NESTLÉ FINANCE INTERNATIONAL LTD.

(formerly Nestlé Finance France S.A.)

Half-Yearly Financial Report

(unaudited)

30 June 2008

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Nestlé Finance International Ltd.

(formerly Nestlé Finance France S.A.)

Nestlé Finance International Ltd. ("NFI") presents its half-yearly financial report for the six-month period ended 30 June 2008. NFI, formerly a corporation (*société anonyme*) organised under the laws of France which was formed in 1930, moved its registered office from France to Luxembourg on 29 February 2008 and changed its name from "Nestlé Finance France S.A." to "Nestlé Finance International Ltd." on the same date. NFI remains the same legal entity as Nestlé Finance France S.A., although it is now a public limited company (*société anonyme*) organised under the laws of Luxembourg.

NFI is a wholly-owned subsidiary of Nestlé S.A. - which is the holding company of the Nestlé group of companies (the "Nestlé Group" or the "Group"). The Nestlé Group manufactures food and beverages as well as products related to the nutrition, health and wellness industries. Its products, distributed throughout the world, include: soluble coffee, chocolate and malt-based drinks, water, dairy products, infant nutrition, healthcare nutrition, performance nutrition, ice cream, frozen and chilled food, culinary aids, chocolate and confectionary, as well as products for weight management, pet food and pharmaceutical products.

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

1. Management Report

(A) Summary of important events that have occurred during the first six months of the financial year and their impact on the financial statements.

At 30 June 2008, a total equivalent of EUR 7,769 million has been lent to Group companies. Other assets comprise interest receivable from Group loans, short-term investments, consisting of bank deposits. The aforementioned transactions are further detailed in the notes to NFI's Half-Yearly Financial Statements which are included in this Half-Yearly Financial Report.

It is expected that the nature of the activities of NFI will remain unchanged during the remaining six months of the year except that part of NFI's financing will come from loans received from other members of the Group. Future financial performance is expected to be profitable and will depend largely on the net interest margin earned on loans and investments, funded by existing and possible further issues of Euro Medium Term Notes, Commercial Paper and loans received from other members of the Group and results from derivative transactions.

NFI's operations reported net income of EUR 4,583 thousand for the six-month period ended 30 June 2008, compared to a net loss of EUR 1,325 thousand for the six-month period ended 30 June 2007. The increase in net income resulted from higher interest income received (higher by EUR 83 million) from an increase in loans extended to members of the Nestlé Group (increased by EUR 4,629 million). However, the result was adversely impacted by an increase in interest expenses to third parties (increased by EUR 65 million) and other offsetting gains and losses.

Profit before tax for the six-month period ended 30 June 2008 was EUR 5.909 thousand, compared to a net loss of EUR 622 thousand for the six-month period ended 30 June 2007.

Total assets increased by 106 per cent. from 1 January 2008 to 30 June 2008. This was due to an increase in loans extended to members of the Nestlé Group (increased by EUR 3,997 million).

Amounts outstanding under debt securities issued by NFI also increased by 108 per cent. from 1 January 2008 to 30 June 2008.

NFI's operating cash flow was EUR 35.096 for the six-month period ended 30 June 2008 compared to negative cash flow of EUR 106.321 for the six-month period ended 30 June 2007.

NFI's net debt was EUR 7.772 million - an increase of more than 100 per cent for the six-month period to 30 June 2008 compared to the six-month period to 30 June 2007 due to an increase in the financing requirements of the members of Nestlé Group.

(B) Risks and Uncertainties for the remaining six months of the financial year

NFI is exposed to certain risks and uncertainties that could have a material adverse impact on its financial condition and operating results. These risks and uncertainties are described in Note 9 of NFI's Half-Yearly Financial Statements which are included in this Half-Yearly Financial Report.

