Good food, Good life

NHI Group

Half-Yearly Financial Report
June 30, 2023 – Unaudited

Management Report

Nestlé Holdings, Inc. ("NHI") (hereinafter, together with its subsidiaries, referred to as the "NHI Group") incorporated in the State of Delaware, United States, is a wholly owned subsidiary of NIMCO US, Inc., which is an indirect wholly owned subsidiary of Nestlé S.A., incorporated in Switzerland, which is the holding company of the Nestlé Group of companies (hereinafter, referred to as the "Nestlé Group"). NHI is the holding company for Nestlé S.A.'s principal operating subsidiaries in the United States, which include, among others, Nestlé USA, Inc., Nestlé Purina Petcare Company, and Gerber Products Company. The NHI Group engages primarily in the manufacture and sale of food products, pet care products, premium waters, beverage products as well as nutrition and health science products. These businesses derive revenue across the United States and in international markets.

Key Figures

In millions of Dollars	January-June 2023	January-June 2022	Change
Sales	**14 991**	**13 964**	**7.4%**
Cost of goods sold	(8 755)	(8 259)	6.0%
as a percentage of sales	(58.4%)	(59.1%)	
Underlying Trading operating profit	1 184	773	53.2%
as a percentage of sales	7.9%	5.5%	
Trading operating profit	1 107	591	87.3%
as a percentage of sales	7.4%	4.2%	
Net financial expenses	(74)	(116)	(36.2%)
Taxes	(286)	(193)	48.2%
Net profit for the period attributable to shareholders of the parent	747	17	
as a percentage of sales	5.0%	0.1%	
Cash generated from/(used in) operations	1 152	(312)	
as a percentage of sales	7.7%	(2.2%)	
Capital additions	(863)	(888)	
as a percentage of sales	(5.8%)	(6.4%)	

Sales

The consolidated sales were $15.0 billion and $14.0 billion, for the six months ended on June 30, 2023 and 2022, respectively. The NHI Group continues to deliver year on year improvement in sales and capture market opportunities in a challenging environment.
The main factors for the sales growth per segment are as follows:

- **Nestlé USA Brands** sales were $5.9 billion and $5.6 billion for the six months ended on June 30, 2023 and 2022, respectively, representing an increase of 4.6%. The overall growth was driven by inflation-related pricing and continued momentum for e-commerce. The Starbucks products, Coffee mate and Nescafé posted high growth. Sales for Starbucks out-of-home solutions grew at a strong double-digit rate. Water sales were impacted due to temporary capacity constraints for Perrier.
- **PetCare** sales were $6.2 billion and $5.5 billion for the six months ended on June 30, 2023, and 2022, respectively, representing an increase of 13.9%. PetCare was the largest contributor to the overall NHI Group's organic growth, with strong momentum for both wet and dry offerings coupled with the staggered selling price increases to offset the increase in inflation-linked costs. Purina ONE, Purina Pro Plan and Friskies all saw strong double-digit growth with broad-based demand across segments and channels, particularly e-commerce.
- **Other businesses** sales were $2.9 billion for both the six months ended on June 30, 2023 and 2022. Sales for Nestlé Professional, Nespresso and Gerber baby food witnessed a healthy growth which was offset by divestments and other portfolio optimization initiatives.

Profitability

Underlying trading operating profit was $1.2 billion and $0.8 billion for the six months ended on June 30, 2023, and 2022, which equaled 7.9% and 5.5% of the sales for each period, respectively. The underlying trading operating profit margin increased mainly because of the divestment of Freshly and portfolio optimization initiatives. Staggered pricing actions and accelerated cost efficiency programs helped to offset significant cost inflation.

Cost of goods sold were $8.8 billion and $8.3 billion for the six months ended on June 30, 2023, and 2022, which equaled 58.4% and 59.1% of sales for each period, respectively. The decrease in cost of goods sold as a percentage of sales was mainly due to staggered pricing actions, cost efficiencies and portfolio optimization initiatives that outpaced the continued increase in cost of commodities, packaging material and labor.

