Nestlé Good food, Good life

Half-Year Report
January–June 2023

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

Letter to our shareholders

Dear fellow shareholders,

Foreword

The *Half-Year Report* contains certain financial performance measures not defined by IFRS, which are used by management to assess the financial and operational performance of the Group. They include among others:

- Organic growth, Real internal growth and Pricing;
- Underlying trading operating profit margin and Trading operating profit margin;
- Net financial debt;
- Free cash flow; and
- Underlying earnings per share as reported and in constant currency.

Management believes that these non-IFRS financial performance measures provide useful information regarding the Group's financial and operating performance.

The *Alternative Performance Measures* document published under www.nestle.com/investors/publications defines these non-IFRS financial performance measures.

Introduction

We pursued our strategic priorities with discipline and focus in a fast-evolving consumer environment. Based on the strong performance in the first half of the year we upgrade our organic sales growth outlook for 2023. At-home consumption post-COVID has now normalized, removing a growth drag on some of our categories. Out-of-home channels continue to see strong growth momentum.

For the remainder of the year, we are confident that we will deliver a positive combination of volume and mix, an improvement in gross margin and a significant increase in marketing investments. Combined with ongoing portfolio management and optimization as well as the continued implementation of our sustainability initiatives, we are well-positioned to grow and to generate value for our stakeholders.

Group results

Group sales

Organic growth was 8.7%. Pricing was 9.5%, reflecting the impact of cost inflation over the last two years. Real internal growth (RIG) was –0.8%, with a negative impact of around 60 basis points from portfolio optimization actions. Remaining capacity constraints also limited RIG. Overall, demand elasticity was limited in the context of pricing actions.

Growth was broad-based across most geographies and categories. In developed markets, organic growth was 8.0%, led by pricing with negative RIG. In emerging markets, organic growth was 9.6%, driven by pricing and flat RIG.

By product category, Purina PetCare was the largest contributor to organic growth, with strong momentum for both wet and dry offerings. *Purina ONE*, *Purina Pro Plan* and *Friskies* all recorded double-digit growth. Coffee saw high single-digit growth, with positive sales developments across brands and a continued recovery for out-of-home channels. Infant Nutrition posted double-digit growth, with broad-based contributions across brands and geographies. Dairy reported high single-digit growth, with strong demand for coffee creamers and affordable fortified milks. Confectionery recorded double-digit growth, fueled by a strong sales development for *KitKat*. Prepared dishes and cooking aids posted mid single-digit growth, led by *Maggi*. Nestlé Health Science recorded low single-digit growth, with a return to positive growth for vitamins, minerals and supplements in the second quarter, led by *Garden of Life* and *Pure Encapsulations*. Despite temporary capacity constraints for *Perrier*, water posted mid single-digit growth led by S.*Pellegrino* and *Acqua Panna*.

By channel, organic growth in retail sales remained robust at 8.0%. E-commerce sales grew by 13.5%, reaching 16.7% of total Group sales. Organic growth of out-of-home channels was 17.1%.

Net divestitures decreased sales by 0.4%, largely related to the divestment of a majority stake in Freshly as well as the disposal of the *Gerber Good Start* infant formula brand. The impact on sales from foreign exchange was negative at 6.7%, following broad-based appreciation of the Swiss Franc. Total reported sales increased by 1.6% to CHF 46.3 billion.

Underlying trading operating profit

Underlying trading operating profit increased by 2.9% to CHF 7.9 billion. The underlying trading operating profit margin reached 17.1%, an increase of 20 basis points on a reported basis and 30 basis points in constant currency.

Gross margin decreased by 40 basis points to 45.6%, following significant inflation for commodity and packaging costs as well as salaries and wages. Pricing, cost efficiencies and portfolio optimization helped to partly offset the impact of cost inflation. Compared to the second half of 2022, gross margin improved by 110 basis points.

Distribution costs as a percentage of sales decreased by 50 basis points to 8.6% of sales, mainly as a result of lower freight and energy costs.

Marketing and administration expenses as a percentage of sales were 18.6%. Within this line item, advertising and marketing expenses were 7.1% of sales, increasing by 50 basis points compared to the second half of 2022. In constant currency, advertising and marketing expenses increased by 7.5% compared to the prior year.

Net other trading items decreased to CHF 0.6 billion from CHF 1.0 billion, reflecting one-off items in the prior year, particularly asset impairments. As a result, trading operating profit increased by 10.0% to CHF 7.4 billion. The trading operating profit margin reached 15.9%, an increase of 120 basis points on a reported basis and 130 basis points in constant currency. This increase reflects one-off items in the prior year and an improved underlying trading operating profit margin in the current year.

Net financial expenses and Income tax

Net financial expenses increased to CHF 697 million. The average cost of net debt was 2.6% compared to 1.9% in the first half of 2022.

The Group reported tax rate decreased by 90 basis points to 23.3% as a result of one-off items. The underlying tax rate decreased by 30 basis points to 20.6%, mainly due to the geographic and business mix.

Net profit and Earnings per share

Net profit increased by 7.7% to CHF 5.6 billion. Net profit margin increased by 70 basis points to 12.2% on a reported basis and by 90 basis points in constant currency. The increase was mainly due to one-off items in the prior year. As a result, earnings per share increased by 10.6% to CHF 2.13 on a reported basis.

Underlying earnings per share increased by 11.1% in constant currency and by 4.1% on a reported basis to CHF 2.43. The increase was mainly the result of strong organic growth and improved underlying trading operating profit margin. Nestlé's share buyback program contributed 1.4% to the underlying earnings per share increase, net of finance costs.

Cash flow

Cash generated from operations increased to CHF 7.1 billion from CHF 5.7 billion. The step up was mainly due to working capital movements, particularly lower inventory levels. Free cash flow increased to CHF 3.4 billion from CHF 1.5 billion, as working capital movements and the CHF 643 million proceeds from the disposal of the Prometheus Biosciences stake more than offset higher capital expenditure.

Share buyback program

In the first half, the Group repurchased CHF 2.4 billion of Nestlé shares as part of the three-year CHF 20 billion share buyback program, which began in January 2022.

Net debt

Net debt increased to CHF 55.6 billion as at June 30, 2023, compared to CHF 48.2 billion at December 31, 2022. The increase largely reflected the dividend payment of CHF 7.8 billion and share buybacks of CHF 2.6 billion.

Portfolio management

Nestlé and private equity firm PAI Partners have agreed to set up a joint venture for Nestlé's frozen pizza business in Europe, creating a dedicated player in a competitive and dynamic category. Nestlé will retain a non-controlling stake with equal voting rights alongside PAI Partners, remaining invested in this business and participating in future growth and value creation in the category. The transaction is expected to close on September 1, 2023, subject to the approval of regulatory authorities.

The strategic review of *Palforzia*, the peanut allergy treatment, is progressing, with several options under consideration. In the first half of 2023, the business has significantly enhanced its cost structure and seen some progress in sales development.

