



Good Food, Good Life

NESTLÉ CAPITAL CORPORATION

Half-Yearly Financial Report

Interim Management Report

and

Condensed Interim Financial Statements

January 1 – June 30, 2024

(Unaudited)

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Nestlé Capital Corporation

Nestlé Capital Corporation (“NCC” or the “Company”) incorporated in the State of Delaware, United States, is a wholly owned subsidiary of Nestlé Holdings, Inc. (“NHI”), which is an indirect wholly owned subsidiary of Nestlé S.A., incorporated in Switzerland, which is the parent company of the Nestlé group of companies (hereinafter, referred to as the “Nestlé Group”). NHI is the holding company for Nestlé S.A.’s principal operating subsidiaries in the United States. NCC’s registered office is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States and its principal place of business is located at 1812 North Moore Street, Arlington, Virginia 22209, United States.

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

Management Report

(A) Performance and Development

As of June 30, 2024, a total of \$45.2 billion of loans granted to parent and affiliate entities were outstanding, compared to \$44.8 billion as of December 31, 2023. These were financed mainly through loans received from parent and affiliate entities, and the issuance of bonds and commercial paper. Other assets and liabilities comprise mainly of derivatives, cash and cash equivalents, accruals, and short-term investments. The aforementioned transactions are further detailed in the notes to the financial statements of NCC for the six months ended June 30, 2024.

Total assets were \$46.1 billion and \$45.1 billion as of June 30, 2024 and as of December 31, 2023, respectively. The change was driven by a \$0.8 billion increase in short-term investments and a \$0.4 billion increase in loans granted to parent and affiliate entities, offset by a \$0.2 billion decrease in cash and cash equivalents.

Total liabilities were \$28.6 billion and \$27.7 billion as of June 30, 2024 and as of December 31, 2023, respectively. The increase results mainly from a \$3.9 billion increase in financial debt, offset by a \$3.2 billion decrease in loans received from parent and affiliate entities.

NCC reported net profit of \$207 million and \$— million for six months ended June 30, 2024 and 2023, respectively. The movement was primarily due to a \$280 million increase in net interest income mainly resulting from the reduction of interest on loans received from parent and affiliate entities offset by a \$74 million increase in tax expense.

NCC's net cash decrease was \$152 million for the six months ended June 30, 2024, compared to a net cash decrease of \$207 million for the six months ended June 30, 2023. This change was mainly driven by a \$2.7 billion decrease in operating cash flows and a \$0.7 billion decrease in investing cash flows related to short-term investments, partly offset by a \$3.4 billion increase in financing cash flows related to inflows from bonds and commercial paper issued and repaid. Net operating cash outflow of \$2.7 billion was driven by net loans granted to parent and affiliates of \$3 billion, partially offset of \$0.3 billion of interest received (net of interest paid).

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

(B) Risks and Uncertainties

NCC is exposed to certain risks and uncertainties: credit risk, market risk (including currency fluctuations), liquidity risk and risk of an increase in cost of capital, treasury operations and other risks that could have a material adverse impact on its financial condition and operating results. The detailed discussion of these risks and uncertainties and NCC's objectives, policies and processes for managing these risks and uncertainties are disclosed in the notes to the Audited Financial Statements of NCC for the year ended December 31, 2023, in particular Note 8.

(C) Corporate Governance

The overall control environment, risk assessment, control and monitoring activities have been disclosed in the Audited Financial Statements of NCC for the year ended December 31, 2023.

Responsibility Statement

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

(a) the Condensed Interim Financial Statements (Unaudited) of NCC for the six month period ended June 30, 2024, which have been prepared in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of NCC; and

(b) the interim management report includes a fair review of the development and performance of the business and the position of NCC for the six-month periods ended June 30, 2024 and 2023.

August 22, 2024

Review Report of Independent Auditors

The Board of Directors
Nestlé Capital Corporation:

Results of Review of Interim Financial Information

We have reviewed the condensed financial statements of Nestlé Capital Corporation, which comprise the balance sheet as of June 30, 2024, and the related income statements, statements of comprehensive income, statements of changes in equity, and cash flow statements for the six-month periods ended June 30, 2024 and 2023, and the related notes (collectively referred to as the “interim financial information”).