Distribution expenses were $1.4 billion and $1.5 billion for the six months ended on June 30, 2023, and 2022, which equaled 9.3% and 10.7% of sales for each period, respectively. The decrease in distribution expenses as a percentage of sales was mainly due to lower freight and energy costs.

Marketing, general, and administrative expenses were $2.0 billion and $1.9 billion for the six months ended on June 30, 2023, and 2022 respectively. The significant increase in marketing and advertisement expenses was mainly for demand generation activities. This increase was largely offset by the NHI Group's accelerated actions on cost saving initiatives and operational efficiencies.

Royalties to affiliated companies were $1.6 billion and $1.5 billion for the six months ended on June 30, 2023 and 2022, which equaled 10.9% and 11.1% of sales for each period, respectively. These payments to the affiliated companies are in line with the approved general licensing agreement.

Net other trading expenses were $77 million and $182 million for the six months ended on June 30, 2023, and 2022 respectively. The reduction was mainly driven by favorable return on company-owned life insurance policies, lower litigation, onerous contracts and impairments.

Net Profit – Other Items of Note

The net profit was $747 million and $17 million for the six months ended on June 30, 2023, and 2022, which equaled 5.0% and 0.1% of sales for each period, respectively. The increase in profit for the six months ended June 2023 was mainly driven by improvement in the trading operating profit margin by 320 basis points, lower net other operating expenses, and lower effective taxes.

Net other operating expenses decreased by $247 million during the six months ended on June 30, 2023 as compared to the same period of 2022. The period ended on June 30, 2022 was adversely impacted by one-off impairment of goodwill and remeasurement of the contingent consideration in relation to the Freshly business, which was divested in November 2022. These one-off items also had an adverse impact on the effective tax rate for the period ended on June 30, 2022.

Cash Flow

Cash generated from operations increased to $1.2 billion during first half of 2023 from cash used in operations of $0.3 billion during the same period of 2022, mainly due to an increase in the operating profit and favorable working capital movements.

Outlook

The NHI Group is committed to supporting the Nestlé Group in achieving its financial objectives including continued increase in organic sales growth, underlying trading operating margin, underlying earnings per share in constant currency, and capital efficiency.

Responsibility Statement

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

(a) the Condensed Unaudited Interim Financial Statements of the NHI Group for the six-month period ended 30 June 2023, 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 NHI, or the undertakings included in the consolidation taken as a whole 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.

August 24, 2023

Review Report of Independent Auditors

The Board of Directors
Nestlé Holdings, Inc.:

Results of Review of Interim Financial Information
We have reviewed the condensed consolidated financial statements of Nestlé Holdings, Inc. and subsidiaries (NHI Group), which comprise the consolidated balance sheet as of June 30, 2023, and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements for the six-month periods ended June 30, 2023 and 2022, and the related notes (collectively referred to as the "interim financial information").
Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed interim financial information for it to be in accordance with International Financial Reporting Standards.

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 the NHI Group 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 and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial information that is free from material misstatement, whether due to fraud or error.

Report on Condensed Balance Sheet as of December 31, 2022
We have previously audited, in accordance with auditing standards generally accepted in the United States of America and the International Standards on Auditing, the consolidated balance sheet as of December 31, 2022, and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 28, 2023. In our opinion, the accompanying condensed consolidated balance sheet of the NHI Group as of December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

/s/ Ernst & Young LLP

Tysons, Virginia
August 24, 2023

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

In millions of Dollars	Notes	January-June 2023	January-June 2022
Sales	3	**14 991**	**13 964**
Cost of goods sold		(8 755)	(8 259)
Distribution expenses		(1 395)	(1 497)
Marketing and administrative expenses		(2 021)	(1 889)
Royalties to affiliated company	11	(1 636)	(1 546)
Other trading income	5	47	54
Other trading expenses	5	(124)	(236)
Trading operating profit	3	**1 107**	**591**
Other operating income	5	33	88
Other operating expenses	5	(33)	(335)
Operating profit	3	**1 107**	**344**
Financial income		432	255
Financial expense		(506)	(371)
Profit before taxes and associates	3	**1 033**	**228**
Taxes		(286)	(193)
Loss from associates		—	(18)
Net profit for the period attributable to shareholders of the parent		**747**	**17**