Zone North America (NA)

Sales	CHF 12.6 billion
Organic growth	+10.0%
Real internal growth	–1.0%
Underlying trading operating profit margin	21.6%
Underlying trading operating profit margin	+280 basis points
Trading operating profit margin	21.0%
Trading operating profit margin	+590 basis points

- 10.0% organic growth: –1.0% RIG; 11.0% pricing.
- The underlying trading operating profit margin increased to 21.6%, mainly as a result of the divestment of a majority stake in Freshly and portfolio optimization actions.

Organic growth was 10.0%, with pricing of 11.0%. RIG was –1.0%, reflecting portfolio optimization actions and capacity constraints, particularly for Purina PetCare, *Perrier* and coffee creamers. Net divestitures reduced sales by 2.1%, as a result of the divestment of a majority stake in Freshly as well as the disposal of the *Gerber Good* Start infant formula brand. Foreign exchange had a negative impact of 4.4%. Reported sales in Zone North America increased by 3.4% to CHF 12.6 billion.

Zone North America saw broad-based growth across brands and categories, driven by inflation-related pricing, favorable mix and continued momentum for e-commerce. The Zone saw market share gains in pet food, frozen meals as well as soluble and portioned coffee.

By product category, Purina PetCare was the largest growth contributor, with broad-based demand across segments and channels, particularly e-commerce. *Purina ONE*, *Purina Pro Plan* and *Friskies* all saw strong double-digit growth. The beverages category, including *Starbucks* products, *Coffee mate* and *Nescafé*, posted high single-digit growth. Sales for Nestlé Professional and *Starbucks* out-of-home solutions grew at a strong double-digit rate, led by distribution expansion. *Gerber* baby food reported mid single-digit growth with market share gains, led by healthy snacking. Growth in frozen food was flat, partly impacted by the rapid winding down of the frozen meals and pizza business in Canada in the second quarter. *Stouffer's* as well as *Jack's* and *Tombstone* pizza recorded robust growth with market share gains. *Nido* fortified milks reported strong double-digit growth, led by distribution expansion. Water saw a slight sales decrease, as temporary capacity constraints for *Perrier* continued to outweigh strong growth for *S.Pellegrino* and *Acqua Panna*.

The Zone's underlying trading operating profit margin increased by 280 basis points, mainly as a result of the divestment of a majority stake in Freshly and portfolio optimization actions. Pricing and cost efficiencies also helped to offset significant cost inflation.

Zone Europe (EUR)

Sales	CHF 9.5 billion
Organic growth	+8.9%
Real internal growth	–2.4%
Underlying trading operating profit margin	16.6%
Underlying trading operating profit margin	–70 basis points
Trading operating profit margin	14.5%
Trading operating profit margin	–160 basis points

- 8.9% organic growth: –2.4% RIG; 11.3% pricing.
- The underlying trading operating profit margin decreased by 70 basis points to 16.6%.

Organic growth was 8.9% with pricing of 11.3%. RIG was –2.4%, following a high base of comparison in the last 2 years and portfolio optimization actions. Foreign exchange negatively impacted sales by 6.0%. Net divestitures reduced sales by 0.9%. Reported sales in Zone Europe increased by 2.0% to CHF 9.5 billion.

Growth in Zone Europe was supported by pricing, strong sales development for e-commerce and a continued momentum for out-of-home channels. The Zone saw market share gains in pet food, confectionery and Infant Nutrition.

By product category, the key contributor to growth was Purina PetCare, driven by differentiated offerings across premium brands *Felix*, *Gourmet* and *Purina ONE*. Confectionery reported high single-digit growth, led by *KitKat* and seasonal products. Nestlé Professional posted double-digit growth. Coffee saw mid single-digit growth, with particular strength for *Nescafé* soluble coffee and *Starbucks* products. Infant Nutrition recorded high single-digit growth, based on continued momentum for premium infant formula, particularly *NAN*. Culinary posted low single-digit growth, with improved sales developments for *Maggi* and *Thomy*. Water sales were close to flat, as strong growth for *S.Pellegrino* and *Acqua Panna* offset the impact of temporary capacity constraints for *Perrier*.

The Zone's underlying trading operating profit margin decreased by 70 basis points. Significant cost inflation outweighed pricing and cost efficiencies.

Zone Asia, Oceania and Africa (AOA)

Sales	CHF 9.1 billion
Organic growth	+9.3%
Real internal growth	+0.1%
Underlying trading operating profit margin	22.8%
Underlying trading operating profit margin	–70 basis points
Trading operating profit margin	21.9%
Trading operating profit margin	–130 basis points

– 9.3% organic growth: 0.1% RIG; 9.2% pricing.
– The underlying trading operating profit margin decreased by 70 basis points to 22.8%.

Organic growth was 9.3%, with RIG of 0.1%. Pricing increased to 9.2%, with broad-based contributions from all geographies and categories. Foreign exchange reduced sales by 12.1%. Reported sales in Zone AOA decreased by 2.9% to CHF 9.1 billion.

Growth in Zone AOA was driven by pricing, continued momentum of out-of-home channels and innovation. The Zone saw market share gains in coffee, culinary and confectionery.

South-East Asia posted mid single-digit growth, with strong sales developments in coffee, culinary and Infant Nutrition. South Asia recorded strong double-digit growth, led by *KitKat* and *Munch* as well as *Maggi* and *Nescafé*. Middle East and Africa saw double-digit growth, with particular strength for affordable offerings in culinary, Infant Nutrition and coffee. Japan reported mid single-digit growth, driven by *KitKat* and Purina PetCare. South Korea posted high single-digit growth, fueled by *Starbucks* products. Oceania recorded high single-digit growth, supported by Purina PetCare, *KitKat* and *Nescafé*.

By product category, Infant Nutrition was the largest growth contributor, led by *Lactogen*, *NAN* and *Cerelac*. Culinary recorded double-digit growth, based on distribution expansion and strong execution for *Maggi*. Coffee saw high single-digit growth, with continued robust demand for *Nescafé* and *Starbucks* products. The recently launched *Starbucks* ready-to-drink products resonated strongly with consumers. Sales for Nestlé Professional grew at a strong double-digit rate across most geographies and categories, supported by channel penetration and customer acquisition. Confectionery reported double-digit growth, fueled by strong momentum for *KitKat*. Purina PetCare saw high single-digit growth, led by *Supercoat*, *Purina ONE* and *Felix*. Cocoa and malt beverages posted low single-digit growth, supported by *Milo* powder and ready-to-drink products.

The Zone's underlying trading operating profit margin decreased by 70 basis points. The impact of input cost inflation and currency depreciation more than offset pricing and disciplined cost control.

Zone Latin America (LATAM)

Sales	CHF 6.1 billion
Organic growth	+11.6%
Real internal growth	–0.9%
Underlying trading operating profit margin	19.8%
Underlying trading operating profit margin	–130 basis points
Trading operating profit margin	18.1%
Trading operating profit margin	–240 basis points

- 11.6% organic growth: –0.9% RIG; 12.5% pricing.
- The underlying trading operating profit margin decreased by 130 basis points to 19.8%.