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

Basis for Review Results

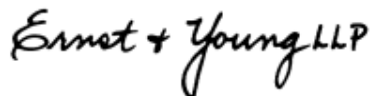
We conducted our reviews in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information and the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent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

Responsibilities of Management for the Interim Financial Information

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

Report on Condensed Balance Sheet as of December 31, 2023

We have previously audited, in accordance with auditing standards generally accepted in the United States of America and the International Standards on Auditing, the balance sheet as of December 31, 2023, and the related statement of comprehensive income, statement of changes in equity, and cash flow statement for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 21, 2024. In our opinion, the accompanying condensed balance sheet of Nestlé Capital Corporation as of December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style font.

Tysons, Virginia
August 22, 2024

Nestlé Capital Corporation (“NCC”)
Condensed Interim
Financial Statements
(Unaudited)
January 1 – June 30, 2024

Unaudited balance sheet as at June 30, 2024

In millions of Dollars	Notes	June 30, 2024	December 31, 2023
<u>Assets</u>			
Current assets			
Cash and cash equivalents		77	229
Short-term investments	(3)	788	—
Derivative assets	(3)	—	1
Loans to parent and affiliates	(5)	42,301	39,454
Total current assets		43,166	39,684
Non-current assets			
Derivative assets		2	—
Loans to parent and affiliates	(5)	2,936	5,391
Deferred tax assets		5	2
Total non-current assets		2,943	5,393
Total assets		46,109	45,077
<u>Liabilities</u>			
Current liabilities			
Derivative liabilities	(3)	—	1
Loans from parent and affiliates	(5)	21,403	24,644
Accruals		61	—
Current income tax liabilities		110	36
Financial debt	(4)	193	914
Other liabilities		4	1
Total current liabilities		21,771	25,596
Non-current liabilities			
Derivative liabilities		25	—
Loans from parent and affiliates	(5)	2,129	2,129
Financial debt	(4)	4,634	—
Total non-current liabilities		6,788	2,129
Total liabilities		28,559	27,725
<u>Equity</u>			
Share capital \$100 par value. Authorized, issued and outstanding 10,000 shares		1	1
Additional paid-in capital		17,348	17,348
Other reserves		(9)	—
Retained earnings		210	3
Total equity attributable to shareholders of the company		17,550	17,352
Total liabilities and equity		46,109	45,077

Unaudited income statement for the six months ended June 30, 2024

In millions of Dollars	Notes	January - June 2024	January - June 2023
Interest income		774	654
Interest expense		(492)	(652)
Net interest income	(2)	282	2
Net fee and commission expense	(2)	(8)	(2)
Financial income	(2)	8	1
Profit before tax		282	1
Tax expense		(75)	(1)
Profit for the period attributable to shareholders of the company		207	—

Unaudited statement of comprehensive income for the six months ended June 30, 2024

In millions of Dollars	January - June 2024	January - June 2023
Profit for the period recognized in the income statement	207	—
Changes in cash flow hedge and cost of hedge reserves, net of taxes	(9)	—
Items that are or may be reclassified subsequently to the income statement	(9)	—
Other comprehensive loss for the period	(9)	—
Total comprehensive income for the period attributable to shareholders of the company	198	—

Unaudited statement of changes in equity for the six months ended June 30, 2024

In millions of Dollars	Share capital	Additional paid-in capital	Other reserves	Retained earnings	Total equity attributable to shareholders of the company
Equity as at December 31, 2022	1	—	—	6	7
Gains and losses					
Income for the period	—	—	—	—	—
Other comprehensive income for the period	—	—	—	—	—
Equity as at June 30, 2023	1	—	—	6	7
Equity as at December 31, 2023	1	17,348	—	3	17,352
Gains and losses					
Profit for the period	—	—	—	207	207
Other comprehensive loss for the period	—	—	(9)	—	(9)
Total comprehensive income for the period	—	—	(9)	207	198
Equity as at June 30, 2024	1	17,348	(9)	210	17,550

Unaudited cash flow statement for the six months ended June 30, 2024

In millions of Dollars	Notes	January - June 2024	January - June 2023
Operating activities			
Profit before tax for the current period		282	1
Adjustments for:			
Interest income	(2)	(774)	(654)
Interest expense	(2)	492	652
Financial income	(2)	(8)	(1)
Change in other assets and liabilities		3	1
Loans (to)/from parent and affiliates, net		(3,621)	(641)
Interest received		759	650
Interest paid		(425)	(645)
Income taxes paid		(1)	—
Net cash used in operating activities		(3,293)	(637)
Investing activities			
Outflow in short term investments		(783)	(110)
Net cash used in investing activities		(783)	(110)
Financing activities			
Outflows from short-term financial debt		(59)	(32)
Inflows from bonds and other long-term financial debt	(4)	4,644	—
Commercial paper issued		12,787	11,946
Commercial paper repaid		(13,448)	(11,374)
Net cash from financing activities		3,924	540
Net decrease in cash and cash equivalents		(152)	(207)
Net cash and cash equivalents at beginning of period		229	348
Net cash and cash equivalents at end of period		77	141

In 2024, the Company and its affiliates settled \$2.6 billion of intercompany loans, resulting in a non-cash decrease in both loans provided and loans received.

