



Good Food, Good Life

NESTLÉ FINANCE INTERNATIONAL LTD.

(Société Anonyme)

Half-Yearly Financial Report

Management Report

and

Condensed Interim Financial Statements

1 January-30 June 2022

(Unaudited)

**Registered Address: 7, rue Nicolas Bové
L-1253, Luxembourg
Grand Duchy of Luxembourg
R.C.S. No B136737
Subscribed capital: EUR 440 000**

Contents

Management Report	2-3
Unaudited Condensed Interim Financial Statements	4-12
Responsibility Statement	13

Nestlé Finance International Ltd.

Nestlé Finance International Ltd. ("NFI" or the "Company") presents its half-yearly financial report for the six-month period ended 30 June 2022. NFI is a public limited company (*société anonyme*) organised under the laws of Luxembourg and is a wholly-owned subsidiary of Nestlé S.A. which is the holding company of the Nestlé Group of companies (the "Nestlé Group" or the "Group"). NFI is established for an unlimited duration. The Nestlé Group manufactures and sells food and beverages, as well as products related to the nutrition, health and wellness industries. The Nestlé Group product portfolio has seven product categories, distributed throughout the world: powdered and liquid beverages, water, milk products and ice cream, infant nutrition, prepared dishes and cooking aids, confectionery and pet care.

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

Management Report

(A) Important events that have occurred during the six-month period January–June 2022, and their impact on the financial statements:

At 30 June 2022, a total equivalent of EUR 21 952 million of loans and advances granted to Nestlé Group companies was outstanding compared to EUR 17 761 million as at 31 December 2021. These were financed mainly through the issuance of bonds, commercial paper and loans and advances received from Nestlé Group companies. Other assets and liabilities comprise mainly derivatives, cash and cash equivalents (consisting of, for example, cash balances and deposits at banks with original maturities of three months or less). The aforementioned transactions are further detailed in the Notes to the Unaudited Financial Statements of NFI for the six-month period ended 30 June 2022.

Total assets increased at the end of six-month period January-June 2022 (EUR 20 031 million) as compared to the financial year ended 31 December 2021 (EUR 19 012 million). The increase in total assets (by EUR 3 019 million) results mainly from an increase in loans and advances granted to Nestlé Group companies (by EUR 4 191 million), and from a decrease in short term investments (by EUR 1 084 million). On the liabilities side, debt securities (bonds and commercial paper) outstanding at the end of the six-month period January-June 2022 (EUR 20 304 million) increased by EUR 4 010 million as compared to the financial year ended 31 December 2021 (EUR 16 294 million) as a result of an increase in the issuance of bonds. Loans and advances received from Nestlé Group companies outstanding at 30 June 2022 (EUR 1 463 million) decreased by EUR 804 million as compared to 31 December 2021 (EUR 2 267 million).

The operations reported a net profit of EUR 24.3 million for the six-month period January-June 2022, compared to a net loss of EUR 32.2 million for the six-month period January-June 2021.

Net profit before tax for the six-month period January-June 2022 was EUR 40.7 million compared to a net loss of EUR 39.3 million for the six-month period January-June 2021. There was an decrease of EUR 85.3 million in net fee and commission expense from Nestlé Group companies arising from fluctuations of foreign exchange rates borne by a related party, an decrease of EUR 76.6 million in other operating expense / income resulting from foreign exchange gains on non-EUR denominated instruments and a increase in net interest income (of EUR 70.2 million). This has been further disclosed in the Notes to the Unaudited Financial Statements of NFI for the six-month period ended 30 June 2022, in particular, in Note 2.

NFI's net operating cash outflow was EUR -3 858 million for the six-month period January-June 2022 compared to net operating cash outflow of EUR -3 356 million for the six-month period January-June 2021.

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

(B) Principal Risks and Uncertainties for the remaining six-month period July–December 2022

NFI is exposed to certain risks and uncertainties: banking credit risk, credit risk, market risk (including currency fluctuations and interest rate movements), liquidity risk, risk of an increase in cost of capital, treasury operations and other risks that could have a material adverse impact on its financial condition and operating results. NFI's principal risks and uncertainties for the remaining six months of the financial year have not changed since the issuance of NFI's 2021 Annual Financial Report. The detailed discussion of these risks and uncertainties and NFI's objectives, policies and processes for managing these risks and uncertainties were disclosed in the Notes to the Audited Financial Statements of NFI for the year ended 31 December 2021, in particular Note 10.