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

In millions of Dollars	January-June 2023	January-June 2022
Profit for the period recognized in the income statement	**747**	**17**
Changes in cash flow hedge and cost of hedge reserves, net of taxes	(67)	2
Items that are or may be reclassified subsequently to the income statement	(67)	2
Remeasurement of defined benefit plans, net of taxes	(105)	43
Items that will never be reclassified to the income statement	(105)	43
Other comprehensive income/(loss) for the period	**(172)**	**45**
Total comprehensive income/(loss) for the period attributable to shareholders of the parent	**575**	**62**

Consolidated unaudited balance sheet as at June 30, 2023

In millions of Dollars	Notes	June 30, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents		223	412
Short-term investments		166	46
Inventories		4 223	3 710
Trade and other receivables		2 690	2 627
Loans to parent and affiliates	11	29 606	25 709
Prepayments		95	44
Derivative assets	9	2	25
Total current assets		**37 005**	**32 573**
Non-current assets			
Property, plant and equipment		9 796	9 434
Goodwill	2, 6	14 817	14 773
Intangible assets		4 545	4 585
Investments in associates		40	—
Derivative assets	9	48	—
Financial assets		1 261	1 337
Employee benefits assets		35	48
Loans to parent and affiliates	11	627	1 588
Total non-current assets		**31 169**	**31 765**
Total assets		**68 174**	**64 338**

In millions of Dollars	Notes	June 30, 2023	December 31, 2022
Liabilities and equity			
Current liabilities			
Financial debt		4 088	3 064
Derivative liabilities	9	49	26
Trade and other payables		4 726	4 491
Loans from affiliates	11	2 602	2 565
Accruals		1 555	1 542
Provisions		123	143
Current income tax liabilities		791	566
Total current liabilities		**13 934**	**12 397**
Non-current liabilities			
Financial debt		27 024	25 087
Derivative liabilities	9	438	509
Employee benefits liabilities		1 335	1 413
Provisions		97	85
Deferred tax liabilities		1 141	1 217
Other payables		10	10
Total non-current liabilities		**30 045**	**28 321**
Total liabilities		**43 979**	**40 718**
Equity			
Additional paid-in capital		5 680	5 680
Other reserves		(1 084)	(912)
Retained earnings		19 599	18 852
Total equity attributable to shareholders of the parent		**24 195**	**23 620**
Total liabilities and equity		**68 174**	**64 338**

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

In millions of Dollars	Notes	January-June 2023	January-June 2022
Operating activities			
Operating profit	3	1 107	344
Depreciation and amortization		404	399
Impairment		32	313
Net result on disposal of businesses	2	—	4
Other non-cash items of income and expense		(4)	79
Cash flow before changes in operating assets and liabilities	7	**1 539**	**1 139**
Decrease/(increase) in working capital		(113)	(1 150)
Variation of other operating assets and liabilities		(274)	(301)
Cash generated from/(used in) operations		**1 152**	**(312)**
Interest received/(paid)		18	(94)
Taxes paid		(55)	(74)
Operating cash flow		**1 115**	**(480)**
Investing activities			
Capital expenditure		(1 012)	(888)
Expenditure on intangible assets		(31)	(32)
Acquisition of businesses, net of cash acquired	2	(73)	(20)
Disposal of businesses, net of cash disposed of	2	—	2
Investments in associates		(62)	—
Inflows/(outflows) from treasury investments		(120)	3 195
Other investing activities		121	18
Investing cash flow		**(1 177)**	**2 275**
Financing activities			
Acquisition of non-controlling interests		—	(184)
Loans from/(to) parent and affiliates, net	11	(2 899)	(4 287)
Inflows from bonds and other long-term financial debt	10	2 991	1 177
Outflows from bonds, lease liabilities and other long-term financial debt		(722)	(1 106)
Inflows/(outflows) from short-term financial debt		503	2 515
Financing cash flow		**(127)**	**(1 885)**
Increase/(decrease) in cash and cash equivalents		**(189)**	**(90)**
Cash and cash equivalents at beginning of period		412	493
Cash and cash equivalents at end of period		**223**	**403**