2. Unaudited Financial Statements for the six-month period ended 30 June 2008

Nestlé Finance International Ltd. ("NFI")

Half-Yearly Financial Statements

(unaudited)

January - June 2008

Balance sheet as at 30 June 2008

In thousands of Euros	Notes	30 June 2008	31 December 2007	30 June 2007
Assets				
Cash and cash equivalents	(3)	39.338	4.242	25.845
Derivative assets held for risk management	(2)	12.442	24.265	29.621
Loans and advances to Nestlé Group companies	(3)	7.769.160	3.772.029	3.140.030
Other assets	(4)	88.588	35.199	26.786
Total assets		**7.909.528**	**3.835.735**	**3.222.282**
Liabilities				
Trading liabilties		3.559		
Derivative liabilities held for risk management	(2)	78.828	37.359	15.015
Debt securities issued	(3)	7.811.295	3.758.510	3.165.770
Current tax liabilties		646		225
Other liabilities	(4)	3.728	32.157	36.170
Total liabilities		**7.898.056**	**3.828.026**	**3.217.180**
Equity				
Share capital		440	440	440
Reserves		11.032	7.269	4.662
Total equity		**11.472**	**7.709**	**5.102**
Total liabilities and equity		**7.909.528**	**3.835.735**	**3.222.282**

Income statement for the period ended 30 June 2008

In thousands of Euros	Notes	January-June 2008	January-June 2007
Interest income		160.908	83.619
Interest expense		-149.489	-84.419
Net interest income	**(1)**	**11.419**	**-800**
Net trading income		-1.455	-
Other operating income	**(1)**	-3.981	446
Operating income		**5.983**	**-354**
Administration expenses		-74	-268
Profit before tax		**5.909**	**-622**
Taxes		-1.326	-703
Profit for the period		**4.583**	**-1.325**

Statement of recognised income and expense and changes in equity for the period ended 30 June 2008

Statement of recognised income and expense

In thousands of Euros	January-June 2008	January-June 2007
Cash Flow Hedge		
Effective portion of changes in fair value	-5.412	-3.182
Net amount transferred to profit and loss	4.592	4.419
Income and expense recognised directly in equity	**-820**	**1237**
Profit for the period	4.583	-1.325
Total recognised income and expense for the period	**3.763**	**-88**

Changes in equity

In thousands of Euros	Shares	Retained earnings	Hedging reserve	Total equity
Equity as at 31 December 2006	**440**	**3.042**	**1.708**	**5.190**
Gains and losses				
Profit for the year		-1.325		-1.325
Fair value adjustments on cash flow hedges and on hedges of net investments in foreign operations of Nestlé Group companies			1.237	1.237
Total gains and losses	**0**	**-1.325**	**1.237**	**-88**
Equity as at 30 June 2007	**440**	**1.717**	**2.945**	**5.102**
Equity as at 31 December 2007	**440**	**5.411**	**1.858**	**7.709**
Gains and losses				
Profit for the year		4.583		4.583
Fair value adjustments on cash flow hedges and on hedges of net investments in foreign operations of Nestlé Group companies			-820	-820
Total gains and losses	**0**	**4.583**	**-820**	**3.763**
Equity as at 30 June 2008	**440**	**9.994**	**1.038**	**11.472**

Cash flow statement for the period ended 30 June 2008

In thousands of Euros	Notes	January-June 2008	January-June 2007
Cash flows from opearting activities:			
Profit for the period		4.583	-1.325
Adjustments for			
Foreign exchange gain/loss for loans and debt securities		-56.723	9.195
Fair value of debt securities and derivatives		-1.496	-511
Interest income		-160.908	-83.619
Interest expense		149.489	84.419
Change in derivatve assets held for risk management		11.823	-4.036
Change in trading liabilities		3.559	-
Change in derivatve liabilities held for risk management		41.469	-8.821
Change in current tax liabilties		646	-249
Change in other liabilities excluding accrual and deferred income	(4)	-510	201
Net loans and advances to Nestlé Group companies		-4.016.235	-643.920
Net debt securities issued		4.128.888	437.473
Interest received		107.518	190.933
Interest paid		-177.007	-86.061
Net cash used in opearting activites		**35.096**	**-106.321**
Cash flow from investing activities			
Cash flow from financing activities			
Net increase / (decrease) in cash and cash equivalents		**35.096**	**-106.321**
Cash and cash equivalents at begining of year		4.242	132.166
Cash and cash equivalents at end of period		**39.338**	**25.845**

Annex

Basis of preparation

These financial statements are for the six-month period ended 30 June 2008. They have been prepared in accordance with IAS 34 Interim Financial Reporting.