(C) Other items

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

(D) Corporate governance status

The overall control environment, risk assessment, control and monitoring activities have been disclosed in the Audited Financial Statements of NFI for the year ended 31 December 2021.

Nestlé Finance International Ltd. (“NFI”)

(Société Anonyme)

Financial Statements
(Unaudited)

1 January–30 June 2022

Balance sheet as at 30 June 2022

In thousands of Euro	Notes	30 June 2022	31 December 2021
Assets			
Current assets			
Cash and cash equivalents		2 063	105 981
Short term investments		-	1 084 000
Derivative assets	(3)	49 123	8 760
Loans and advances to Nestlé Group companies	(7)	9 599 499	4 618 838
Current tax assets		277	210
Other assets		-	909
Total current assets		9 650 962	5 818 698
Non-current assets			
Derivative assets	(3)	1 159	16 242
Loans and advances to Nestlé Group companies	(7)	12 352 509	13 142 465
Deferred tax assets		26 074	34 155
Total non-current assets		12 379 742	13 192 862
Total assets		22 030 704	19 011 560
Liabilities			
Current liabilities			
Derivative liabilities	(3)	918	3 157
Loans and advances from Nestlé Group companies	(7)	1 462 942	2 267 105
Debt securities issued	(6)	6 799 765	4 240 430
Other liabilities		209 683	418 208
Total current liabilities		8 473 308	6 928 900
Non-current liabilities			
Derivative liabilities	(3)	375	-
Debt securities issued	(6)	13 504 424	12 053 243
Total non-current liabilities		13 504 799	12 053 243
Total liabilities		21 978 107	18 982 143
Equity			
Share capital	(4)	440	440
Share premium and other premiums		102 000	102 000
Hedging reserve	(4)	- 677	463
Legal reserve	(4)	44	44
Other reserve	(4)	4 955	4 955
Accumulated losses		-54 165	-78 485
Total equity attributable to shareholders of the company		52 597	29 417
Total liabilities and equity		22 030 704	19 011 560

Income statement for the six-month period ended 30 June 2022

In thousands of Euro	Notes	January - June 2022	January - June 2021
Interest income		137 932	68 781
Interest expense		-46 041	-47 127
Net interest income	(2)	91 891	21 654
Net fee and commission (expense) / income from Nestlé Group companies	(2)	-156 231	-241 588
Financial income / (expense)	(2)	822	-
Other operating income / (expense)	(2)	104 718	181 304
Operating profit / (loss)		41 200	-38 630
Administration expense		- 535	- 649
Profit / (Loss) before tax		40 665	-39 279
Taxes	(2)	-16 345	7 058
Profit / (Loss) for the period attributable to shareholders of the company		<u>24 320</u>	<u>-32 221</u>

Other comprehensive income for the six-month period ended 30 June 2022

In thousands of Euro	January - June 2022	January - June 2021
Profit / (Loss) for the year recognised in the income statement	24 320	-32 221
Adjustments on cost of hedge reserve		
Recognised in hedging reserve, net of taxes	-1 140	-17
Items that are or may be reclassified subsequently to the income statement	-1 140	-17
Other Comprehensive income / (Loss) for the period	-1 140	-17
Total comprehensive income / (Loss) for the period	23 180	-32 238
attributable to shareholders of the company	23 180	-32 238

Statement of changes in equity for the six-month period ended 30 June 2022

In thousands of Euro	Share capital	Share premium and other premiums	Hedging reserve	Legal reserve	Other reserve	Accumulated losses	Total equity attributable to shareholders of the company
Equity as at 31 December 2020	440	102 000	52	44	4 955	-60 560	46 931
Gains and losses							
Loss for the period	-	-	-	-	-	-32 221	-32 221
Adjustments on cost of hedge reserve	-	-	-17	-	-	-	-17
Total comprehensive income for the period							
Equity as at 30 June 2021	440	102 000	35	44	4 955	-92 781	14 693
Equity as at 31 December 2021	440	102 000	463	44	4 955	-78 485	29 417
Gains and losses							
Gain for the period	-	-	-	-	-	24 320	24 320
Adjustments on cost of hedge reserve	-	-	-1 140	-	-	-	-1 140
Total comprehensive income for the period							
Equity as at 30 June 2022	440	102 000	-677	44	4 955	-54 165	52 597