Organic growth was 11.6%, with pricing of 12.5% and RIG of –0.9%. Foreign exchange had a negative impact of 4.3%. Reported sales in Zone Latin America increased by 7.5% to CHF 6.1 billion.

Zone Latin America recorded sustained strong growth across all geographies and product categories, supported by pricing, strong operational execution and continued momentum of out-of-home channels. The Zone saw market share gains in pet food, Infant Nutrition and culinary.

Brazil posted strong double-digit growth, with strong momentum for *Garoto* and *KitKat* as well as *NAN* and *Mucilon* infant cereals. Mexico reported double-digit growth, with strong sales developments for dairy, coffee and Infant Nutrition. The Plata region saw double-digit growth, led by coffee and water.

By product category, confectionery was the largest growth contributor, reflecting strong demand for *KitKat* and key local brands as well as new product launches. Dairy posted double-digit growth, supported by fortified milks and dairy culinary solutions. Infant Nutrition saw double-digit growth, based on solid momentum for *NAN* and *Nido* growing-up milks. Coffee reported broad-based double-digit growth, supported by *Nescafé* soluble coffee. Sales for Nestlé Professional grew at a strong double-digit rate, with continued strength for branded coffee solutions. Purina PetCare saw mid single-digit growth, following a high base of comparison in 2022.

The Zone's underlying trading operating profit margin decreased by 130 basis points. One-off items in the prior year and cost inflation more than offset pricing and cost efficiencies.

Zone Greater China (GC)

Sales	CHF 2.5 billion
Organic growth	+4.7%
Real internal growth	+1.3%
Underlying trading operating profit margin	16.6%
Underlying trading operating profit margin	+160 basis points
Trading operating profit margin	16.4%
Trading operating profit margin	+130 basis points

- 4.7% organic growth: 1.3% RIG; 3.4% pricing.
- The underlying trading operating profit margin increased by 160 basis points to 16.6%.

Organic growth was 4.7%, with pricing of 3.4%. RIG was 1.3%. Foreign exchange had a negative impact of 9.5%. Reported sales in Zone Greater China decreased by 4.8% to CHF 2.5 billion.

Growth in Zone Greater China was supported by e-commerce momentum, recovery of out-of-home channels and pricing. The Zone saw market share gains in pet food and confectionery.

By product category, Nestlé Professional was the largest growth contributor, supported by innovation and distribution expansion. Infant Nutrition saw mid single-digit growth, led by *NAN* specialty offerings and *illuma*. Confectionery recorded high single-digit growth, led by *Hsu Fu Chi* and *Shark* wafer. Culinary posted mid single-digit growth, with increased demand for *Totole* in out-of-home channels. Coffee reported low single-digit growth, supported by soluble coffee and *Starbucks* products. Ready-to-drink coffee saw positive growth, with a strong recovery in the second quarter. Nutritional milk products for adults recorded double-digit growth, supported by new product launches. Purina PetCare reported double-digit growth, driven by *Purina Pro Plan* and *Fancy Feast*. In the second quarter, Purina PetCare opened new production lines in Tianjin.

The Zone's underlying trading operating profit margin increased by 160 basis points. Favorable mix and disciplined cost control more than offset cost inflation.

Nestlé Health Science

Sales	CHF 3.3 billion
Organic growth	+3.5%
Real internal growth	–1.9%
Underlying trading operating profit margin	13.0%
Underlying trading operating profit margin	–70 basis points
Trading operating profit margin	11.2%
Trading operating profit margin	+800 basis points

- 3.5% organic growth: –1.9% RIG; 5.3% pricing.
- The underlying trading operating profit margin decreased by 70 basis points to 13.0%.

Organic growth was 3.5%, with pricing of 5.3%. RIG was –1.9%, following extraordinary growth over the last three years during the pandemic. Net acquisitions increased sales by 6.0%, largely related to the acquisition of *Orgain*. Foreign exchange negatively impacted sales by 4.8%. Reported sales in Nestlé Health Science increased by 4.7% to CHF 3.3 billion.

Growth in Nestlé Health Science was driven by pricing, e-commerce momentum and geographic expansion. The business continued to gain market share.

Consumer Care saw a sales decrease, with a return to positive growth in the second quarter:

- Active nutrition reported low single-digit growth, with positive sales developments for healthy-aging products, *Vital Proteins* and *Orgain*;
- Vitamins, minerals and supplements posted a sales decrease, following three years of strong growth during the pandemic. The business returned to positive growth in the second quarter, led by *Garden of Life* and *Pure Encapsulations*.

Medical Nutrition recorded double-digit growth, with strong momentum across all segments. Growth was led by acute and adult medical care products as well as pediatric and allergy products.

By geography, North America saw low single-digit growth. Europe reported mid single-digit growth. Other regions combined posted high single-digit growth.

The underlying trading operating profit margin of Nestlé Health Science decreased by 70 basis points. Cost inflation more than offset pricing and acquisition synergies.

Nespresso

Sales	CHF 3.1 billion
Organic growth	+4.5%
Real internal growth	+0.8%
Underlying trading operating profit margin	21.7%
Underlying trading operating profit margin	–260 basis points
Trading operating profit margin	21.5%
Trading operating profit margin	–220 basis points

- 4.5% organic growth: 0.8% RIG; 3.7% pricing.
- The underlying trading operating profit margin decreased by 260 basis points to 21.7%.

Organic growth was 4.5%, with pricing of 3.7%. RIG was 0.8%. Foreign exchange negatively impacted sales by 5.6%. Reported sales in Nespresso decreased by 1.9% to CHF 3.1 billion.

The key growth contributor was the *Vertuo* system, which continued to see broad-based momentum. Growth in out-of-home channels was also strong, with further adoption for the *Momento* system, particularly in the office segment. Innovation continued to resonate with consumers, including the roll-out of *Vertuo Pop*, a new compact machine, as well as the launch of home compostable coffee capsules in France in June.

By geography, North America posted double-digit growth, with continued market share gains. Europe reported slightly positive growth. Other regions combined saw low single-digit growth.

The underlying trading operating profit margin of Nespresso decreased by 260 basis points. Significant coffee cost inflation and the appreciation of the Swiss Franc more than offset pricing actions. The business continued to invest in the rollout of the *Vertuo* system as well as in media advertising.

Business as a force for good: Eliminating deforestation from Nestlé's palm oil supply chains
The European Union recently passed legislation that will ban the import of commodities linked to deforestation, including palm oil. Nestlé has worked for over a decade to address deforestation in its palm oil supply chains and in all other major supply chains. This strong foundation means the company is well placed to address the new law.

Traceability is key to preventing deforestation. As such, Nestlé sources from suppliers that can trace their palm oil all the way back to the plantation on which it was grown. Together with external partners, Nestlé assessed the company's palm oil supply chains to be 95.6% deforestation-free at the end of 2022. Nestlé is vigilant in its efforts to maintain this level of performance. It works with experts and industry bodies to continually improve environmental and social practices, take action when risks or issues are identified, and invest in technology to stay ahead.