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

In millions of Dollars

	Share capital	Additional paid-in capital	Other reserves	Retained earnings	**Total equity attributable to shareholders of the parent**	**Total equity**
Equity as at January 1, 2022	**—**	**5 680**	**(945)**	**17 723**	**22 458**	**22 458**
Profit for the period	—	—	—	17	17	17
Other comprehensive income/(loss) for the period	—	—	45	—	45	45
Total comprehensive income/(loss) for the period	**—**	**—**	**45**	**17**	**62**	**62**
Other movements	—	—	—	(4)	(4)	(4)
Equity as at June 30, 2022	**—**	**5 680**	**(900)**	**17 736**	**22 516**	**22 516**
Equity as at January 1, 2023	**—**	**5 680**	**(912)**	**18 852**	**23 620**	**23 620**
Profit for the period	—	—	—	747	747	747
Other comprehensive income/(loss) for the period	—	—	(172)	—	(172)	(172)
Total comprehensive income/(loss) for the period	**—**	**—**	**(172)**	**747**	**575**	**575**
Equity as at June 30, 2023	**—**	**5 680**	**(1 084)**	**19 599**	**24 195**	**24 195**

Notes to the condensed unaudited interim financial statements

1. Accounting Policies

Basis of Preparation
These Financial Statements are the unaudited Condensed Interim Consolidated Financial Statements (hereafter "the Condensed Interim Financial Statements") of Nestlé Holdings Inc. ("NHI") (hereinafter, together with its subsidiaries, referred to as the "NHI Group") 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 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.

Reclassifications
Certain reclassifications have been made to amounts in prior year's financial statements to conform to current year's presentation as a result of changes to the Balance Sheet presentation of Trade and other payables and Accruals.

Changes in accounting standards
Several amendments apply for the first time in 2023 including among others, International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), Definition of Accounting Estimates (Amendments to IAS 8), Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), and Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). These amendments had no material impact on the Condensed Interim Financial Statements.

2. Scope of consolidation, acquisitions and disposals of businesses

2.1 Modification of the scope of consolidation

Acquisitions

There were no significant acquisitions or associated cash flows during the six months ended June 2023 and June 2022.

Disposals

There were no disposals or associated cash flows during the six months ended June 2023.

There were no significant disposals or associated cash flows during the six months ended June 2022.

2.2 Acquisitions of businesses

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

In millions of Dollars

	2023	2022
	Total	Total
Inventories	4	—
Property, plant and equipment	16	—
Intangible assets [(a)]	10	—
Other liabilities	(1)	—
Fair value of identifiable net assets/(liabilities)	**29**	**—**

(a) Mainly customer lists, trademarks and trade names, composed of $9 million of finite life (2022: $0 million) and $1 million of indefinite life intangible assets (2022: $0 million)

The goodwill arising on acquisitions and the cash outflow from the prior period:

In millions of Dollars

	2023	2022
	Total	Total
Fair value of consideration transferred	**73**	**—**
Subtotal	73	—
Fair value of identifiable net (assets)/liabilities	(29)	—
Goodwill	**44**	**—**

In millions of Dollars

	2023	2022
	Total	Total
Fair value of consideration transferred	73	**—**
Payment of consideration payable on prior-years acquisitions	—	20
Cash outflow on acquisitions	**73**	**20**

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 $4.8 million (2022: $7.7 million).

3. Analyses by segment

3.1 Operating segments

Revenue and results

In millions of Dollars				January-June 2023
	Nestlé USA Brands [a]	PetCare	Other [a]	**Total**
Sales	5 855	6 218	2 918	14 991
Underlying Trading operating profit [b]	386	589	209	1 184
Trading operating profit/(loss) [c]	318	599	190	1 107
Net other trading income/(expenses) [d]	(68)	9	(18)	(77)
Of which impairment of property, plant and equipment	(30)	(1)	(1)	(32)
Of which restructuring costs	(30)	(6)	(9)	(45)
Depreciation and amortization	(150)	(160)	(94)	(404)