Cash flow statement for the six-month period ended 30 June 2022

In thousands of Euro	January - June 2022	January - June 2021
Cash flows from operating activities:		
Profit / (Loss) before taxation for the period	40 665	-39 279
Adjustments for:		
Foreign exchange gain for loans, debt securities and derivatives	153 177	-160 551
Fair value of debt securities	-19 206	-9 732
Interest income	-137 932	-68 781
Interest expense	46 041	47 126
Change in other assets excluding prepaid and accrued income	909	205 407
Change in other liabilities excluding accrual and deferred income	-217 737	238 771
Inflow/outflow in short term investments	1 084 000	1 426 256
Net loans and advances to Nestlé Group companies excluding intra group interest receivable	-4 149 677	-6 679 286
Net loans and advances from Nestlé Group companies excluding intra group interest payable	-753 238	1 645 614
Interest received net of withholding tax	121 045	64 572
Interest paid	-26 103	-26 844
Income taxes paid	-66	814
Net cash used in operating activities	-3 858 122	-3 355 913
Financing activities		
Change in derivative assets including those recognised directly in equity	-26 420	11 015
Change in derivative liabilities	-1 864	-9 887
Bonds issued	1 981 584	3 126 586
Commercial paper issued	26 477 545	15 057 066
Bonds repaid	-	-
Commercial paper repaid	-24 652 962	-14 828 445
Net cash from financing activities	3 777 883	3 356 335
Effects of the exchange rate changes on cash	-23 679	-3 849
Net decrease in cash and cash equivalents	-103 918	-3 427
Net cash and cash equivalents at beginning of the period	105 981	125 508
Net cash and cash equivalents at end of the period *	<u>2 063</u>	<u>122 081</u>

*Net cash and cash equivalents include bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

Notes

1. Accounting policies

Basis of preparation

These financial statements are the Unaudited Condensed Interim Financial Statements of NFI for the six-month period ended 30 June 2022. They have been prepared in accordance with IAS 34 – Condensed Interim Financial Reporting as adopted by the European Union as well as with the laws and regulations in force in the Grand Duchy of Luxembourg and should be read in conjunction with the Audited Financial Statements of NFI for the year ended 31 December 2021.

The accounting conventions and accounting standards are the same as those applied in the Audited Financial Statements of NFI for the year ended 31 December 2021, except for those mentioned below, in the sections 'Changes in accounting standards'. The preparation of the Unaudited Condensed Interim Financial Statements of NFI for the six-month period ended 30 June 2022 requires NFI's management to exercise judgment and to make estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities and disclosures. The key sources of estimation of uncertainty within the Unaudited Financial Statements of NFI for the six-month period 30 June 2022 remain the same as those that applied to the Audited Financial Statements of NFI for the year ended 31 December 2021.

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

Changes in accounting standards

A number of accounting standards, among other Fees in the "10 per cent" Test for Derecognition of Financial Liabilities (Amendment to IFRS 9), have been modified on miscellaneous points with effect from 1 January 2022. None of these amendments had a material effect on the Unaudited Condensed Interim Financial Statements of NFI for the six-month period ended 30 June 2022.

2. Operating income/(expense) and taxes

Net interest income:

In thousands of Euro	January - June 2022	January - June 2021
Interest income from:		
Loans and advances to Nestlé Group companies	137 932	68 781
Interest income	137 932	68 781
Interest expense from:		
Cash and cash equivalents	-20	-61
Loans and advances from Nestlé Group companies	-309	-617
Debt securities issued	-45 712	-46 449
Interest expense	-46 041	-47 127
Net interest income	91 891	21 654

Net fees and commission income

In thousands of Euro	January - June 2022	January - June 2021
Fee and commission expense to Nestlé Group companies	-156 231	-241 588
Net fee and commission (expense) / income	-156 231	-241 588

Other operating expense:

In thousands of Euro	January - June 2022	January - June 2021
Net foreign exchange gain / (expense)	104 719	181 575
Net gain / (loss) in fair value through income statement	-1	-271
Other operating income / (expense)	104 718	181 304

Financial expense:

In thousands of Euro	January - June 2022	January - June 2021
Expected credit loss on financial assets increase / (decrease)	822	4 968
Financial (expense) / income	822	4 968

Taxes:

In thousands of Euro	January - June 2022	January - June 2021
Withholding tax on interest received	-8 264	-3 648
Deferred tax (decrease) / increase (see calculation below)	-8 081	10 706
Total tax (expense) / gain	-16 345	7 058