One such technology is Starling, a satellite-based system, which Nestlé uses to monitor its palm oil supply chains. Starling helps the company identify deforestation risks and cases around the mills from which it sources as well as deforestation patterns. This supports Nestlé in prioritizing actions on the ground, where they are most needed.

In the Aceh and Riau provinces of Indonesia, for example, Nestlé collaborates with partners to drive sustainable production, forest conservation as well as good social and labor practices. It works with the government on integrated land use planning and supports a "No Deforestation, No Peatland, No Exploitation" policy. Based on new information from satellite monitoring, the company recently expanded the scope of this work to include the East Kalimantan province.

Nestlé also strives to include smallholder farmers in its supply chains, given that they represent 40% of the world's palm oil supply. It recently helped launch a Smallholders Hub in Aceh that trains farmers on good agricultural practices and helps them increase their yields from existing farmland. This reduces the risk of encroachment into protected areas. Similar programs are being rolled out in other landscapes.

Nestlé is now going beyond deforestation to conserve and restore natural ecosystems, while also promoting sustainable livelihoods and respecting human rights. It was recognized for its work in this year's Forest 500 report, coming in third for its efforts in tackling deforestation among companies exposed to the issue.

Palm oil is highly versatile. It requires four to ten times less land to produce the same amount of oil as other plants. Replacing it is not the answer – neither for the environment, nor for the millions of farmers whose livelihoods depend on it. That is why Nestlé goes ever further to make palm oil production truly sustainable, for both forests and communities.

Outlook
Full-year 2023 outlook updated: we are increasing organic sales growth guidance to a range of 7% to 8%. The underlying trading operating profit margin is expected to be between 17.0% and 17.5%. Underlying earnings per share in constant currency is expected to increase between 6% and 10%.

Paul Bulcke
Chairman of the Board

U. Mark Schneider
Chief Executive Officer

Key figures (consolidated)

Key figures in CHF

In millions (except for data per share)	January–June 2023	January–June 2022
Results		
Sales	46 293	45 580
Underlying trading operating profit *	7 904	7 683
as % of sales	17.1%	16.9%
Trading operating profit *	7 351	6 684
as % of sales	15.9%	14.7%
Profit for the period attributable to shareholders of the parent (Net profit)	5 649	5 247
as % of sales	12.2%	11.5%
Balance sheet and cash flow statement		
Total Equity [(a)]	36 823	45 213
Net financial debt */[(a)]	55 605	48 460
Operating cash flow	5 741	3 935
Free cash flow *	3 422	1 472
Capital additions	2 550	3 357
Data per share		
Weighted average number of shares outstanding (in millions of units)	2 657	2 729
Basic earnings per share	2.13	1.92
Market capitalization	**284 776**	**301 156**

Principal key figures in USD and EUR (illustrative)

Income statement and cash flow statement figures translated at weighted average rate;
Balance sheet figures at ending June exchange rate

In millions (except for data per share)	January–June 2023	January–June 2022	January–June 2023	January–June 2022
	in USD	in USD	in EUR	in EUR
Sales	50 792	48 220	46 962	44 169
Underlying trading operating profit *	8 673	8 129	8 019	7 446
Trading operating profit *	8 065	7 071	7 457	6 477
Profit for the period attributable to shareholders of the parent (Net profit)	6 198	5 551	5 730	5 084
Total Equity [(a)]	40 946	47 296	37 693	45 300
Basic earnings per share	2.34	2.03	2.16	1.86
Market capitalization	316 664	315 033	291 507	301 742

* Certain financial performance measures are not defined by IFRS. For further details, refer to the document "Alternative Performance Measures" published under www.nestle.com/investors/publications.

(a) Situation as at June 30.

Consolidated income statement for the six months ended June 30, 2023

In millions of CHF	Notes	January–June 2023	January–June 2022
Sales	3	**46 293**	**45 580**
Other revenue		183	178
Cost of goods sold		(25 172)	(24 633)
Distribution expenses		(3 966)	(4 169)
Marketing and administration expenses		(8 624)	(8 465)
Research and development costs		(810)	(808)
Other trading income	5	55	67
Other trading expenses	5	(608)	(1 066)
Trading operating profit	3	**7 351**	**6 684**
Other operating income	5	134	194
Other operating expenses	5	(223)	(259)
Operating profit		**7 262**	**6 619**
Financial income		154	90
Financial expense		(851)	(524)
Profit before taxes, associates and joint ventures		**6 565**	**6 185**
Taxes		(1 529)	(1 499)
Income from associates and joint ventures	6	749	716
Profit for the period		**5 785**	**5 402**
of which attributable to non-controlling interests		136	155
of which attributable to shareholders of the parent (Net profit)		5 649	5 247
As percentages of sales			
Trading operating profit		15.9%	14.7%
Profit for the period attributable to shareholders of the parent (Net profit)		12.2%	11.5%
Earnings per share (in CHF)			
Basic earnings per share		2.13	1.92
Diluted earnings per share		2.12	1.92

Consolidated statement of comprehensive income for the six months ended June 30, 2023

In millions of CHF	January–June 2023	January–June 2022
Profit for the period recognized in the income statement	**5 785**	**5 402**
Currency retranslations, net of taxes	(1 491)	697
Changes in cash flow hedge and cost of hedge reserves, net of taxes	(19)	156
Share of other comprehensive income of associates and joint ventures	(109)	209
Items that are or may be reclassified subsequently to the income statement	(1 619)	1 062
Remeasurement of defined benefit plans, net of taxes	(154)	61
Fair value changes of equity instruments, net of taxes	201	(64)
Share of other comprehensive income of associates and joint ventures	192	208
Items that will never be reclassified to the income statement	239	205
Other comprehensive income for the period	**(1 380)**	**1 267**
Total comprehensive income for the period	**4 405**	**6 669**
of which attributable to non-controlling interests	67	162
of which attributable to shareholders of the parent	4 338	6 507

Consolidated balance sheet as at June 30, 2023

In millions of CHF	Notes	June 30, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents		3 667	5 511
Short-term investments		694	1 176
Inventories		14 794	15 019
Trade and other receivables		11 102	11 116
Prepayments		910	549
Derivative assets		441	309
Current income tax assets		1 180	1 285
Assets held for sale	2	528	97
Total current assets		**33 316**	**35 062**
Non-current assets			
Property, plant and equipment		29 820	30 141
Goodwill		30 491	31 262
Intangible assets		19 495	20 237
Investments in associates and joint ventures		13 367	13 023
Financial assets		2 918	3 253
Employee benefits assets and reimbursement rights		1 177	1 161
Deferred tax assets		1 016	1 043
Total non-current assets		**98 284**	**100 120**
Total assets		**131 600**	**135 182**