				January-June 2022
	Nestlé USA Brands [a]	PetCare	Other [a]	**Total**
Sales	5 595	5 457	2 912	13 964
Underlying Trading operating profit [b]	407	375	(9)	773
Trading operating profit [c]	321	307	(37)	591
Net other trading income/(expenses) [d]	(85)	(68)	(29)	(182)
Of which impairment of property, plant and equipment	(34)	(4)	—	(38)
Of which restructuring costs	(9)	(43)	9	(43)
Depreciation and amortization	(141)	(153)	(104)	(398)

(a) Nestlé USA Brands primarily consists of Starbucks products, beverage, prepared foods, snacks, and other food products. Other primarily consists of Nestlé Professional, Nestlé Nutrition, Nespresso, Freshly (disposed of in November 2022), and Nestlé Health Science, which do not meet the criteria for separate disclosure.
(b) Trading operating profit before Net other trading income/(expenses).
(c) The NHI Group determines Trading operating profit by allocating corporate expenses to its operating segments based on activity-based cost drivers.
(d) Included in Trading operating profit.

3.2 Reconciliation from Underlying trading operating profit to profit before taxes and associates

In millions of Dollars	January-June 2023	January-June 2022
Underlying trading operating profit as per Note 3.1	**1 184**	**773**
Net other trading income/(expenses) as per Note 5.1	(77)	(182)
Trading operating profit as per Note 3.1	**1 107**	**591**
Net other operating income/(expenses) as per Note 5.2	—	(247)
Operating profit	**1 107**	**344**
Net financial income/(expense)	(74)	(116)
Profit before taxes and associates	**1 033**	**228**

4. Seasonality

Seasonal evolutions in the Nestlé USA brands segment, particularly in the second half of the year during the holiday season, may result in lower sales and trading operating margin in the first half of the year relative to the full year.

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

5.1 Net other trading income/(expenses)

In millions of Dollars	January-June 2023	January-June 2022
Return on company-owned life insurance	46	—
Result on deferred compensation	—	28
Miscellaneous trading income	1	26
Other trading income	**47**	**54**
Return on company-owned life insurance	—	(88)
Restructuring costs	(45)	(43)
Impairment of property, plant and equipment and intangible assets	(32)	(38)
Litigation and onerous contracts	(9)	(44)
Result on deferred compensation	(28)	—
Miscellaneous trading expenses	(10)	(23)
Other trading expenses	**(124)**	**(236)**
Total net other trading income/(expenses)	**(77)**	**(182)**

5.2 Net other operating income/(expenses)

In millions of Dollars	January-June 2023	January-June 2022
Re-measurement of contingent consideration	—	18
Miscellaneous operating income	33	70
Other operating income	**33**	**88**
Loss on disposal of businesses	—	(4)
Miscellaneous operating expenses	(33)	(56)
Impairment of goodwill [(a)]	—	(275)
Other operating expenses	**(33)**	**(335)**
Total net other operating income/(expenses)	**—**	**(247)**

(a) Related mainly to Freshly items- see Note 6.

6. Impairment of goodwill

There were no impairments to Goodwill for the period ended June 30, 2023.

The impairment charge of goodwill amounting to $241 million during the period ended June 30, 2022 was mainly in relation to the Freshly CGU, which was divested in November 2022. It was recognized because continued deterioration in market conditions resulted in sales and the operating profit delivering well below projections during the first half of 2022. Acquisition of customers continued to be a challenge due to regulatory changes, resulting in lower performance expectations during 2022 and beyond. This charge was recognized in other operating expenses (see Note 5.2).

There was no impairment of the carrying amounts of other assets of the CGU. The recoverable amount was determined based upon a fair value less costs of disposal. The fair value (categorized within Level 3 of the fair value hierarchy) was determined using a scenario-based approach which best reflected the characteristics of the value of the CGU.

