.50%	1.63%	2020–2030		992 384	991 238
EUR 850.000	0.13%	0.25%	2020–2027		845 783	844 699
EUR 650.000	0.00%	0.00%	2020–2024		649 714	649 405
EUR 1.000.000	0.38%	0.56%	2020–2032		985 130	983 400
EUR 500.000	0.00%	(0.26%)	2020–2025		502 498	503 797
EUR 500.000	0.00%	0.16%	2020–2033		492 790	492 005
EUR 500.000	38.00%	0.40%	2020–2040		498 315	498 219
EUR 1.250.000	0.00%	0.00%	2021–2026		1 250 093	1 250 142
EUR 750.000	0.25%	0.32%	2021–2029		747 260	746 763
EUR 500.000	0.63%	0.69%	2021–2034		496 797	496 493
EUR 650.000	0.88%	1.01%	2021–2041		636 143	635 422
EUR 600.000	0.88%	0.95%	2022–2027		598 486	598 030
EUR 600.000	1.25%	1.33%	2022–2031		596 729	596 302
EUR 800.000	1.50%	1.63%	2022–2035		789 409	788 559
EUR 500.000	3.00%	3.13%	2022–2028		497 344	496 763
EUR 500.000	3.25%	3.38%	2022–2031		495 963	495 463
EUR 500.000	3.38%	3.49%	2022–2034		494 800	494 411
EUR 850.000	3.50%	3.66%	2023–2027		845 151	-
EUR 850.000	3.75%	3.85%	2023–2033		843 337	-
EUR 500.000	3.50%	3.56%	2023–2030		498 332	-
EUR 500.000	3.75%	3.84%	2023–2035		495 910	-
GBP 400.000	5.13%	5.16%	2023–2038		458 960	-
Total					**17 698 304**	**15 482 104**
of which due in twelve months					1 149 676	937 141
of which due in the second year					502 498	1 148 534
of which due between three to five years					4 536 324	4 192 093
of which due after five years					11 509 806	9 204 336

(a) Subject to an interest rate swap
(b) Out of which EUR 375 million was subject to an interest rate swap in 2022

These bonds are admitted to trading on the London Stock Exchange's regulated market and the Luxembourg Stock Exchange.

As of 31 December 2023, the fair value of bonds amounts to EUR 16 572 219 thousand (31 December 2022 EUR 13 420 912 thousand). This fair value is categorized as level 2, measured on the basis of quoted prices.

As of 31 December 2023, NFI has no open position hedged by interest rate derivative, refer to Note 8 and outstanding amounts of bonds at 31 December 2023. In 2022, some bonds were hedged by interest rate derivatives. The fair value of these derivatives was included within derivative liabilities for EUR 13 197 thousand.

Issue and repayment of bonds

Several series of bonds were issued in 2023 for EUR 3 160 747 thousand gross minus of the loan origination cost of EUR 17 534 thousand (2022: EUR 3 500 000 thousand gross minus of the loan origination cost of EUR 31 961 thousand).

One series of bonds was repaid at maturity during the financial year ended 31 December 2023 for EUR 963 727 thousand (2022: EUR 850 000 thousand).

Commercial Paper

The outstanding amounts of commercial paper at 31 December 2023 were as follows:

In thousands of Euro	2023	2022
Commercial paper due within three months	1 068 164	3 145 698
Commercial paper due within nine months	233 240	—

The interest rates of the commercial papers are between 1.05% and 5.46% (2022: -0.87% and 4.30%).

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

During the year 2023 NFI issued for EUR 47 376 921 thousand (2022: EUR 59 188 365 thousand) and repaid for EUR 49 332 068 thousand (2022: EUR 59 691 523 thousand) of commercial paper.

9. Transactions with related parties

Financing of the Nestlé Group companies

The principal activity of NFI is the financing of Nestlé S.A. and its affiliates. NFI assesses the impairment risk in Note 1.

The transactions with Nestlé Group companies are based on arm's length prices.

NFI transferred during 2022 the major part of the long term loans granted to Nestlé Group entities to a unique Nestlé Group entity. The remaining part of the loans have been transferred in 2023. In exchange, NFI grants loans denominated in EUR to this unique entity.