All the comparatives have been restated to reflect IFRS and the accounting policies as stated in this interim financial statements.

NFI prepares its financial statements on the basis of the going concern convention. NFI's debt instruments are guaranteed by Nestlé S.A. (see note 8 on Guarantees).

These interim half-yearly financial statements are not audited.

NFI has applied the IAS/IFRS for the first time in 2008. Until 31 December 2007, the financial statements were based on French GAAP and on the French Commercial Code. The change from the French GAAP - historical value general principle- to the IFRS -fair value general principle- had an impact of EUR -1.267 thousand on the equity as at 1 January 2008, as described below compared to 1 January 2007:

In thousands of Euros	1 January 2008	1 January 2007
Equity - French GAAP	**8.976**	7.717
Derivative assets held for risk management	24.265	25.585
Other assets	-24.741	-30.659
Derivative liabilities held for risk management	-37.359	-23.836
Debt securities issued	36.472	26.383
Other liabilities	96	-
Equity - IFRS	**7.709**	**5.190**

The impact on operating income between French GAAP and the IFRS was EUR 1.109 thousand for the Year 2007 and is explained below:

In thousands of Euros	January-December 2007
Interest income	5.308
Interest expense	- 1.564
Net interest income	**3.744**
Other operating income	- 2.635
Operating income	**1.109**

Accounting policies

Accounting convention and accounting standards

The financial statements comply with IAS/IFRS issued by the International Accounting Standards Board (IASB) and with the Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The accounts have been prepared on an accruals basis and under the historical cost convention, unless stated otherwise. The preparation of the 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. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

Operating income

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

Net trading income includes the gains and losses for changes in fair value of the trading assets and liabilities as well as their exchange gains and losses.

Other operating income includes results on foreign currency and income or expenses on financial instruments carried at fair value.

Taxes

Taxes include current taxes on profit determined in respect of a tax ruling with the Luxembourg tax authority. Based on this agreement, the taxable profit is calculated based on the arm's length remuneration of the average borrowed amount of the period.

Also included are actual or potential withholding taxes on current and expected transfers of income from Nestlé Group companies and tax adjustments relating to prior years. Income tax is recognised in the income statement, except to the extent that it relates to items directly taken to equity, in which case it is recognised against equity.

Deferred taxation is the tax attributable to the temporary differences that arise when taxation authorities recognise and measure assets and liabilities with rules that differ from those of the financial statements. It also arises on temporary differences stemming from tax losses carry forward.

In the context of the Luxembourg tax ruling, no deferred taxation is recognised as the taxation authorities do not recognise tax with specific fiscal rules but establish the taxable profit on the arm's length remuneration for the average amount borrowed by NFI during the period.

Foreign currencies:

The functional currency of NFI is the currency of NFI's primary economic environment which is Euro.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilitities in foreign currencies are translated at year-end rates. Any resulting exchange differences are taken to the income statement.

Impairments:

At each balance sheet date, NFI assesses whether its financial assets are to be impaired. Impairment losses are recognised in the income statement where there is objective evidence of impairment. These losses are never reversed unless they refer to a debt instrument measured at fair value and classified as available for sale and the increase in fair value can objectively be related to an event occuring after the recognition of the impairment loss.

Financial instruments

Financial assets

NFI designates its financial assets into the following categories, as appropriate: intra Nestlé Group loans and receivables, financial assets at fair value through profit and loss and available for sale assets.

Financial assets are initially recognised at fair value plus directly attributable transaction costs.

Subsequent remeasurement of financial assets is determined by their designation that is revisited at each reporting date.

Financial assets are derecognised (in full or partly) when NFI's rights to cash flow from the respective assets have expired or have been transferred and NFI has neither exposure to the risks inherent in those assets nor entitlement to rewards from them.

Intra Nestlé Group loans and receivables

Intra Nestlé Group loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes the following three classes of financial assets: intra Nestlé Group loans, trade and other receivables.