In millions of CHF	Notes	June 30, 2023	December 31, 2022
Liabilities and equity			
Current liabilities			
Financial debt		13 791	10 892
Derivative liabilities		287	352
Trade and other payables		17 966	20 523
Accruals		5 112	5 114
Provisions		606	620
Current income tax liabilities		2 441	2 447
Liabilities directly associated with assets held for sale	2	105	28
Total current liabilities		**40 308**	**39 976**
Non-current liabilities			
Financial debt		45 814	43 420
Derivative liabilities		394	470
Employee benefits liabilities		2 693	2 884
Provisions		1 275	1 113
Deferred tax liabilities		3 505	3 671
Other payables		788	856
Total non-current liabilities		**54 469**	**52 414**
Total liabilities		**94 777**	**92 390**
Equity			
Share capital	8	267	275
Treasury shares		(2 562)	(9 303)
Translation reserve		(24 983)	(23 559)
Other reserves		(103)	(63)
Retained earnings		63 510	74 632
Total equity attributable to shareholders of the parent		**36 129**	**41 982**
Non-controlling interests		694	810
Total equity		**36 823**	**42 792**
Total liabilities and equity		**131 600**	**135 182**

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

In millions of CHF	Notes	January–June 2023	January–June 2022
Operating activities			
Operating profit	7	7 262	6 619
Depreciation and amortization		1 722	1 756
Impairment		181	741
Net result on disposal of businesses		8	52
Other non-cash items of income and expense		25	171
Cash flow before changes in operating assets and liabilities	7	**9 198**	**9 339**
Decrease/(increase) in working capital		(1 857)	(3 059)
Variation of other operating assets and liabilities		(248)	(583)
Cash generated from operations		**7 093**	**5 697**
Interest paid		(708)	(438)
Interest and dividends received		102	28
Taxes paid		(1 419)	(1 931)
Dividends and interest from associates and joint ventures		673	579
Operating cash flow		**5 741**	**3 935**
Investing activities			
Capital expenditure		(2 661)	(2 372)
Expenditure on intangible assets		(305)	(113)
Acquisition of businesses, net of cash acquired	2	(99)	(1 161)
Disposal of businesses, net of cash disposed of	2	(2)	2
Investments (net of divestments) in associates and joint ventures		(349)	(104)
Inflows/(outflows) from treasury investments		334	6 281
Other investing activities (a)		647	22
Investing cash flow		**(2 435)**	**2 555**
Financing activities			
Dividend paid to shareholders of the parent	8	(7 829)	(7 618)
Dividends paid to non-controlling interests		(189)	(173)
Acquisition (net of disposal) of non-controlling interests		(40)	(499)
Purchase (net of sale) of treasury shares (b)		(2 681)	(6 796)
Inflows from bonds and other long-term financial debt		5 564	3 182
Outflows from bonds, lease liabilities and other long-term financial debt		(1 414)	(1 315)
Inflows/(outflows) from short-term financial debt		1 823	4 978
Financing cash flow		**(4 766)**	**(8 241)**
Currency retranslations		(372)	123
Increase/(decrease) in cash and cash equivalents		**(1 832)**	**(1 628)**
Cash and cash equivalents at beginning of year (c)		5 511	6 992
Cash and cash equivalents at end of period		**3 679**	**5 364**
Cash and cash equivalents classified as held for sale		(12)	—
Cash and cash equivalents as per balance sheet		**3 667**	**5 364**

(a) Mainly composed of the proceeds of the disposal of a financial asset in Prometheus Biosciences. The accounting gain of the transaction is recorded under Other comprehensive income.
(b) Mostly relates to a share buyback program launched in 2022.
(c) At January 1, 2022, cash and cash equivalents included CHF 4 million of cash and cash equivalents classified as assets held for sale.

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

In millions of CHF

	Share capital	Treasury shares	Translation reserve	Other reserves	Retained earnings	**Total equity attributable to shareholders of the parent**	Non-controlling interests	**Total equity**
Equity as at January 1, 2022	**282**	**(6 194)**	**(22 266)**	**(45)**	**81 363**	**53 140**	**587**	**53 727**
Profit for the period	—	—	—	—	5 247	**5 247**	155	**5 402**
Other comprehensive income for the period	—	—	696	359	205	**1 260**	7	**1 267**
Total comprehensive income for the period	—	—	696	359	5 452	**6 507**	162	**6 669**
Dividends	—	—	—	—	(7 618)	**(7 618)**	(173)	**(7 791)**
Movement of treasury shares	—	(6 892)	—	—	(57)	**(6 949)**	—	**(6 949)**
Equity compensation plans	—	197	—	—	(123)	**74**	(1)	**73**
Changes in non-controlling interests (a)	—	—	—	—	(578)	**(578)**	189	**(389)**
Reduction in share capital (b)	(7)	7 335	—	—	(7 328)	**—**	—	**—**
Total transactions with owners	(7)	640	—	—	(15 704)	**(15 071)**	15	**(15 056)**
Other movements (c)	—	—	37	(188)	24	**(127)**	—	**(127)**
Equity as at June 30, 2022	**275**	**(5 554)**	**(21 533)**	**126**	**71 135**	**44 449**	**764**	**45 213**
Equity as at January 1, 2023	**275**	**(9 303)**	**(23 559)**	**(63)**	**74 632**	**41 982**	**810**	**42 792**
Profit for the period	—	—	—	—	5 649	**5 649**	136	**5 785**
Other comprehensive income for the period	—	—	(1 424)	(127)	240	**(1 311)**	(69)	**(1 380)**
Total comprehensive income for the period	—	—	(1 424)	(127)	5 889	**4 338**	67	**4 405**
Dividends	—	—	—	—	(7 829)	**(7 829)**	(189)	**(8 018)**
Movement of treasury shares	—	(2 538)	—	—	5	**(2 533)**	—	**(2 533)**
Equity compensation plans	—	143	—	—	(58)	**85**	(1)	**84**
Changes in non-controlling interests (a)	—	—	—	—	(3)	**(3)**	7	**4**
Reduction in share capital (b)	(8)	9 136	—	—	(9 128)	**—**	—	**—**
Total transactions with owners	(8)	6 741	—	—	(17 013)	**(10 280)**	(183)	**(10 463)**
Other movements (c)	—	—	—	87	2	**89**	—	**89**
Equity as at June 30, 2023	**267**	**(2 562)**	**(24 983)**	**(103)**	**63 510**	**36 129**	**694**	**36 823**

(a) Movements reported under Retained earnings include put options for the acquisition of non-controlling interests (see Note 2.2).
(b) Reduction in share capital, see Note 8.
(c) Other movements in Other reserves relate mainly to cash flow hedge transactions.

Notes

1. Accounting policies

Basis of preparation
These Condensed Interim Financial Statements are the unaudited Condensed Interim Consolidated Financial Statements (hereafter "the Condensed Interim Financial Statements") of Nestlé S.A., a company registered in Switzerland, and its subsidiaries for the six-month period ended June 30, 2023. They have been prepared in accordance with International Accounting Standard IAS 34 – Interim Financial Reporting, and should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2022.

The accounting conventions and accounting policies are the same as those applied in the Consolidated Financial Statements for the year ended December 31, 2022 (as described in Note 1 and highlighted with a grey background in the relevant Notes), except for the changes in accounting standards mentioned below.