The balances of transactions with related parties at the financial year ended 31 December 2023 are given below:

In thousands of Euro

	2023	2022
Assets		
Loans and advances to Nestlé Group companies excluding accrued interest	19 014 163	18 984 311
Accrued interest on loans to Nestlé Group companies	57 926	27 259
Total assets	**19 072 090**	**19 011 570**
Liabilities		
Derivatives liabilities to Nestlé Group companies	—	12 865
Loans and advances from Nestlé Group companies excluding accrued interest	262 690	—
Others payables to Nestlé Group companies	1 469	204 600
Total liabilities	**264 159**	**217 465**
Net assets	**18 807 931**	**18 794 105**

In thousands of Euro

	2023	2022
Interest income on loans and advances to Nestlé Group companies	345 026	318 635
Interest expense on loans and advances from Nestlé Group companies	(17 671)	(473)

Grant, receipt and repayments of loans for the financial year ended 31 December 2023 were as follows:

In thousands of Euro

	2023	2022
Loans granted to Nestlé Group companies excluding accrued interest	56 452 399	40 377 192
Repayment of loans by Nestlé Group companies excluding accrued interest	(56 315 287)	(39 150 565)
Net loans and advances granted / (repaid) by Nestlé Group companies	**137 111**	**1 226 627**
Loans received from Nestlé Group companies excluding accrued interest	262 690	13 742 363
Repayment of loans to Nestlé Group companies excluding accrued interest	—	(16 009 468)
Net loans and advances received / (repaid) to Nestlé Group companies	**262 690**	**(2 267 105)**

The transactions included in the above tables and in Note 2 and Note 6 are transactions made between the parent company, Nestlé S.A. and NFI. These are detailed in the table below:

In thousands of Euro	2023	2022
Payables to Nestlé S.A.	1 469	204 413

In thousands of Euro	2023	2022
Other financial expenses to Nestlé S.A.	(19 446)	(208 702)

The ECL calculation is related to the loan granted to Nestlé Group companies (see Note 11) for EUR 915 thousand (2022: EUR 1 095 thousand).

10. Guarantees

Nestlé S.A. is the guarantor of NFI in respect of all debt securities issued as described in the Note 8 for both the short and long term. The issuance programmes and guarantees applicable to NFI are: EUR 25 billion Global Commercial Paper Programme (2022: EUR 25 billion), EUR 2 billion Billets de Trésorerie French Commercial Paper Programme and Euro Medium Term Note (EMTN) Debt Issuance Programme (2022: EUR 2 billion).

NFI itself has not provided any guarantees in favour of third parties.

11. Risks and uncertainties

NFI is exposed to certain risks and uncertainties that could have a material adverse impact on its financial condition and operating results.

Capital Risk

NFI's capital management is driven by the level of the loan granted and the level of the risk on the loan granted. The Board of Directors seeks to maintain a prudent balance between the risk and the capital.

Concentrations of Risk

The majority of NFI's assets represents receivables from other Nestlé Group companies. This situation is reflected in the assessment of risk of default and the measurement of the allowance for expected credit loss. The risks are concentrated to Nestlé affiliated companies given the purpose of the Company, with primary exposure in EUR in 2 countries following the transfer of the loans and the associated foreign currency exposure to a unique Nestlé Group entity. In 2022, the primary exposure was related to loans granted to Nestlé Group companies denominated in EUR and GBP in 15 countries.

Credit Risk

Credit risk refers to the risk that an internal or external counterparty will default on its contractual obligations resulting in financial loss to the company. The amount recognised

(Note 3 and 4) in the balance sheet of NFI for financial assets (Note 9 for the loans and advances to Nestlé affiliates) is the maximum credit risk in the case that counterparties are unable to fulfil their contractual obligations. In the case of derivative financial instruments, NFI is also exposed to credit risk, which results from the non-performance of contractual agreements on the part of the counterparty.

NFI aims to minimise the credit risk of liquid assets, non-current financial assets and derivative assets through the application of the Nestlé Group risk management policies. Credit limits are set based on each counterparty's size and risk of default. The methodology used to set the credit limit considers the counterparty's balance sheet, credit ratings, risk ratios and default probabilities. Counterparties are monitored regularly, taking into consideration the evolution of the above parameters, as well as their share prices and credit default swaps. As a result of this review, changes on credit limits and risk allocation are carried out. NFI avoids the concentration of credit risk on its liquid assets by spreading them over several institutions and sectors.

As at 31 December 2023 and as at 31 December 2022, the cash and cash equivalents and the short term investments are deal with counterparties above BBB+. Therefore, the ECL is immaterial.

As at the balance sheet date, NFI has impaired some loans and advances to Nestlé affiliates based on ECL calculation (Note 1), no other financial assets were impaired.