Subsequent to initial measurement, intra Nestlé Group loans and receivables are carried at amortised cost using the effective interest rate method less appropriate allowances for doubtful receivables.

Allowances for doubtful receivables represent NFI's estimate of incurred losses arising from the failure or inability of third parties to make payments when due.

Financial assets at fair value through profit and loss

The financial assets at fair value through profit and loss category includes trading derivatives. Trading derivatives are derivatives for which hedge accounting is not applied because these are either not desginated as hedge instruments or not effective as hedging instruments. Subsequent to initial measurement trading derivatives are carried at fair value and all their gains and losses, realised and unrealised, are recognised in the income statement. These derivatives are acquired in full compliance with Nestlé Group's risk management.

Available for sale assets

Available for sale assets are those non derivative financial assets that are either designated as such upon initial recognition or are not classified in any of the other financial assets categories. This category includes the following classes of financial assets: cash and cash equivalents and time deposits. Subsequent to initial measurement available for sale assets are stated at fair value with all unrealised gains or losses recognised against equity until their disposal when such gains or losses are recognised in the income statement.

Financial liabilities at amortised cost

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs.

Subsequent to initial measurement, financial liabilities are recognised at amortised cost unless they are part of a fair value hedge relationship (see fair value hedges).

The difference between the initial carrying amount of the financial liabilities and their redemption value is recognised in the income statement over the contractual terms using the effective interest rate method. This category includes the following four classes of financial liabilities: trade and other payables, commercial paper, bonds and other financial liabilities.

Financial liabilities are derecognised (in full or partly) when either the Nestlé Group is discharged from its obligation, it expires, is cancelled or replaced by a new liability with substantially modified terms.

Derivative financial instruments

A derivative is a financial instrument that changes its values in response to changes in the underlying variable, requires no or little net initial investment and is settled at a future date. Derivatives are mainly used to manage exposures to foreign exchange and interest rate risk. The classification of derivatives is determined upon initial recognition and is monitored on a regular basis.

Derivatives are initially recognised at fair value plus directly attributable transaction costs. These are subsequently remeasured at fair value on a regular basis and at each reporting date as a minimum. The fair values of exchange-traded derivatives are based on respective market prices, while the fair value of the over-the-counter derivatives are using accepted mathematical models based on market data and assumptions. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in fair values of derivatives that do not qualify for hedge accounting are recognised directly in the income statement.

NFI's derivatives mainly consist of currency forwards and swaps; interest rate forwards and swaps.

The use of derivatives is governed by the Nestlé Group's policies approved by the Nestlé Board of Directors, which provide written principles on the use of derivatives consistent with the Nestlé Group's overall risk management strategy.

Hedge accounting

NFI designates and documents certain derivatives as hedging instruments against changes in fair values of recognised assets and liabilities (fair value hedges) and highly probable forecast transactions (cash flow hedges). The effectiveness of such hedges is demonstrated at inception and verified at regular intervals and at least on a quarterly basis, using prospective and retrospective testing.

Fair value hedges

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

The changes in fair values of hedging instruments are recognised in the income statement. Hedged items are also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

Cash flow hedges

NFI uses cash flow hedges to mitigate foreign currency risks of highly probable forecast transactions.

The effective part of the changes in fair value of hedging instruments is recognised against equity, while any ineffective part is recognised immediately in the income statement. The gains or losses previously recognised against equity are removed from equity and recognised in the income statement at the same time as the hedged transaction.

Fair values

NFI determines the fair values of its financial instruments using market prices for quoted instruments and widely accepted valuation techniques for other instruments.

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.

When fair values of unquoted instruments cannot be measured with sufficient reliability, NFI carries such instruments at cost less impairments, if applicable.

Prepayments and accrued income

Prepayments and accrued income comprise payments made in advance relating to the following year and income relating to the current year, which will not be received until after the balance sheet date.

Provisions

Provisions comprise liabilities of uncertain timing or amount that arise from litigation and other risks. Provisions are recognised when there exist a legal or constructive obligation stemming from a past event and when the future cash outflows can be reliably estimated.