Notes

1. Accounting policies

Basis of preparation

These Financial Statements are the unaudited Condensed Interim Financial Statements (hereafter “the Condensed Interim Financial Statements”) of Nestlé Capital Corporation (“NCC” or the “Company”) for the six-month period ended June 30, 2024. They have been prepared in accordance with International Accounting Standard IAS 34 – Interim Financial Reporting as adopted by the European Union, and should be read in conjunction with the Audited Financial Statements of NCC for the year ended December 31, 2023.

The accounting conventions and accounting policies are the same as those applied in NCC’s Audited Financial Statements for the year ended December 31, 2023 (as described in Note 2 and within the relevant notes).

The preparation of NCC’s Condensed Interim Financial Statements requires management to exercise judgment and to make estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets, liabilities, and disclosures. The key sources of estimation uncertainty within these Condensed Interim Financial Statements remain the same as those applied to NCC’s Audited Financial Statements for the year ended December 31, 2023.

Changes in accounting standards

Amendments to IFRS Accounting Standards which apply for the first time in 2024 include Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1. This amendment, and other amendments effective for the first time in 2024, had no material impact on the Condensed Interim Financial Statements.

NCC has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2. Operating income

Net interest income:

In millions of Dollars	January - June	
	2024	2023
<u>Interest income from:</u>		
Loans and advances to parent and affiliates	768	643
Short-term investments	5	11
Financial debt	1	—
Interest income	774	654
<u>Interest expense from:</u>		
Loans and advances from parent and affiliates	(397)	(632)
Financial debt	(70)	—
Commercial paper issued	(25)	(20)
Interest expense	(492)	(652)
Net interest income	282	2

Net fee and commission expense:

	January - June	
In millions of Dollars	2024	2023
Fee and commission expense to Nestlé Group companies	(8)	(2)
Net fee and commission expense	(8)	(2)

Financial income:

	January - June	
In millions of Dollars	2024	2023
Net (loss)/gain in fair value through income statement	6	(1)
Expected credit loss on financial assets	1	1
Affiliate derivative cross charge	1	1
Financial income/(expense)	8	1

3. Fair value hierarchy

3.1 Fair value hierarchy of financial instruments

In millions of Dollars	June 30, 2024	December 31, 2023
Bonds and debt funds	788	—
Prices quoted in active markets (Level 1)	788	—
External derivative assets	2	1
External derivative liabilities	(25)	—
Affiliate derivative liabilities	—	(1)
Valuation techniques based on observable market data (Level 2)	(23)	—
Total financial instruments at fair value	765	—

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

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

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

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

There were no significant transfers between the different hierarchy levels as at June 30, 2024 and December 31, 2023.

3.2 Carrying amount and fair value

As at June 30, 2024, the carrying amount of bonds issued is \$4,634 million (December 31, 2023: \$0), compared to a fair value of \$4,587 million (December 31, 2023: \$0). This fair value is categorized as level 2, measured on the basis of quoted prices. For all other financial assets and liabilities, the carrying amount is a reasonable approximation of the fair value.

4. Financial debt

The outstanding amounts of financial debt at June 30, 2024 and December 31, 2023 were as follows:

In millions of Dollars	June 30, 2024	December 31, 2023
Bonds	4,634	—
Commercial paper	193	855
Lines of credit	—	59
Total financial debt	4,827	914
of which due within twelve months	193	914

In millions of Dollars						January – June 2024
	Face value	Coupon	Effective interest rate	Years of issue/maturity	Comments	Amount ^(b)
New issues						
	USD 800	4.88%	4.92%	2024-2034		797
	USD 650	5.10%	5.16%	2024-2054		644
	USD 600	4.65%	4.74%	2024-2029		598
	GBP 400	4.75%	4.80%	2024-2036	(a)	512
	GBP 400	4.50%	4.64%	2024-2029	(a)	511
	USD 450	4.75%	4.84%	2024-2031		448
	AUD 600	4.60%	4.70%	2024-2029	(a)	392
	AUD 600	5.25%	5.33%	2024-2034	(a)	392
	USD 175	5.26%	5.29%	2024-2031		175
	USD 175	5.35%	5.37%	2024-2034		175
Total new issues						4,644

(a) Subject to derivatives that create debts in the currency of the issuer.