In thousands of Euro

	2023		2022	
Grade	Nominal	ECL calculated	Nominal	ECL calculated
A- and above	16 597 790	916	15 036 254	1 008
BBB+, BBB and BBB-	—	—	375 297	12
BB+ and below	—	—	841 737	76
Not rated	—	—	—	—
Total	**16 597 790**	**916**	**16 253 288**	**1 096**

Banking Credit

As part of its financing activities, NFI deals with many banks and financial institutions and thus is exposed to a risk of loss in the event of non-performance by the counterparties to financial instruments. While NFI seeks to limit such risk by dealing with counterparties which have high credit ratings (above BBB+), NFI cannot give any assurance that counterparties will fulfill their obligations, failure of which could materially affect NFI's financial position.

Market risk

NFI is exposed to risk from movements in foreign currency exchange rates, interest rates and market prices that affect its assets, liabilities and anticipated future transactions.

Currency Fluctuations

NFI is subject to some currency fluctuations, both in terms of its trading activities and the translation of its financial statements; while NFI uses short-term hedging for trading activities, NFI does not believe that it is appropriate or practicable to hedge long-term translation exposure. NFI does, however, seek some mitigation of such translation exposure by relating the currencies of trading cash flow to those of its debt by using broadly similar interest and currency swap contracts. If NFI experiences significant currency fluctuations or is unable to use similar interest and currency swap contracts effectively, then NFI's financial condition could be adversely affected.

In thousands of Euro

						2023
	EUR	USD	GBP	BRL	MXN	Others
Cash and cash equivalents	195 694	41 135	98 240	—	—	392
Derivative assets	—	4 077	—	—	—	—
Loans and advances to Nestlé Group companies	17 531 586	285 092	507 631	—	—	747 783
Current tax assets	—	—	—	—	—	—
Other financial assets	1 378	—	—	—	—	—
Total financial assets	**17 728 658**	**330 304**	**605 871**	**—**	**—**	**748 175**
Derivative liabilities	—	18 153	365	—	—	—
Loans and advances from Nestlé Group companies	262 673	17	—	—	—	—
Debt securities issued	17 239 343	1 301 404	458 960	—	—	—
Current tax liabilities	115	—	—	—	—	—
Other financial liabilities	120 236	—	—	—	—	—
Total financial liabilities	**17 622 368**	**1 319 574**	**459 325**	**—**	**—**	**—**
Net financial position	**106 290**	**(989 270)**	**146 546**	**—**	**—**	**748 175**

In thousands of Euro

						2022
	EUR	USD	GBP	BRL	MXN	Others
Cash and cash equivalents	929	222	646	—	—	609
Derivative assets	—	605	610	—	—	—
Loans and advances to Nestlé Group companies	16 220 400	597 110	620 773	96 453	564 610	912 224
Current tax assets	34	—	—	—	—	—
Other financial assets	752	—	—	—	—	—
Total financial assets	**16 222 115**	**597 937**	**622 029**	**96 453**	**564 610**	**912 833**
Derivative liabilities	—	30 806	13 198	—	—	39 156
Debt securities issued	15 863 719	2 219 005	545 078	—	—	—
Other financial liabilities	269 646	—	—	—	—	—
Total financial liabilities	**16 133 365**	**2 249 811**	**558 276**	**—**	**—**	**39 156**
Net financial position	**88 750**	**(1 651 874)**	**63 753**	**96 453**	**564 610**	**873 677**

EUR per		2023	2022
		Year ending rates	
1 US Dollar	USD	1.107	1.065
1 Pound Sterling	GBP	0.868	0.883
1 Brazilian Real	BRL	5.357	5.558
1 Mexican Peso	MXN	18.758	20.768
1 Russian Ruble	RUB	98.937	75.120

Interest Rate Risk

Interest rate risk refers to potential changes of value in financial assets, liabilities or derivatives in response to fluctuations in interest rates. NFI holds a substantial volume of interest rate sensitive financial assets, liabilities and derivatives for operational, financing and investment activities. Changes in interest rates can have an adverse effect on the financial position and operating results of NFI. In order to mitigate the impact of interest rate risk, Nestlé S.A. continually assesses the exposure of the Nestlé Group, including NFI, to this risk. Interest rate risk is managed and hedged through the use of derivative financial instruments, such as interest rate swaps, interest rate and currency swaps and forward rate agreements. When deemed appropriate, there might be unhedged positions.

NFI determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

Taking into account the impact of interest derivatives, the proportion of financial debt subject to fixed interest rates for a period longer than one year represents 100% (2022: 95%).