Provisions relating to litigation obligations and other risks reflect NFI Management's best estimate of the outcome based on the facts known at the balance sheet date.

Accruals and deferred income

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

Dividends

In accordance with Luxembourg law and NFI's Articles of Incorporation, dividends are treated as an appropriation of profit in the year in which they are ratified at the Annual General Meeting and subsequently paid.

Contingent assets and liabilities

Contingent assets and liabilities are possible rights and obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not fully within the control of NFI. They are disclosed in the notes to the accounts.

Events occurring after the balance sheet date

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

Segmental information

The financing activities of NFI are managed as one single business. Thus there is no segmental information in the financial statements.

Seasonality

The business of NFI does not present pronounced cyclical patterns or seasonal evolutions.

Nestlé S.A. consolidation

NFI is integrated in the consolidated financial statements of Nestlé S.A., located in Cham and Vevey, Switzerland.

Notes to the financial statements

1. Operating income

Net interest income

In thousands of Euros	January-June 2008	January-June 2007
Interest income from Group companies	135.491	52.894
Interest income from third parties	25.417	30.725
Interest income	**160.908**	**83.619**
Interest expense to third parties	-149.489	-84.419
Net interest income	**11.419**	**-800**

Other operating income

In thousands of Euros	January-June 2008	January-June 2007
Net foreign exchange gain or loss	-4.672	-61
Net gain or losses in fair value through profit and loss	691	507
Other operating income	**-3.981**	**446**

2. Derivative assets and liabilities

By type

In thousands of Euros	Contractual or notional amounts			Fair value assets			Fair value liabilities		
	30 June 2008	31December 2007	30 June 2007	30 June 2008	31December 2007	30 June 2007	30 June 2008	31December 2007	30 June 2007
Fair value hedges									
Currency forwards, futures and swaps	3.811.374	2.445.396	813.360	4.825	3.788	2.631	74.281	35.052	1.854
Interest rate forwards, futures and swaps	98.676	598.248	1.260.796		12.288	15.878	1.545		520
Interest rate and currency swaps	103.805	217.547	300.223	4.062	5.780	9.369			11.106
Cash flow hedges									
Interest rate forwards, futures and swaps	500.000	500.000	500.000	3.555	2.409	1.743	3.003	2.307	1.535
Total	**4.513.855**	**3.761.191**	**2.874.379**	**12.442**	**24.265**	**29.621**	**78.828**	**37.359**	**15.015**
of which determined with valuation technique				12.442	24.265	29.621	78.828	37.359	15.015

3. Financial instruments

Financial assets and liabilities

In thousands of Euros	30 June 2008	31 December 2007	30 June 2007
Cash and cash equivalents	39.338	4.242	25.845
Derivative assets held for risk management	12.442	24.265	29.621
Loans and advances to Nestlé Group companies	7.769.160	3.772.029	3.140.030
Other finacial assets (a)	88.588	34.584	26.786
Total financial assets	**7.909.528**	**3.835.120**	**3.222.282**
Trading liabilities	3.559		
Derivative liabilities held for risk management	78.828	37.359	15.015
Debt securities issued	7.811.295	3.758.510	3.165.770
Other financial liabilties (a)	271	782	349
Total financial liabilities	**7.893.953**	**3.796.651**	**3.181.134**
Net financial position	**15.575**	**38.469**	**41.148**

(a) Other financial assets and liabilites include receivables and short term payables respectively

By category

In thousands of Euros	30 June 2008	31 December 2007	30 June 2007
Intra Nestle Group loans and receivables	7.857.748	3.806.613	3.166.816
Derivative assets held for risk management	12.442	24.265	29.621
Available-for-sale assets	39.338	4.242	25.845
Total financial assets	**7.909.528**	**3.835.120**	**3.222.282**
Financial liabilities at amortised cost	271	782	349
Financial liabilities under hedge accounting	7.811.295	3.758.510	3.165.770
Derivative liabilities held for risk management	82.387	37.359	15.015
Total financial liabilities	**7.893.953**	**3.796.651**	**3.181.134**
Net financial position	**15.575**	**38.469**	**41.148**