The preparation of the Condensed Interim Financial Statements requires Group 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 uncertainty within these Condensed Interim Financial Statements remain the same as those applied to the Consolidated Financial Statements for the year ended December 31, 2022.

Changes in accounting standards
In May 2023, the IASB issued International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12). The Group has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. As a result of applying this amendment, there is no change compared to the information published in the 2022 Consolidated Financial Statements. The Group will make the required disclosures in the full year 2023 Consolidated Financial Statements, in accordance with the amendment. Several other amendments apply for the first time in 2023 including among others, Definition of Accounting Estimates (Amendments to IAS 8), Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) and Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). These amendments had no material impact on the Condensed Interim Financial Statements.

2. Scope of consolidation, acquisitions and disposals of businesses and assets held for sale

2.1 Change of scope of consolidation

Acquisitions

There was no significant acquisition during the 2023 interim period.

The significant acquisition during the 2022 comparative period was:
- Orgain, North America – nutritional health products (Nutrition and Health Science) – 51%, April.

There were no other significant acquisitions during the first six months of 2022.

Cash outflows of the 2023 interim period are related to non-significant acquisitions and those of the 2022 comparative period are mainly related to the Orgain acquisition.

Disposals

There were no significant disposals during the 2023 interim period nor during the 2022 comparative period.

Cash inflows of the 2023 interim period and of the 2022 comparative period are related to non-significant disposals.

2.2 Acquisitions of businesses

The major classes of assets acquired and liabilities assumed at the acquisition date are:

In millions of CHF

	2023			2022
	Total	Orgain	Other	**Total**
Inventories	**11**	172	9	**181**
Other assets	**7**	36	16	**52**
Property, plant and equipment	**19**	3	6	**9**
Intangible assets [(a)]	**10**	623	53	**676**
Financial debt	**(3)**	(3)	(8)	**(11)**
Other liabilities	**(1)**	(63)	(16)	**(79)**
Deferred taxes	**4**	(40)	(13)	**(53)**
Fair value of identifiable net assets/(liabilities)	**47**	**728**	**47**	**775**

(a) Mainly intellectual property rights, customer lists, trademarks and trade names, composed of CHF 9 million (2022: CHF 105 million) of finite life and of CHF 1 million (2022: CHF 571 million) of indefinite life intangible assets.

Since the valuation of the assets and liabilities of recently acquired businesses is still in process, the values are determined provisionally.

The goodwill arising on acquisitions and the cash outflow are:

In millions of CHF

	2023			2022
	Total	Orgain	Other	**Total**
Fair value of consideration transferred	**94**	**896**	**252**	**1 148**
Non-controlling interests (a)	**—**	193	(1)	**192**
Subtotal	**94**	1 089	251	**1 340**
Fair value of identifiable net (assets)/liabilities	**(47)**	(728)	(47)	**(775)**
Goodwill	**47**	**361**	**204**	**565**

(a) In 2022, non-controlling interests were measured based on the fair value of the net assets acquired considering the refinancing in full by a Nestlé intercompany loan of the financial debt (CHF 333 million) existing at closing.

In millions of CHF

	2023			2022
	Total	Orgain	Other	**Total**
Fair value of consideration transferred	**94**	**896**	**252**	**1 148**
Cash and cash equivalents acquired	**—**	6	(9)	**(3)**
Consideration payable	**(10)**	—	(4)	**(4)**
Payment of consideration payable on prior-year acquisitions	**15**	—	20	**20**
Cash outflow on acquisitions	**99**	**902**	**259**	**1 161**

The consideration transferred consists of payments made in cash with some consideration remaining payable.

Orgain

On April 1, 2022, the Group purchased a majority stake in Orgain, a leader in plant-based nutrition, from founder Dr. Andrew Abraham and Butterfly Equity, who continue to be minority share owners. The agreement includes options giving the right to Dr. Abraham and Butterfly Equity to sell their shares and an option for Nestlé Health Science to buy their shares, both based on the 12-month period ending June 2024 results. Orgain complements Nestlé Health Science's existing portfolio of nutrition products that support healthier lives. The goodwill arising on this acquisition includes synergies with existing Nestlé Health Science's organization and growth expansion in geography and in new channels of distribution for plant-based medical nutrition. It is expected to be deductible for tax purposes.

Sales for the period of Orgain included in the 2022 Condensed Interim Financial Statements amounted to CHF 129 million. The Group's total sales for the period would have amounted to CHF 45 698 million if the acquisition had been effective January 1, 2022. The contribution of Orgain to the profit of the 2022 interim period of the Group was not significant.

Acquisition-related costs

Acquisition-related costs have been recognized under Other operating expenses in the income statement (see Note 5.2) for an amount of CHF 14 million (2022: CHF 21 million).

2.3 Assets held for sale

As of June 30, 2023, assets held for sale and liabilities directly associated with assets held for sale are mainly composed of CHF 186 million of property, plant and equipment, CHF 213 million of intangible assets and goodwill, CHF 129 million of other assets and CHF 105 million of liabilities relating mainly to the Frozen pizza Europe business which is part of the Zone EUR operating segment, expected to be disposed of during the second semester of 2023. The classification as held for sale is the consequence of Nestlé's decision to contribute the business to a joint venture with PAI, to have the best platform to develop the full potential of this business. The related translation cumulative loss currently recognized in other comprehensive income has been estimated at about CHF 130 million and will be recognized under the heading Other operating income/(expenses) in the income statement at the date the control is lost.

3. Analyses by segment

3.1 Operating segments

Revenue and results

In millions of CHF — January–June 2023

	Sales [a]	Underlying trading operating profit [b]	Trading operating profit	Net other trading income/(expenses) [c]	of which impairment of property, plant and equipment	of which restructuring costs	Depreciation and amortization
Zone NA	12 553	2 713	2 632	(81)	(29)	(44)	(337)
Zone EUR	9 467	1 570	1 373	(197)	(5)	(140)	(414)
Zone AOA	9 060	2 068	1 985	(83)	(49)	(16)	(259)
Zone LATAM	6 082	1 202	1 101	(101)	(4)	(21)	(192)
Zone GC	2 548	422	418	(4)	(2)	(2)	(83)
Nestlé Health Science	3 318	432	372	(60)	(11)	(31)	(152)
Nespresso	3 128	678	672	(6)	(9)	(1)	(135)
Other businesses [d]	137	(17)	(17)	—	(1)	—	(19)
Unallocated items [e]	—	(1 164)	(1 185)	(21)	—	(7)	(131)
Total	**46 293**	**7 904**	**7 351**	**(553)**	**(110)**	**(262)**	**(1 722)**

In millions of CHF — January–June 2022

	Sales [a]	Underlying trading operating profit [b]	Trading operating profit	Net other trading income/(expenses) [c]	of which impairment of property, plant and equipment	of which restructuring costs	Depreciation and amortization
Zone NA	12 138	2 284	1 829	(455)	(33)	(41)	(348)
Zone EUR	9 283	1 606	1 494	(112)	(85)	(14)	(411)
Zone AOA	9 335	2 198	2 170	(28)	(5)	(10)	(290)
Zone LATAM	5 659	1 196	1 160	(36)	(6)	(4)	(178)
Zone GC	2 677	400	403	3	2	(6)	(93)
Nestlé Health Science	3 167	435	101	(334)	(6)	(8)	(144)
Nespresso	3 190	777	757	(20)	(8)	—	(143)
Other businesses [d]	131	(5)	(3)	2	—	—	(20)
Unallocated items [e]	—	(1 208)	(1 227)	(19)	(1)	(4)	(129)
Total	**45 580**	**7 683**	**6 684**	**(999)**	**(142)**	**(87)**	**(1 756)**

(a) Inter-segment sales are not significant.
(b) Trading operating profit before Net other trading income/(expenses).
(c) Included in Trading operating profit.
(d) Composed of businesses not under the direct control of the Zones or GMBs and Group procurement activities.
(e) Mainly corporate expenses as well as research and development costs.