7. Cash flow before changes in operating assets and liabilities

In millions of Dollars	January–June 2023	January–June 2022
Profit for the period	**747**	**17**
Loss from associates	—	18
Taxes	286	193
Financial income	(432)	(255)
Financial expense	506	371
Operating profit	**1 107**	**344**
Depreciation of property, plant and equipment	359	360
Impairment of property, plant and equipment	32	38
Amortization of intangible assets	45	38
Impairment of goodwill	—	275
Net result on disposal of businesses	—	4
Net result on disposal of assets	41	6
Non-cash items in financial assets and liabilities	(45)	74
Non-cash items of income and expense	**432**	**795**
Cash flow before changes in operating assets and liabilities	**1 539**	**1 139**

8. Equity

The share capital consists of 1,000 authorized, issued, and outstanding shares of $100 par value.

9. Fair value of financial instruments

In millions of Dollars	June 30, 2023	December 31, 2022
Derivative assets	—	10
Bonds and debt funds	110	—
Other financial assets	2	2
Derivative liabilities	(47)	(26)
Prices quoted in active markets (Level 1)	**65**	**(14)**
Derivative assets	50	15
Bonds and debt funds	331	321
Equity and equity funds	189	268
Investments in life insurance company general accounts	581	586
Derivative liabilities	(440)	(509)
Valuation techniques based on observable market data (Level 2)	**711**	**681**
Financial assets	24	24
Valuation techniques based on unobservable input (Level 3)	**24**	**24**
Total financial instruments at fair value	**800**	**691**

The NHI Group classifies the fair value 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 exchange-traded commodity derivatives and financial assets such as investments in equity and debt securities.
- Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions.
- Level 3: The fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs). When the fair value of unquoted instruments cannot be measured with sufficient reliability, the NHI Group carries such instruments at cost less impairment, if applicable.

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

Carrying amount and fair value

As of June 30, 2023, the carrying amount of bonds issued was $28.8 billion (December 31, 2022: $26.3 billion), compared to a fair value of $26.5 billion (December 31, 2022: $23.8 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 Dollars					January-June 2023
	Face value	**Coupon**	**Effective interest rate**	**Years of issue/ maturity**	**Amount**
New issues					
	USD 1 000	5.25%	5.32%	2023-2026	998
	USD 850	5.00%	5.06%	2023-2028	848
	USD 500	4.95%	5.01%	2023-2030	498
	USD 650	4.85%	4.90%	2023-2033	647
Total new issues					**2 991**
Repayments					
	USD 600	3.13%	3.28%	2018-2023	(600)
	USD 44	8.13%	6.47%	1993-2023	(44)
Total repayments					**(644)**

11. Transactions with related parties

In millions of Dollars	June 30, 2023	December 31, 2022
Loans to NIMCO US, Inc. (Parent) and NUSHI (NIMCO Parent):		
At January 1	18 800	17 596
Loans granted during the period	3 414	1 204
At June 30 / December 31	**22 214**	**18 800**
Loans to affiliates:		
At January 1	8 497	4 351
Loans granted during the period	112	4 344
Loan repayments	(590)	(198)
At June 30 / December 31	**8 019**	**8 497**
Total loans to parent, NUSHI and affiliates:	**30 233**	**27 297**
of which current	29 606	25 709
of which non-current	627	1 588
Loans from affiliates:		
At January 1	2 565	3 068
Loans received during the period	2 302	112
Loan repayments	(2 265)	(615)
Total loans from affiliates at June 30 / December 31	**2 602**	**2 565**

Royalties to Nestlé Group
The NHI Group is granted use in the United States of licensed brands and other intellectual property and obtains technical assistance from a Nestlé Group affiliated company via a general license agreement. In 2023, the NHI Group incurred royalties of $1 636 million to the Nestlé Group affiliated company (June 30, 2022: $1 546 million).

Intergroup receivables
Intergroup receivables for the NHI Group were $285 million at June 30, 2023 (December 31, 2022: $219 million), which have been reported as part of Trade and other receivables under current assets.

Intergroup payables
Intergroup payables for the NHI Group were $1 287 million at June 30, 2023 (December 31, 2022: $939 million), which have been reported as part of Trade and other payables under current liabilities.

12. Events after the Balance Sheet Date

The NHI Group was not aware of specific events or transactions occurring after June 30, 2023, and up to August 24, 2023 that would have a material impact on the presentation of the accompanying condensed interim financial statements.