4. Other assets and other liabilities

In thousands of Euros	30 June 2008	31 December 2007	30 June 2007
Other fianancial assets	88.588	34.584	26.786
Prepaid and accrued income		615	0
Total other assets	**88.588**	**35.199**	**26.786**
Other financial liabilities	271	782	349
Accruals and deferred income	3.457	31.375	35.821
Total other liabilities	**3.728**	**32.157**	**36.170**

5. Debt securuties:

Bonds

The outstanding debt at period end for bonds were as follows:

In thousands of Euros

Face value in thousands	Interest rates		Year of issue/maturity	Comments	30 June 2008	30 June 2007
	Nominal	Effective				
USD 100,00	2.25%	2.33%	2003–2007	(a)		73.055
EUR 370,000	4.75%	3,22%	2002–2007	(a)		370.303
EUR 147,000	3.38%	3,38%	2002–2007	(a)		146.383
EUR 150,000	2.50%	2,55%	2003–2007	(a)		148.901
EUR 500,000	3.50%	3.51%	2003–2008	(a)		497.245
AUD 200,000	6.00%	6.03%	2004–2008	(a)		125.310
HUF 25,000,000	7.00%	7.00%	2004–2009	(a)	103.805	101.858
EUR 100,000	3.50%	3.52%	2006–2009	(a)	98.675	97.965
Total					**202.480**	**1.561.020**
of which due within one year					202.480	1.361.197
of which due after one year						199.823

(a) Subject to an interest rate and/or currency swap that creates a liability at floating rates in the currency of NFI

Bonds subject to fair value hedges are carried at fair value for EUR 202.480 thousand (HY07: EUR 1.561.020 thousand) and the related derivatives are shown under derivative assets for EUR 4.062 thousand (HY07: EUR 25.247 thousand) and under derivative liabilities for EUR 1.545 thousand (HY07: EUR 11.626 thousand).

Issue and repayments of Bonds:

There were no new issues of bonds during the period. However the following bonds have been repaid during the period:

In thousands of Euros

Face value in thousands	Interest rates		Year of issue/maturity	Comments	January-June 2008
	Nominal	Effective			
EUR 500,000	3.50%	3.51%	2003–2008	(a)	500.000
AUD 200,000	6.00%	6.03%	2004–2008	(a)	124.525
Total Repayments					624.525

(a) Subject to an interest rate and/or currency swap that creates a liability at floating rates in the currency of NFI

Commercial Paper

The outstanding debt for commercial paper at period end were as follows:

In thousands of Euros	30 June 2008	30 June 2007
Commercial papers through :		
USD	3.548.078	736.962
Billets de Tresorerie	1.788.592	337.468
EURO	1.415.517	82.162
GBP	432.452	359.433
CHF	347.951	88.725
AUD	39.470	
JPY	36.753	
Total	**7.608.814**	**1.604.750**
of which due within one year	7.608.814	1.604.750

6. Dividends

Dividends payable are not accounted for until they have been ratified at the Annual General Meeting of NFI.

The financial statements for the half-year ended 30 June 2008 do not reflect any dividend distribution.

7. Transactions with related parties

Financing of the Nestlé Group companies

The purpose of NFI is the financing of any companies directly or indirectly controlled by the Nestlé Group. These financing relations represent the majority of the transactions with related parties in quantities and in amounts. The exceptions to this principle are mainly the exchange of ad hoc services and one specific intra-group interest rate swap (notional EUR 250 thousand, which terminates in October 2008) which is presented as a hedging instrument at fair value through the income statement.

The valuation of transactions with Nestlé Group members are based on arms length prices.

The balances at period end with the related parties are given below:

In thousands of Euros	30 June 2008	30 June 2007
Assets		
Loans and advances to Nestlé Group companies	7.769.160	3.140.030
Accrued interests on loans to Nestlé Group companies	87.582	25.780
Intra-group swap at fair value through the income statement	3.555	1.743
Total	**7.860.297**	**3.167.553**
Liabilities	-	-
Net assets	**7.860.297**	**3.167.553**

Grant and repayment of loans for the period were as follows:

In thousands of Euros	January-June 2008	January-June 2007
Loans granted to Nestlé Group companies	4.267.735	649.220
Repayment Loans recieved back from Nestlé Group companies	-251.500	-5.300
Net Loans and advances to Nestlé Group companies	**4.016.235**	**643.920**

8. Guarantees

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

However NFI has no significant guarantees given to third parties.