Other information

In millions of CHF	January–June 2023		January–June 2022	
	Impairment of goodwill and non-commercialized intangible assets (c)	Impairment of intangible assets (d)	Impairment of goodwill and non-commercialized intangible assets (c)	Impairment of intangible assets (d)
Zone NA	—	(9)	—	(285)
Zone EUR	—	(23)	—	—
Zone AOA	—	(6)	—	—
Zone LATAM	—	(14)	—	—
Zone GC	—	—	—	—
Nestlé Health Science	(16)	(3)	—	(314)
Nespresso	—	—	—	—
Other businesses (a)	—	—	—	—
Unallocated items (b)	—	—	—	—
Total	**(16)**	**(55)**	**—**	**(599)**

(a) Composed of businesses not under the direct control of the Zones or GMBs and Group procurement activities.
(b) Mainly corporate and research and development assets.
(c) Included in Operating profit.
(d) Included in Trading operating profit.

3.2 Products
Revenue and results

In millions of CHF — January–June 2023

	Sales	Underlying trading operating profit (a)	Trading operating profit	Net other trading income/(expenses) (b)	of which impairment of property, plant and equipment	of which restructuring costs
Powdered and Liquid Beverages	12 339	2 607	2 506	(101)	(50)	(32)
Water	1 706	187	57	(130)	(6)	(94)
Milk products and Ice cream	5 418	1 261	1 227	(34)	(10)	(15)
Nutrition and Health Science	7 832	1 529	1 416	(113)	(34)	(40)
Prepared dishes and cooking aids	5 931	989	924	(65)	(3)	(52)
Confectionery	3 694	536	467	(69)	(3)	(11)
PetCare	9 373	1 959	1 939	(20)	(4)	(11)
Unallocated items (c)	—	(1 164)	(1 185)	(21)	—	(7)
Total	**46 293**	**7 904**	**7 351**	**(553)**	**(110)**	**(262)**

In millions of CHF — January–June 2022

	Sales	Underlying trading operating profit (a)	Trading operating profit	Net other trading income/(expenses) (b)	of which impairment of property, plant and equipment	of which restructuring costs
Powdered and Liquid Beverages	12 335	2 915	2 873	(42)	(14)	(7)
Water	1 792	175	176	1	1	(2)
Milk products and Ice cream	5 443	1 192	1 174	(18)	(2)	(2)
Nutrition and Health Science	7 689	1 502	1 106	(396)	(9)	(18)
Prepared dishes and cooking aids	6 137	974	599	(375)	(52)	(10)
Confectionery	3 595	498	464	(34)	(11)	(6)
PetCare	8 589	1 635	1 519	(116)	(54)	(38)
Unallocated items (c)	—	(1 208)	(1 227)	(19)	(1)	(4)
Total	**45 580**	**7 683**	**6 684**	**(999)**	**(142)**	**(87)**

(a) Trading operating profit before Net other trading income/(expenses).
(b) Included in Trading operating profit.
(c) Mainly corporate expenses as well as research and development costs.

Other information

In millions of CHF	January–June 2023		January–June 2022	
	Impairment of goodwill and non-commercialized intangible assets (b)	Impairment of intangible assets (c)	Impairment of goodwill and non-commercialized intangible assets (b)	Impairment of intangible assets (c)
Powdered and Liquid Beverages	—	(2)	—	—
Water	—	(21)	—	—
Milk products and Ice cream	—	—	—	—
Nutrition and Health Science	(16)	(5)	—	(314)
Prepared dishes and cooking aids	—	—	—	(285)
Confectionery	—	(12)	—	—
PetCare	—	(15)	—	—
Unallocated items (a)	—	—	—	—
Total	**(16)**	**(55)**	**—**	**(599)**

(a) Mainly corporate and research and development assets.
(b) Included in Operating profit.
(c) Included in Trading operating profit.

3.3 Sales by geographic area (country and type of market)

In millions of CHF	January–June 2023	January–June 2022
North America	**15 874**	**15 315**
United States	14 654	14 064
Canada	1 220	1 251
Europe	**11 016**	**10 884**
France	1 761	1 786
United Kingdom	1 655	1 621
Germany	1 147	1 134
Other markets of geographic area	6 453	6 343
of which Switzerland	534	531
Asia, Oceania and Africa	**10 243**	**10 581**
Philippines	1 334	1 324
India	1 005	951
Australia	722	737
Other markets of geographic area	7 182	7 569
Latin America	**6 356**	**5 876**
Brazil	2 033	1 792
Mexico	1 959	1 637
Chile	662	651
Other markets of geographic area	1 702	1 796
Greater China	**2 804**	**2 924**
Greater China	2 804	2 924
Total sales	**46 293**	**45 580**
of which developed markets	26 816	26 200
of which emerging markets	19 477	19 380

3.4 Reconciliation from Underlying trading operating profit to Profit before taxes, associates and joint ventures

In millions of CHF	January–June 2023	January–June 2022
Underlying trading operating profit [a] as per Note 3.1	**7 904**	**7 683**
Net other trading income/(expenses) as per Note 5.1	(553)	(999)
Trading operating profit as per Note 3.1	**7 351**	**6 684**
Impairment of goodwill and non-commercialized intangible assets	(16)	—
Net other operating income/(expenses)	(73)	(65)
Operating profit	**7 262**	**6 619**
Net financial income/(expense)	(697)	(434)
Profit before taxes, associates and joint ventures	**6 565**	**6 185**

(a) Trading operating profit before Net other trading income/(expenses).

4. Seasonality

The business of the Group is not highly cyclical. Seasonal evolutions in some countries or product groups are generally compensated within the Group.

5. Net other trading and operating income/(expenses)

5.1 Net other trading income/(expenses)

In millions of CHF	January–June 2023	January–June 2022
Other trading income	**55**	**67**
Restructuring costs	(262)	(87)
Impairment of property, plant and equipment and intangible assets [(a)]	(165)	(741)
Litigations and onerous contracts	(83)	(110)
Miscellaneous trading expenses	(98)	(128)
Other trading expenses	**(608)**	**(1 066)**
Total net other trading income/(expenses)	**(553)**	**(999)**

(a) In January–June 2022: including i) CHF 314 million related to intellectual property rights – Nestlé Health Science operating segment and ii) CHF 285 million related to a brand – Zone NA operating segment.