Value at Risk (“VaR”)

Description of the method

The VaR is a single measure to assess market risk. The VaR estimates the size of losses given current positions and possible changes in financial markets. NFI uses simulation to calculate VaR based on the historic data for a 261 days period.

The VaR calculation is based on a 95% confidence level and, accordingly, does not take into account losses that might occur beyond this level of confidence. The VaR is calculated on the basis of unhedged exposures outstanding at the close of business and does not necessarily reflect intra-day exposures.

Objective of the method

NFI uses the described VaR analysis to estimate the potential one-day loss in the fair value of its financial instruments. NFI cannot predict the actual future movements in market rates, therefore, the below VaR numbers neither represent actual losses nor consider the effects of favorable movements in underlying variables. Accordingly, these VaR numbers may only be considered indicative of future movements to the extent the historic market patterns repeat in the future.

VaR figures

The VaR computation includes NFI’s financial assets and liabilities that are subject to foreign currency and interest rate risk.

The estimated potential one-day loss from NFI's foreign currency and interest rate risk sensitive instruments, as calculated using the above described historic VaR model, is as follows:

In thousands of Euro

	2023	2022
Foreign currency	2 316	6 990
Interest rate	0	1 685
Foreign currency and interest rate combined	2 315	8 167

Liquidity Risk
Liquidity risk is the risk that a company may encounter difficulties in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

NFI raises finance by the issuance of term debt instruments in capital markets. NFI benefit from a guarantee given by Nestlé S.A. All international recognised rating agencies which rates the credit of Nestlé S.A. and its affiliates, including NFI, may qualify or alter such rating at any time. Downgrades or placement on review for possible downgrades could harm the Nestlé Group's, including NFI's, ability to obtain financing or increase its financing costs and could have a material adverse effect on the price of debt instruments issued by NFI and thereby significantly affect NFI's financial position.

NFI has access to ample liquidity, including short term and medium term capital markets, through the Nestlé Group's Debt Issuance Program (DIP), Global Commercial Paper Program of up to a combined aggregate amount of 25 billion equivalent and NEU CP French Commercial Paper of up to a combined aggregate amount of 2 billion equivalent, enjoying the benefit of issuance with Nestlé S.A.'s AA- rated guarantee. Therefore, NFI depends on broad access to these capital markets and investors. Changes in demand for term debt instruments on capital markets could limit the ability of NFI to fund other members of the Nestlé Group.

NFI depends on the willingness of banks to provide credit lines or loans. Due to structural changes in the banking business, the willingness of banks to provide credit lines and loans has declined over the past years. In order to reduce and minimise the dependence on banks, NFI has taken measures to maintain its access to the capital markets. For the cashflow analysis please refer to Note 4 Financial instruments.

Risk of an increase in cost of capital
NFI's capital management is driven by the impact on shareholders of the level of total capital employed. It is NFI's policy to maintain a sound capital base to support the continued development of its business. However, increases in the cost of borrowing could negatively affect the operating results of NFI. Increases in borrowing costs could arise from changes in demand for term debt instruments in the capital markets, the removal of the unconditional and irrevocable guarantee of Nestlé S.A. and a decreasing willingness of banks to provide credit lines and loans.

Treasury operations
In the course of its business, the Nestlé Group, including NFI, has substantial assets under management. Although the Nestlé Group has implemented risk management methods, including approved guidelines and financial policies to mitigate and control such

risks, as a result of holding such assets, it is exposed to default risk, interest rate risk, foreign exchange risk and credit spreads. Returns on such assets may also be affected by limited exposure to yield enhancing absolute return funds. In addition, adverse changes in the credit quality of counterparties or a general deterioration in economic conditions or arising from systemic risks in the financial systems could affect the value of those assets and thereby materially affect NFI's financial position.

12. Directors

The Board of Directors of NFI comprises five Directors. The Directors do not receive any remuneration for their mandate.

13. Staff

In Luxembourg NFI employed on average six full-time employees during 2023 (three full-time employees during 2022). All these employees provide treasury and accounting services.

14. Events after the balance sheet date

As at March 22, 2024, there are 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, Martin Huber, Director, Patrick Yot, Director, Hermann Beythan, Director, Bruno Chazard, Director confirm that to the best of their knowledge:

(a) the financial statements of NFI for the annual period ended 31 December 2023, which have been prepared in accordance with IFRS 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; and

(b) the management report includes a fair review of the development and performance of the business and the position of NFI, together with a description of the principal risks and uncertainties that it faces.

22 March 2024