9. Risk and uncertainties

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

Banking Credit

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

Credit Risk

Credit risk results from the risk of default of internal or external counterparties. The amount recognized in the balance sheet of NFI for financial assets is, ignoring any collateral received, the maximum credit risk in the case that counterparties are unable to fulfil their contractual obligations. In the case of derivative financial instruments, NFI is also exposed to credit risk, which results from the non-performance of contractual agreements on the part of the counterparty. This credit risk is mitigated by entering into such contracts with parties of high credit standing.

Certain issues of debt instruments by NFI benefit from a guarantee given by Nestlé S.A. - Nestlé S.A.'s senior long term debt obligations have been rated AA (stable) by Standard & Poor's and Aa1 (stable) by Moody's Investors Services, Inc. Nestlé S.A. may be subject to ratings downgrades by Standard & Poor's or Moody's Investors Services, Inc. Any such downgrade could harm its ability to obtain financing or increase its financing costs and could have a material adverse effect on the price of debt instruments issued by NFI.

Currency Fluctuations

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

Interest Rate Risk

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

Liquidity Risk

NFI raises finance by the issuance of term debt instruments, principally in the capital markets.

Therefore, NFI depends on broad access to these capital markets and investors. Changes in demand for term debt instruments on capital markets could limit the ability of NFI to fund other members of the Nestlé Group.

The Nestlé Group also uses committed and uncommitted credit lines with banks and bank loans to cover liquidity needs. In this context NFI depends on the willingness of banks to provide credit lines or loans. Due to structural changes in the banking business, the willingness of banks to provide credit lines and loans has declined over the past years. In order to reduce and minimize the dependence on banks, NFI has taken measures to maintain the access to capital markets.

Risk of an increase in cost of capital

Increases in the cost of borrowing could negatively affect the operating results of NFI. Increases in borrowing costs could arise from changes in demand for term debt instruments on capital markets, the removal of the unconditional and irrevocable guarantee of Nestlé S.A. and a decreasing willingness of banks to provide credit lines and loans.

Treasury operations

In the course of its business, the Nestlé Group, including NFI, has substantial assets under management. Although the Nestlé Group has implemented risk management methods, including approved guidelines and financial policies to mitigate and control such risks, as a result of holding such assets, it is exposed to default risk, interest rate risk, foreign exchange risk and credit spreads. Returns on such assets may also be affected by limited exposure to yield enhancing absolute return funds. In addition, adverse changes in the credit quality of counterparties or a general deterioration in economic conditions or arising from systemic risks in the financial systems could affect the value of those assets.

10. Contingent assets and liabilities

NFI is not exposed to any material contingent liabilities.

11. Events or transactions in the interim period

NFI formerly a corporation (*société anonyme*) organised under the laws of France which was formed in 1930, moved its registered office from France to Luxembourg on 29 February 2008 and changed its name from "Nestlé Finance France S.A." to "Nestlé Finance International Ltd." on the same date. NFI remains the same legal entity as Nestlé Finance France S.A., although it is now a public limited company (*société anonyme*) organised under the laws of Luxembourg.

NFI is now subject to the Luxembourg corporate tax rate.

12. Events after the balance sheet date

There has been no significant event after the balance sheet date.

3. Responsibility Statement

Marina Vanderveken-Verhulst, Director, Saskia Deknock, Director and Shahriar Kabir, Chief Accountant confirm that to the best of their knowledge:

(a) the financial statements, which have been prepared in accordance with IAS 34, give a true and fair view of the assets, liabilities, financial position and profit or loss of NFI as required by DTR 4.2.4; and

(b) the interim management report includes a fair review of the information required by DTR 4.2.7.

29 August 2008