5.2 Net other operating income/(expenses)

In millions of CHF	January–June 2023	January–June 2022
Profit on disposal of businesses	2	5
Miscellaneous operating income	132	189
Other operating income	**134**	**194**
Loss on disposal of businesses	(10)	(57)
Impairment of goodwill and non-commercialized intangible assets	(16)	—
Miscellaneous operating expenses	(197)	(202)
Other operating expenses	**(223)**	**(259)**
Total net other operating income/(expenses)	**(89)**	**(65)**

6. Income from associates and joint ventures

This item mainly includes our share of the estimated results of our joint ventures, L'Oréal and other associates.

7. Cash flow before changes in operating assets and liabilities

In millions of CHF	January–June 2023	January–June 2022
Profit for the period	**5 785**	**5 402**
Income from associates and joint ventures	(749)	(716)
Taxes	1 529	1 499
Financial income	(154)	(90)
Financial expense	851	524
Operating profit	**7 262**	**6 619**
Depreciation of property, plant and equipment	1 498	1 539
Impairment of property, plant and equipment	110	142
Amortization of intangible assets	224	217
Impairment of intangible assets	71	599
Net result on disposal of businesses	8	52
Net result on disposal of assets	18	2
Non-cash items in financial assets and liabilities	(18)	176
Equity compensation plans	73	62
Other	(48)	(69)
Non-cash items of income and expense	**1 936**	**2 720**
Cash flow before changes in operating assets and liabilities	**9 198**	**9 339**

8. Equity

8.1 Share capital

The share capital changed in 2023 and 2022 as a consequence of the share buyback programs launched in January 2020 and in January 2022. The cancellation of shares was approved at the Annual General Meetings on April 20, 2023, and April 7, 2022. The share capital was reduced by 80 000 000 shares from CHF 275 million to CHF 267 million in 2023 and by 65 000 000 shares from CHF 282 million to CHF 275 million in 2022.

At June 30, 2023, the share capital of Nestlé S.A. is composed of 2 670 000 000 registered shares with a nominal value of CHF 0.10 each.

The current share buyback program of up to CHF 20 billion started on January 3, 2022 and is expected to be completed by the end of December 2024. The volume of monthly share buybacks depends on market conditions. Should any extraordinary dividend payments or sizeable acquisitions take place during the period of the share buyback, the amount of the share buyback will be reduced accordingly.

8.2 Dividend

The dividend related to 2022 was paid on April 26, 2023, in accordance with the decision taken at the Annual General Meeting on April 20, 2023. Shareholders approved the proposed dividend of CHF 2.95 per share, resulting in a total dividend of CHF 7829 million.

9. Fair value of financial instruments

9.1 Fair value hierarchy

In millions of CHF	June 30, 2023	December 31, 2022
Derivative assets	159	73
Bonds and debt funds	320	225
Equity and equity funds	160	535
Other financial assets	57	58
Derivative liabilities	(100)	(70)
Prices quoted in active markets (Level 1)	**596**	**821**
Derivative assets	274	222
Bonds and debt funds	470	468
Equity and equity funds	414	405
Other financial assets	626	609
Derivative liabilities	(581)	(752)
Valuation techniques based on observable market data (Level 2)	**1 203**	**952**
Financial assets	159	143
Valuation techniques based on unobservable input (Level 3)	**159**	**143**
Total financial instruments at fair value	**1 958**	**1 916**

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; and
- The other level 2 investments are based on a valuation model derived from the most recently published observable financial prices for similar assets in active markets.

There have been no significant transfers between the different hierarchy levels in the 2023 and the 2022 interim periods.

9.2 Carrying amount and fair value

As at June 30, 2023, the carrying amount of bonds issued is CHF 47.6 billion (December 31, 2022: CHF 43.8 billion), compared to a fair value of CHF 43.8 billion (December 31, 2022: CHF 39.3 billion). 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.

10. Bonds

In millions of CHF						January–June 2023
Issuer		Face value in millions	Coupon	Effective interest rates	Year of issue/ maturity	Amount
New issues						
Nestlé Finance International Ltd., Luxembourg	EUR	850	3.50%	3.66%	2023–2027	832
	EUR	850	3.75%	3.85%	2023–2033	831
Nestlé Holdings, Inc., USA	USD	1 000	5.25%	5.32%	2023–2026	910
	USD	850	5.00%	5.06%	2023–2028	773
	USD	500	4.95%	5.01%	2023–2030	454
	USD	650	4.85%	4.90%	2023–2033	590
Nestlé S.A., Switzerland	CHF	300	1.88%	1.87%	2023–2029	300
	CHF	450	2.00%	2.01%	2023–2033	450
	CHF	400	2.13%	2.06%	2023–2038	403
Total new issues						**5 543**
Repayments						
Nestlé Finance International Ltd., Luxembourg	EUR	500	0.75%	0.92%	2015–2023	(493)
Nestlé Holdings, Inc., USA	USD	600	3.13%	3.28%	2018–2023	(547)
Other						(40)
Total repayments						**(1 080)**

11. Events after the balance sheet date

As at July 26, 2023, the Group has no subsequent events which either warrant a modification of the value of its assets and liabilities or any additional disclosure.

Principal exchange rates

CHF per		June 2023	December 2022	June 2022	January–June 2023	January–June 2022
				Ending rates		Weighted average rates
1 US Dollar	USD	0.899	0.925	0.956	0.911	0.945
1 Euro	EUR	0.977	0.985	0.998	0.986	1.032
100 Chinese Yuan Renminbi	CNY	12.397	13.297	14.274	13.164	14.568
100 Brazilian Reais	BRL	18.511	17.722	18.290	17.974	18.723
100 Mexican Pesos	MXN	5.256	4.743	4.740	5.014	4.649
1 Pound Sterling	GBP	1.135	1.116	1.161	1.124	1.226
100 Philippine Pesos	PHP	1.628	1.660	1.742	1.649	1.813
1 Canadian Dollar	CAD	0.678	0.682	0.741	0.676	0.744
100 Indian Rupee	INR	1.096	1.117	1.211	1.109	1.239
1 Australian Dollar	AUD	0.596	0.627	0.658	0.616	0.680
100 Chilean Pesos	CLP	0.112	0.108	0.103	0.113	0.114

Notes

Shareholder information

Stock exchange listing
Nestlé S.A. shares are listed on the SIX Swiss Exchange (ISIN code: CH0038863350). American Depositary Receipts (ISIN code: US6410694060) representing Nestlé S.A. shares are offered in the USA by Citibank.

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The *Half-Year Report* is available online as a PDF in English, French and German.

www.nestle.com

October 19, 2023
2023 nine-months sales figures

February 22, 2024
2023 full-year results

The *Half-Year Report* contains forward looking statements which reflect Management's current views and estimates. The forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures, and regulatory developments.

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