3. Fair value hierarchy

Financial assets and liabilities

Fair value hierarchy of financial instruments

In thousands of Euro	30 June 2022	31 December 2021
Short term investments	-	1 084 000
Prices quotes in active markets (Level 1)	-	1 084 000
Derivative assets	50 282	25 002
Derivative liabilities	-1 293	-3 157
Valuation techniques based on observable market data (Level 2)	48 989	21 845
Valuation techniques based on unobservable input (Level 3)	-	-
Total financial instruments at fair value	48 989	1 105 845

There have been no significant transfers between the different hierarchy levels during the six-month period ended 30 June 2022. There were no financial instruments within the category Level 3 (valuation techniques based on unobservable input). All financial instruments are within Level 2 category, except the short term investments which are Level 1 (prices quoted in active markets).

4. Share capital, other reserves and legal reserves

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

At the Annual General meeting of NFI held on 28 April 2021, NFI decided to carry forward the 2020 result.

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

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

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

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

5. Dividends

Dividends payable are not accounted for until they have been ratified at the Annual General Meeting of NFI. At the Board of Directors Meeting of NFI held on 27 April 2022, the Board decided not to propose any dividend payment to the shareholder.

6. Debt securities

Bonds

During the six-month period January-June 2022, a series bonds were issued for a nominal value of EUR 2 000 million and no bonds repaid.

As of 30 June 2022, the carrying amount of bonds issued is EUR 14 858 million (31 December 2021: EUR 12 902 million). compared to a fair value of EUR 13 299 million (31 December 2020: EUR 13 192 million). This fair value is categorized as level 2, measured on the basis of quoted prices.

Commercial Paper

The outstanding amounts of commercial paper are EUR 5 446 million as at 30 June 2022 compared to EUR 3 391 million as at 31 December 2021.

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

7. Transactions with related parties

Grant, receipt and repayments of loans with Nestlé Group companies for the six-month period January-June 2022 were as follows:

In thousands of Euro	January - June 2022	January - June 2021
Loans granted to Nestlé Group companies excluding accrued interest	12 800 113	16 558 725
Repayment of loans by Nestlé Group companies excluding accrued interest	-8 650 436	-9 879 439
Net loans and advances repaid by Nestlé Group companies	4 149 677	6 679 286
Loans received from Nestlé Group companies excluding accrued interest	5 604 898	6 936 369
Repayment of loans to Nestlé Group companies excluding accrued interest	-6 358 136	-5 290 755
Net loans and advances repaid to Nestlé Group companies	-753 238	1 645 614

8. Impacts of the war in Ukraine

Following the outbreak of the war in Ukraine in late February 2022, several countries imposed sanctions on Russia, Belarus and certain regions in Ukraine. There has been an abrupt change in the geopolitical situation, with significant uncertainty about the duration of the conflict, changing scope of sanctions and retaliation actions including new laws. The war has also contributed to an increase in volatility in currency markets, energy prices, raw material and other input costs, as well as supply chain tensions and an increase of inflation in many countries. Risks related to cybersecurity, potential additional sanctions and other regulations (including restrictions on the transfer of funds to and from Russia) have increased. The NFI has assessed the consequences of the war on the Condensed Interim Financial Statements, specifically considering the impacts on key judgements and significant estimates as detailed on page 17-18 of the Financial Statements of the NFI 2021. NFI will continue to monitor these areas of increased risk for material changes.

NFI has no more loans granted to entities operating in Russia or Ukraine; therefore the war does not have a direct impact on the financial position of NFI. The impact of the war on the general economic conditions has been considered when assessing the risks related to loans and collateral receivable.

9. Events after the balance sheet date

As at August 24, 2022, there is no subsequent events which either warrant a modification of the value of its assets and liabilities or any additional disclosure.

Responsibility Statement

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

- (a) the Unaudited Interim Financial Statements of NFI for the six-month period ended 30 June 2022, which have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union as well as with the laws and regulations in force in the Grand Duchy of Luxembourg, give a true and fair view of the assets, liabilities, financial position and profit or loss of NFI as required by DTR 4.2.4 R and under article 4 (3) of the Luxembourg law of 11 January 2008 on transparency requirements for issuers, as amended (the “Transparency Law”); and
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7 R and under article 4 (4) of the Transparency Law.

24 August 2022