(b) The bond values represent the net proceeds received, calculated as nominal amount adjusted for premium/discount and issue costs.

5. Transactions with related parties

Financing of Nestlé USA affiliate entities

The principal business activity of NCC is managing the liquidity of the Nestlé USA affiliate entities, including their financing. This financing represents the majority of the transactions with related parties in quantity and in amounts. The majority of the loans are designated as in-house bank loans (IHBs) granted to parent and affiliate entities, which rollover at periodic intervals, where the interest rates are based on the average cost of funds of all external debt of NHI and its consolidated subsidiaries. To a lesser extent, NCC also grants term loans, generally but not exclusively for 3 years, at interest rates based on the Applicable Federal Rates (AFRs) prescribed by the IRS. The majority of outstanding balances with these related parties are expected to be settled in cash.

NCC also receives loans from parent and Nestlé Group affiliate entities, the terms of which are consistent with those discussed above, with the exception of specific IHBs received from its parent for which the interest rate is based on the average cost of funds of external debt issued by NHI.

All of NCC's loans are granted to Nestlé Group affiliate entities and therefore both the lender and borrowers in these transactions are under the control of the same ultimate parent entity, Nestlé S.A. Further, the financial and solvency ratios of the Nestlé Group affiliate entity borrowers are strongly influenced by the Nestlé Group policies regarding dividend distribution, transfer pricing, royalties and cash management. Nestlé Group has an ongoing interest in sustaining the relationships of its affiliate entities.

NCC has access to ample liquidity, including short term debt capital markets, through NCC's own commercial paper program of up to a combined aggregate amount of \$25 billion as well as through the Nestlé Group's commercial paper programs of up to a combined aggregate amount of EUR 25 billion equivalent, enjoying the benefit of issuance with Nestlé S.A.'s AA- rated guarantee. Nestlé S.A. also has revolving credit facilities of EUR 6 billion and of USD 5.2 billion, which serve primarily as backstop liquidity to the Nestlé Group's short-term debt.

Loans with related parties and Nestlé USA affiliate entities

On December 29, 2023, NHI executed an agreement to convert \$17.3 billion of the intercompany obligations between NCC, as borrower, and NHI, as lender into capital/equity.

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

In millions of Dollars	June 30, 2024	December 31, 2023
Loans to parent and affiliates:		
Loans to parent and affiliates excluding accrued interest	45,148	44,765
Accrued interest on loans to parent and affiliates	89	80
Total loans to parent and affiliates	45,237	44,845
Loans from parent and affiliates:		
Loans from parent and affiliates excluding accrued interest	23,531	26,770
Accrued interest on loans from parent and affiliates	1	3
Total loans from parent and affiliates	23,532	26,773

Grant, receipt and repayments of loans for the six months ended June 30, 2024 and the year ended December 31, 2023 were as follows:

In millions of Dollars	June 30, 2024	December 31, 2023
Loans to parent ^(a) :		
At January 1	22,484	18,029
Loans granted during period	1,117	4,455
Loan repayments	(134)	—
At June 30 / December 31	23,467	22,484
Loans to affiliates:		
At January 1	22,361	22,430
Loans granted during period	3,779	727
Loan repayments	(4,370)	(796)
At June 30 / December 31	21,770	22,361
Total loans to parent and affiliates	45,237	44,845
Of which current	42,301	39,454
Of which non-current	2,936	5,391
Loans from parent ^(b) :		
At January 1	19,962	33,629
Loans received during period	—	3,681
Capital contribution	—	(17,348)
Loan repayments	(787)	—
At June 30 / December 31	19,175	19,962
Loans from affiliates:		
At January 1	6,811	6,501
Loans received during period	203	2,589
Loan repayments	(2,657)	(2,279)
At June 30 / December 31	4,357	6,811
Total loans from parent and affiliates	23,532	26,773
Of which current	21,403	24,644
Of which non-current	2,129	2,129

(a) Loans to Parent entities cover NIMCO US, Inc., NUSHI, SPN S.A. and Nestlé S.A. (indirect parent entities of NCC).

(b) Loans from NHI (NCC's direct Parent).

6. Events after the balance sheet date

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